2020-2021 Budget of the Commonwealth

Andy Besheer
GOVERNOR

John Hicks
STATE BUDGET DIRECTOR

Appropriations and Revenue Bills
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Executive Branch

House Bill 352
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AN ACT relating to appropriations measures providing funding and establishing conditions for the operations, maintenance, support, and functioning of the government of the Commonwealth of Kentucky and its various officers, cabinets, departments, boards, commissions, institutions, subdivisions, agencies, and other state-supported activities.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. The State/Executive Branch Budget is as follows:

PART I

OPERATING BUDGET

(1) Funds Appropriations: Notwithstanding KRS 48.110, 48.120(4), 48.300, and any other statute to the contrary, there is appropriated out of the General Fund, Road Fund, Restricted Funds accounts, Federal Funds accounts, or Bond Funds accounts for the fiscal year beginning July 1, 2019, and ending June 30, 2020, and for the fiscal year beginning July 1, 2020, and ending June 30, 2021, the following discrete sums, or so much thereof as may be necessary. Appropriated funds are included pursuant to KRS 48.700 and 48.710. Each appropriation is made by source of respective fund or funds accounts. Appropriations for the following officers, cabinets, departments, boards, commissions, institutions, subdivisions, agencies, and budget units of the state government, and any and all other activities of the government of the Commonwealth, are subject to the provisions of Chapters 12, 42, 45, and 48 of the Kentucky Revised Statutes and compliance with the conditions and procedures set forth in this Act.

(2) Tobacco Settlement Funds: Appropriations identified as General Fund (Tobacco) in Part I, Operating Budget, of this Act are representative of the amounts provided in Part X, Phase I Tobacco Settlement, of this Act and are not to be appropriated in duplication.

A. GENERAL GOVERNMENT

Budget Units
1. OFFICE OF THE GOVERNOR

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<th>2020-21</th>
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<tr>
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<tr>
<td>Federal Funds</td>
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<td>TOTAL</td>
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(1) **Salary Increment:** Notwithstanding KRS 64.480(2), no increment is provided on the base salary or wages of the Lieutenant Governor of the Commonwealth.

Notwithstanding KRS 64.480(4), no increment is provided on the base salary or wages of the Governor of the Commonwealth.

2. OFFICE OF STATE BUDGET DIRECTOR

<table>
<thead>
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(1) **Participation in Transparent Governing - Full Disclosure of Inmate Population Forecasts and Related Materials:** The Office of State Budget Director shall provide the methodology, assumptions, data, and all other related materials used to project biennial offender population forecasts conducted by the Office of State Budget Director, the Kentucky Department of Corrections, and any consulting firms, to the Interim Joint Committee on Appropriations and Revenue by November 1, 2021. This submission shall include but not be limited to the projected state, county, and community offender populations for the 2022-2024 fiscal biennium and must coincide with the budgeted amount for these populations. This submission shall clearly divulge the methodology and reasoning behind the budgeted and projected offender population in a commitment to participate in transparent governing.

(2) **Participation in Transparent Governing - Calculating Avoided Costs**
Relating to Legislative Action: The Office of State Budget Director shall provide the methodology, assumptions, data, and all other related materials used to calculate any avoided costs pursuant to the implementation of 2011 Ky. Acts ch. 2 by November 1, 2021. This submission shall clearly divulge the methodology and reasoning behind the projected costs avoided in a commitment to participate in transparent governing.

(3) Facilities Security Reimbursement Report: It is the intent of the General Assembly to increase the existing reimbursement rate for Facilities Security services for state-operated buildings. The Office of State Budget Director shall provide a report to the Interim Joint Committee on Appropriations and Revenue detailing the anticipated costs of increasing the existing Facilities Security rate to $36 per hour for every participating state-operated building by September 1, 2020.

3. HOMELAND SECURITY

<table>
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<td>Federal Funds</td>
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<td>Road Fund</td>
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4. DEPARTMENT OF VETERANS' AFFAIRS

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<td>97,638,400</td>
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(1) Weekend and Holiday Premium Pay Incentive: The Kentucky Veterans Centers are authorized to continue the weekend and holiday premium pay incentive for the 2020-2022 fiscal biennium.

(2) Congressional Medal of Honor Recipients - Travel and Per Diem: The
Commissioner of the Department of Veterans' Affairs may approve travel and per diem expenses incurred when Kentucky residents who have been awarded the Congressional Medal of Honor attend veterans, military, or memorial events in the Commonwealth of Kentucky.

(3) Debt Service - Bowling Green Veterans' Center: If any debt service is required for the issuance of bonds for the Construct Bowling Green Veterans' Center capital project authorized in Part II, Capital Projects Budget, of this Act, it shall be deemed a necessary government expense and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705). No bonds shall be sold for this project until it has been approved by the United States Department of Veterans Affairs and the Commonwealth has been notified by the United States Department of Veterans Affairs that Federal Funds are available to support this construction.

(4) State Veterans Nursing Home: With the exception of the Bowling Green Veterans Center construction project, all state veterans' nursing homes must meet a combined 80 percent bed occupancy rate before any future projects will be considered. Once the 80 percent threshold has been met, it is the intent of the General Assembly that any future beds allocated from the United States Department of Veterans Affairs or reallocated from the Kentucky Department of Veterans' Affairs be dedicated to a state veterans nursing home in Magoffin County to serve that area.

(5) Brain Injury Alliance of Kentucky and the Epilepsy Foundation of Kentuckiana Funding: Included in the above General Fund appropriation is $93,700 in fiscal year 2020-2021 for grants to the Brain Injury Alliance of Kentucky and $93,700 in fiscal year 2020-2021 for grants to the Epilepsy Foundation of Kentuckiana to be used solely for the purpose of working with veterans who have experienced brain trauma and their families.

(6) Veterans' Service Organization Funding: Included in the above General
Fund appropriation is $187,500 in fiscal year 2020-2021 for grants to Veterans’ Service Organization programs.

5. GOVERNOR’S OFFICE OF AGRICULTURAL POLICY

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<tr>
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<td>Restricted Funds</td>
<td>100,000</td>
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<tr>
<td>TOTAL</td>
<td>34,694,800</td>
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(1) Tobacco Settlement Funds - Allocations: Notwithstanding KRS 248.711(2), and from the allocation provided therein, counties that are allocated in excess of $20,000 in fiscal year 2020-2021 may provide up to four percent of the individual county allocation, not to exceed $15,000 in fiscal year 2020-2021, to the county council in that county for administrative costs.

(2) Counties Account: Notwithstanding KRS 248.703(1), included in the above General Fund (Tobacco) appropriation is $14,279,200 in fiscal year 2020-2021 for the counties account as specified in KRS 248.703(1)(a).

(3) Directive for Fiscal Year 2018-2019 and Fiscal Year 2019-2020 General Fund (Tobacco) Appropriations: Any remaining uncommitted or unobligated funds from the $13,000,000 General Fund (Tobacco) appropriated in the 2018-2020 fiscal biennium to the Governor’s Office of Agricultural Policy for use by the State Fair Board shall not be approved by the Agricultural Development Board for any other project until appropriated by the General Assembly.

6. KENTUCKY INFRASTRUCTURE AUTHORITY

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<td>Federal Funds</td>
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<td>TOTAL</td>
<td>63,593,000</td>
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</table>
(1) Debt Service: Included in the above General Fund appropriation is $344,500 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

7. MILITARY AFFAIRS

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(1) Kentucky National Guard: Included in the above General Fund appropriation is $4,500,000 in fiscal year 2020-2021 to be expended, subject to the conditions and procedures provided in this Act, which are required as a result of the Governor's declaration of emergency pursuant to KRS Chapter 39A, and the Governor's call of the Kentucky National Guard to active duty when an emergency or exigent situation has been declared to exist by the Governor. Any portion of the $4,500,000 not expended shall lapse to the General Fund at the end of the fiscal year. In the event that costs for Governor-declared emergencies or the Governor’s call of the Kentucky National Guard for emergencies or exigent situations exceed $4,500,000 annually, the costs shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(2) Disaster or Emergency Aid Funds: There is appropriated from the General Fund the necessary funds, subject to the conditions and procedures in this Act, which are required to match federal aid for which the state would be eligible in the event of a presidentially declared disaster or emergency. These necessary funds shall be made available from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).
(3) Residential Youth-at-Risk Program: Included in the above General Fund appropriation is $335,000 in fiscal year 2020-2021 to support the Bluegrass Challenge Academy and $335,000 in fiscal year 2020-2021 to support the Appalachian Challenge Academy.

8. COMMISSION ON HUMAN RIGHTS

<table>
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<td>Federal Funds</td>
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<tr>
<td>TOTAL</td>
<td>2,181,600</td>
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</table>

9. COMMISSION ON WOMEN

(1) Redistribution of Resources: Notwithstanding KRS 12.020, 12.023, 14.260, 15A.190, 214.554, and 344.510 to 344.530, no General Fund appropriation is provided for the Commission on Women in order to provide additional funding for Domestic Violence Shelters, Rape Crisis Centers, and Children's Advocacy Centers.

10. DEPARTMENT FOR LOCAL GOVERNMENT

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<thead>
<tr>
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<td>Federal Funds</td>
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<td>TOTAL</td>
<td>56,531,500</td>
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(1) Area Development District Funding: Included in the above General Fund appropriation is $1,984,000 in fiscal year 2020-2021 for the Joint Funding Administration Program in support of the area development districts.

(2) Mary Kendall Homes and Gateway Juvenile Diversion: Included in the above General Fund appropriation is $257,800 in fiscal year 2020-2021 for the support of the Mary Kendall Homes and $257,800 in fiscal year 2020-2021 for the support of
(3) **Allocation of Area Development District Funding:** The Department for Local Government shall allocate area development district funding appropriated to the Joint Funding Administration Program to the area development districts in accordance with the following formula:

(a) Seventy percent of the total appropriation shall be allocated equally among all area development districts;

(b) Twenty percent of the total appropriation shall be allocated based upon each area development district's proportionate share of total state population, as identified by the 2010 United States Census; and

(c) Ten percent of the total appropriation shall be allocated based upon each area development district's proportionate share of total incorporated cities and counties, as identified by the records of the Kentucky Secretary of State's Land Office at the time of the allocation.

The Department for Local Government shall, upon the unanimous written direction of all area development districts, reduce the allocation based upon proportionate share of total incorporated cities and counties and instead allocate those funds to provide additional nonfederal dollars to area development districts for the purpose of maximizing federal awards.

**11. LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

<table>
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<td>21,830,900</td>
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(1) **Allocation of the Local Government Economic Assistance Fund:** Notwithstanding KRS 42.470(1)(a), 70 percent of moneys in the Local Government Economic Assistance Fund shall be distributed to each coal producing county on the basis of the ratio of coal severed in each respective county to the coal severed statewide. Notwithstanding KRS 42.470(1)(c), no allocation shall be distributed to non-coal
producing counties.

(2) **Coal Haul Road System:** Notwithstanding KRS 42.455(2), no funds appropriated to the Local Government Economic Assistance Fund are required to be spent on the coal haul road system.

12. **LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

<table>
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<tbody>
<tr>
<td>General Fund</td>
<td>12,814,300</td>
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</table>

(1) **Coal Severance Tax Transfers:** Notwithstanding KRS 42.450 to 42.495, 70 percent of the severance and processing taxes on coal collected annually, except items described in subsection (2) below, shall be transferred to the Local Government Economic Development Fund. Notwithstanding KRS 42.450 to 42.495, 30 percent of the severance and processing taxes on coal collected annually, except items described in subsection (2) below, shall be transferred to the Local Government Economic Assistance Fund. Transfers to the Local Government Economic Development Fund and the Local Government Economic Assistance Fund shall be made quarterly, based upon the revenue estimates prevailing at the time each quarterly transfer is due, except the last quarterly transfer shall be made after the close of the fiscal year accounting records, and shall be adjusted to provide the balance of the annual transfer required by this subsection.

(2) **Coal Severance Tax Collections Calculations and Transfers:** The above appropriations from the General Fund are based on the official estimate presented by the Office of State Budget Director of $46,186,400 in fiscal year 2020-2021. Notwithstanding KRS 42.450 to 42.495, coal severance tax collections during fiscal year 2020-2021 shall first be allocated to the following programs or purposes on a quarterly basis:

(a) Department for Local Government: An annual appropriation of $669,700 in fiscal year 2020-2021 is appropriated as General Fund moneys to the Department for Local Government budget unit for Local Government Economic Development Fund and
Local Government Economic Assistance Fund project administration costs;


(c) Osteopathic Medicine Scholarship Program: Notwithstanding KRS 164.7891(11)(b), no transfers shall be made to the Osteopathic Medicine Scholarship Program within the Kentucky Higher Education Assistance Authority;

(d) Pharmacy Scholarships: Notwithstanding KRS 164.7890(11)(c), no transfers shall be made to the Coal County Pharmacy Scholarship Program within the Kentucky Higher Education Assistance Authority;

(e) Kentucky Coal Fields Endowment Authority: Notwithstanding KRS 42.453(3), no transfers shall be made to the Kentucky Coal Field Endowment Authority; and

(f) General Fund: A transfer of $1,000,000 to the General Fund in fiscal year 2020-2021.

(3) Allocation of the Local Government Economic Development Fund:

Notwithstanding KRS 42.4592(1), 50 percent of Local Government Economic Development Fund moneys shall be allocated in accordance with KRS 42.4592(1)(a), and 50 percent shall be allocated in accordance with KRS 42.4592(1)(b).

(4) Use of the Local Government Economic Development Fund:

Notwithstanding KRS 42.450 to 42.495, all funds appropriated to Local Government Economic Development Fund Single-County Accounts shall be allocated to projects with the concurrence of the respective county judge/executive, state senator(s), and state representative(s) of each county. If concurrence is not achieved, the fiscal court of each county may apply for grants through the Department for Local Government pursuant to KRS 42.4588.
13. AREA DEVELOPMENT FUND

(1) Area Development Fund: Notwithstanding KRS 42.345 to 42.370 and 48.185, or any statute to the contrary, no funding is provided for the Area Development Fund.

(2) Area Development District Flexibility: Notwithstanding KRS 42.350(2) and provided that sufficient funds are maintained in the Joint Funding Agreement program to meet the match requirements for the Economic Development Administration grants, Community Development Block Grants, Appalachian Regional Commission grants, or any federal program where the Joint Funding Agreement funds are utilized to meet nonfederal match requirements, an area development district with authorization from its Board of Directors may request approval to transfer funding between the Area Development Fund and the Joint Funding Agreement Program from the Commissioner of the Department for Local Government.

14. REGIONAL DEVELOPMENT AGENCY ASSISTANCE FUND

<table>
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<tr>
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<tbody>
<tr>
<td>Restricted Funds</td>
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15. EXECUTIVE BRANCH ETHICS COMMISSION

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<tr>
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<tr>
<td>TOTAL</td>
<td>981,600</td>
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</table>

(1) Use of Restricted Funds: All penalties collected or received by the Executive Branch Ethics Commission shall be deposited in the State Treasury and credited to a trust and agency fund account to the credit of the Commission to be used by the Commission for the cost of conducting administrative hearings pursuant to KRS Chapter 13B. Notwithstanding KRS 45.229, these funds shall not lapse and shall carry forward.
16. SECRETARY OF STATE

<table>
<thead>
<tr>
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<tr>
<td>TOTAL</td>
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</tbody>
</table>

(1) **Use of Restricted Funds:** Notwithstanding KRS 14.140(1) and (3), the above Restricted Funds may be used for the continuation of current activities within the Office of the Secretary of State.

(2) **Salary Increment:** Notwithstanding KRS 64.480(2), no increment is provided on the base salary or wages of the Secretary of State.

17. BOARD OF ELECTIONS

<table>
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<td>Restricted Funds</td>
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<tr>
<td>TOTAL</td>
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(1) **Cost of Elections:** Costs associated with special elections, KRS 117.345(2) costs associated with additional precincts with a voting machine, KRS 117.343 costs for additional registered voters, and KRS 116.145 costs for additional new registered voters shall be deemed a necessary government expense and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705). Any reimbursements authorized as a necessary government expense according to the above provisions shall be at the same rates as those established by the State Board of Elections.

18. REGISTRY OF ELECTION FINANCE

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19. ATTORNEY GENERAL

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<th>2021-22</th>
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</tr>
<tr>
<td>Federal Funds</td>
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<tr>
<td><strong>TOTAL</strong></td>
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</table>

1. **State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of $150,000 of the Tobacco Settlement payments received in fiscal year 2020-2021 is appropriated to the Attorney General for the state’s diligent enforcement of noncompliant nonparticipating manufacturers.

2. **Expert Witnesses:** In addition to such funds as may be appropriated, the Office of the Attorney General may request from the Finance and Administration Cabinet, as a necessary government expense, such funds as may be necessary for expert witnesses. Upon justification of the request, the Finance and Administration Cabinet shall provide up to $137,500 in fiscal year 2020-2021 for this purpose to the Office of the Attorney General from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705). Without charge, the Department of Insurance shall provide the Office of the Attorney General any available information to assist in the preparation of a rate hearing pursuant to KRS 304.17A-095. Expenditures under this subsection shall be reported to the Interim Joint Committee on Appropriations and Revenue by August 1 of each year.

3. **Annual and Sick Leave Service Credit:** Notwithstanding any statutory or regulatory restrictions to the contrary, any former employee of the Unified Prosecutorial System who has been appointed to a permanent full-time position under KRS Chapter 18A shall be credited annual and sick leave based on service credited under the Kentucky Retirement Systems solely for the purpose of computation of sick and annual leave. This
provision shall only apply to any new appointment or current employee as of July 1, 1998.

(4) **Compensatory Leave Conversion to Sick Leave:** If the Office of the Attorney General determines that internal budgetary pressures warrant further austerity measures, the Attorney General may institute a policy to suspend payment of 50-hour blocks of compensatory time for those attorneys who have accumulated 240 hours of compensatory time and instead convert those hours to sick leave.

(5) **Operations of the Office of the Attorney General:** Notwithstanding KRS 367.478(2), 367.805(3), and 367.905(5), funds may be expended in support of the operations of the Office of the Attorney General.

(6) **Purdue Pharma Settlement Funds:** In fiscal year 2020-2021, the Attorney General shall transfer $1,500,000 of any lawfully received settlement funds resulting from Commonwealth of Kentucky, ex rel. v. Purdue Pharma, et al., Civil Action No: 07-CI-01303 to the Justice Administration budget unit for Operation UNITE.

(7) **Salary Increment:** Notwithstanding KRS 64.480(2), no increment is provided on the base salary or wages of the Attorney General.

(8) **Legal Services Contracts:** The Office of the Attorney General may present proposals to state agencies specifying legal work that is presently accomplished through personal service contracts that indicate the Office of the Attorney General's capacity to perform the work at a lesser cost. State agencies may agree to make arrangements with the Office of the Attorney General to perform the legal work and compensate the Office of the Attorney General for the legal services.

(9) **Debt Service:** Included in the above General Fund appropriation is $127,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(10) **Electronic Crimes Laboratories:** The Attorney General and the Commissioner of the Kentucky State Police shall work collaboratively to identify a
pathway for consolidation of the Commonwealth’s electronic crimes laboratories.

20. UNIFIED PROSECUTORIAL SYSTEM

(1) Prosecutors Advisory Council Administrative Functions: The Prosecutors Advisory Council shall approve compensation for employees of the Unified Prosecutorial System subject to the appropriations in this Act.

(2) Employment Salary Scale: The Prosecutors Advisory Council shall develop a proposed salary scale for the employees of the Unified Prosecutorial System. Among the criteria that the proposal may include are pay differential and locality pay. The proposal shall also establish part-time positions as hourly or by one-quarter or one-half of a full-time equivalent. The Council shall finalize and submit the proposed salary scale to the Interim Joint Committee on Appropriations and Revenue by August 1, 2020. The salary scale shall not be implemented until approved by the General Assembly.

a. Commonwealth's Attorneys

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
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</tr>
<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>67,288,100</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Rocket Docket Program: Included in the above General Fund appropriation is $387,700 in fiscal year 2020-2021 to support the Rocket Docket Program.

(2) Salary Increment: Notwithstanding KRS 15.755(7), no increment is provided in fiscal year 2020-2021 on the base salary or wages of each eligible Commonwealth's Attorney.

b. County Attorneys

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
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<tr>
<td>Restricted Funds</td>
<td>958,400</td>
<td>-0-</td>
</tr>
</tbody>
</table>
1 Federal Funds 1,025,200 0-
2 TOTAL 55,502,100 0-

(1) **Salary Increment:** Notwithstanding KRS 15.765(3), no increment is provided in fiscal year 2020-2021 on the base salary or wages of each eligible County Attorney.

(2) **Rocket Docket Program:** Included in the above General Fund appropriation is $549,800 in fiscal year 2020-2021 to support the Rocket Docket Program.

(3) **County Attorneys Expense Allowance:** Notwithstanding KRS 15.765(2), each County Attorney shall receive a monthly expense allowance of $400, payable out of the State Treasury for the 2020-2022 fiscal biennium.

**TOTAL - UNIFIED PROSECUTORIAL SYSTEM**

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
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<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
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<td>TOTAL</td>
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**21. TREASURY**

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<tr>
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<th>2021-22</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
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</tr>
<tr>
<td>General Fund</td>
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</tr>
<tr>
<td>Restricted Funds</td>
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</tr>
<tr>
<td>Federal Funds</td>
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<tr>
<td>Road Fund</td>
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<tr>
<td>TOTAL</td>
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<td>0-</td>
</tr>
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</table>

(1) **Unclaimed Property Fund:** Included in the above Restricted Funds appropriation is $1,851,200 in fiscal year 2020-2021 from the Unclaimed Property Fund to provide funding for services performed by the Unclaimed Property Division of the Department of the Treasury.
(2) **Salary Increment:** Notwithstanding KRS 64.480(2), no increment is provided on the base salary or wages of the State Treasurer.

### 22. AGRICULTURE

<table>
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<tr>
<th></th>
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<tbody>
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<td>Federal Funds</td>
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<td>TOTAL</td>
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</tbody>
</table>

(1) **Use of Restricted Funds:** Notwithstanding KRS 217.570 and 217B.580, funds may be expended in support of the operations of the Department of Agriculture.

(2) **Farms to Food Banks:** Included in the above General Fund (Tobacco) appropriation is $500,000 in fiscal year 2020-2021 to support the Farms to Food Banks Program. The use of the moneys provided by this appropriation shall be restricted to purchases of Kentucky-grown produce from Kentucky farmers who participate in the Farms to Food Banks Program.

(3) **Salary Increment:** Notwithstanding KRS 64.480(2), no increment is provided on the base salary or wages of the Commissioner of Agriculture.

(4) **County Fair Grants:** Included in the above General Fund appropriation is $300,000 in fiscal year 2020-2021 to support capital improvement grants to the Local Agricultural Fair Aid Program.

(5) **Kentucky Grape and Wine Council:** Notwithstanding KRS 260.175(2), no General Fund is provided for the Kentucky Small Farm Wineries Support Fund for use by the Kentucky Grape and Wine Council.

### 23. AUDITOR OF PUBLIC ACCOUNTS

<table>
<thead>
<tr>
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<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>7,787,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>
(1) **Auditor's Scholarships:** Notwithstanding KRS 43.200, no funding is provided for Auditor's scholarships.

(2) **Audit Services Contracts:** No state agency shall enter into any contract with a nongovernmental entity for audit services unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within 30 days of receipt of a written request for such services. The agency’s request for audit services shall include a comprehensive statement of the scope and nature of the proposed audit.

(3) **Compensatory Leave Conversion to Sick Leave:** If the Auditor of Public Accounts determines that internal budgetary pressures warrant further austerity measures, the State Auditor may institute a policy to suspend payment of 50-hour blocks of compensatory time for those employees who have accumulated 240 hours of compensatory time and instead convert those hours to sick leave.

(4) **Salary Increment:** Notwithstanding KRS 64.480(2), no increment is provided on the base salary or wages of the Auditor of Public Accounts.

### 24. PERSONNEL BOARD

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
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<tbody>
<tr>
<td>Restricted Funds</td>
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</table>

### 25. KENTUCKY RETIREMENT SYSTEMS

<table>
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<td>Restricted Funds</td>
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<tr>
<td>TOTAL</td>
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</table>

(1) **State Police Retirement System Pension Fund:** Included in the above General Fund appropriation is $384,000 in fiscal year 2020-2021 to be applied to the unfunded pension liability of the State Police Retirement System pension fund.
<table>
<thead>
<tr>
<th></th>
<th>OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS</th>
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<tbody>
<tr>
<td>1</td>
<td>a. Accountancy</td>
</tr>
<tr>
<td>2</td>
<td><strong>2020-21</strong>  2021-22</td>
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<tr>
<td>3</td>
<td>Restricted Funds</td>
</tr>
<tr>
<td>4</td>
<td>673,300 -0-</td>
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<tr>
<td>5</td>
<td>b. Certification of Alcohol and Drug Counselors</td>
</tr>
<tr>
<td>6</td>
<td><strong>2020-21</strong>  2021-22</td>
</tr>
<tr>
<td>7</td>
<td>Restricted Funds</td>
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<tr>
<td>8</td>
<td>180,200 -0-</td>
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<tr>
<td>9</td>
<td>c. Applied Behavior Analysis Licensing</td>
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<tr>
<td>10</td>
<td><strong>2020-21</strong>  2021-22</td>
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<td>11</td>
<td>Restricted Funds</td>
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<tr>
<td>12</td>
<td>39,600 -0-</td>
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<tr>
<td>13</td>
<td>d. Architects</td>
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<td>16</td>
<td>474,500 -0-</td>
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<td>17</td>
<td>e. Certification for Professional Art Therapists</td>
</tr>
<tr>
<td>18</td>
<td><strong>2020-21</strong>  2021-22</td>
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<tr>
<td>19</td>
<td>Restricted Funds</td>
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<tr>
<td>20</td>
<td>11,200 -0-</td>
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<tr>
<td>21</td>
<td>f. Barbering</td>
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<tr>
<td>22</td>
<td><strong>2020-21</strong>  2021-22</td>
</tr>
<tr>
<td>23</td>
<td>Restricted Funds</td>
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<tr>
<td>24</td>
<td>465,400 -0-</td>
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<td>25</td>
<td>g. Chiropractic Examiners</td>
</tr>
<tr>
<td>26</td>
<td><strong>2020-21</strong>  2021-22</td>
</tr>
<tr>
<td>27</td>
<td>Restricted Funds</td>
</tr>
<tr>
<td>28</td>
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<tr>
<td>29</td>
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<td>939,600 -0-</td>
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<tr>
<td>33</td>
<td>i. Licensed Diabetes Educators</td>
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<tr>
<td>34</td>
<td><strong>2020-21</strong>  2021-22</td>
</tr>
<tr>
<td>35</td>
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</tr>
<tr>
<td>1</td>
<td>Restricted Funds</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>2</td>
<td>j. Licensure and Certification for Dietitians and Nutritionists</td>
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<tr>
<td>3</td>
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</tr>
<tr>
<td>4</td>
<td>k. Embalmers and Funeral Directors</td>
</tr>
<tr>
<td>5</td>
<td>Restricted Funds</td>
</tr>
<tr>
<td>6</td>
<td>l. Licensure for Professional Engineers and Land Surveyors</td>
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<tr>
<td>7</td>
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</tr>
<tr>
<td>8</td>
<td>m. Certification of Fee-Based Pastoral Counselors</td>
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<td>n. Registration for Professional Geologists</td>
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<td>12</td>
<td>o. Hairdressers and Cosmetologists</td>
</tr>
<tr>
<td>13</td>
<td>Restricted Funds</td>
</tr>
<tr>
<td>14</td>
<td>p. Specialists in Hearing Instruments</td>
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<tr>
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<td>q. Interpreters for the Deaf and Hard of Hearing</td>
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<td>18</td>
<td>r. Examiners and Registration of Landscape Architects</td>
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<tr>
<td></td>
<td>Category</td>
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<tr>
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<td>Restricted Funds</td>
</tr>
<tr>
<td>2</td>
<td>Licensure of Marriage and Family Therapists</td>
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<td>Medical Imaging and Radiation Therapy</td>
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<td>8</td>
<td>Medical Licensure</td>
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<td>10</td>
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<td>Restricted Funds</td>
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<td>Licensure for Nursing Home Administrators</td>
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<td>Licensure for Occupational Therapy</td>
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<td>Ophthalmic Dispensers</td>
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<td>18</td>
<td>Optometric Examiners</td>
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<tr>
<td>19</td>
<td>Restricted Funds</td>
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</tbody>
</table>

The document contains detailed information on various licensure programs for different professions, including the amounts allocated for each category for the years 2020-21 and 2021-22. The table lists each program with its associated funding amount and years.
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Restricted Funds</td>
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<tr>
<td>2</td>
<td><strong>ab. Pharmacy</strong></td>
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<td>3</td>
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<td>Restricted Funds</td>
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<td>5</td>
<td><strong>ac. Physical Therapy</strong></td>
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<td></td>
</tr>
<tr>
<td>7</td>
<td>Restricted Funds</td>
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</tr>
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<td>8</td>
<td><strong>ad. Podiatry</strong></td>
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<td><strong>af. Licensed Professional Counselors</strong></td>
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<td>16</td>
<td>Restricted Funds</td>
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</tr>
<tr>
<td>17</td>
<td><strong>ag. Prosthetics, Orthotics, and Pedorthics</strong></td>
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<td>18</td>
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<td></td>
</tr>
<tr>
<td>19</td>
<td>Restricted Funds</td>
<td>46,200</td>
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</tr>
<tr>
<td>20</td>
<td><strong>ah. Examiners of Psychology</strong></td>
<td></td>
<td></td>
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<tr>
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<td>22</td>
<td>Restricted Funds</td>
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<td>23</td>
<td><strong>ai. Respiratory Care</strong></td>
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<td>24</td>
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<td>25</td>
<td>Restricted Funds</td>
<td>251,900</td>
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<tr>
<td>26</td>
<td><strong>aj. Social Work</strong></td>
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<tr>
<td>27</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2020 RS HB 352/VO

1. Restricted Funds 370,600 -0-
2. ak. Speech-Language Pathology and Audiology
3. 2020-21 2021-22
4. Restricted Funds 222,900 -0-
5. al. Veterinary Examiners
6. 2020-21 2021-22
7. Restricted Funds 275,000 -0-
8. TOTAL - OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS
9. 2020-21 2021-22
10. Restricted Funds 26,750,800 -0-
11. 27. KENTUCKY RIVER AUTHORITY
12. 2020-21 2021-22
13. General Fund 288,500 -0-
14. Restricted Funds 7,686,600 -0-
15. TOTAL 7,975,100 -0-
16. 28. SCHOOL FACILITIES CONSTRUCTION COMMISSION
17. 2020-21 2021-22
18. General Fund 125,243,600 -0-
19. (1) Debt Service: Included in the above General Fund appropriation is $2,946,900 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.
20. (2) Additional Offers of Assistance: Notwithstanding KRS 157.611 to 157.665, the School Facilities Construction Commission is authorized to make an additional $58,000,000 in offers of assistance during the 2020-2022 biennium in anticipation of debt service availability during the 2022-2024 biennium. No bonded indebtedness based on the above amount is to be incurred during the 2020-2022 biennium.
(3) Urgent Needs School Assistance - 2020-2022: Notwithstanding KRS 157.611 to 157.665, the School Facilities Construction Commission is authorized to make additional offers of assistance in the specified amounts in fiscal year 2020-2021 to the following local school districts:

(a) Not more than $19,784,500 to Mason County Schools for Mason County Middle School;

(b) Not more than $12,931,700 to Lewis County Schools for Garrison Elementary School;

(c) Not more than $7,527,100 to Rowan County Schools for Clearfield Elementary School; and

(d) Not more than $7,283,700 to Green County Schools for Green County High School.

These schools are designated as the four schools ranked highest on the Kentucky Facilities Inventory and Classification System report as of February 27, 2020, that are A1 schools, are ranked as a Priority 1 or 2 on the local school district's facility plan, and have levied a ten-cent equivalent tax dedicated to capital improvements but remain unable to cash fund or to sufficiently support the required annual debt service for replacement or renovation of the school. The amounts stated represent the difference between the cost to replace or renovate the designated facility and the amount of available local resources.

The School Facilities Construction Commission shall make offers of assistance to each local school district up to the amount authorized for that local school district only upon the written authorization of the Commissioner of Education or his or her designee and documentation of the project cost, but in no case shall any district receive an additional offer of assistance greater than that authorized in this subsection.

29. TEACHERS' RETIREMENT SYSTEM

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>781,620,000</td>
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</tbody>
</table>

Page 24 of 180
1 Restricted Funds 16,100,300 -0-
2 TOTAL 797,720,300 -0-

(1) **Debt Service:** Included in the above General Fund appropriation is $51,660,000 in fiscal year 2020-2021 for debt service on previously issued bonds.

(2) **Dependent Subsidy for All Retirees under age 65:** Pursuant to KRS 161.675(4), health insurance supplement payments made by the retirement system shall not exceed the amount of the single coverage insurance premium. Notwithstanding KRS 161.675(4), for all retirees under the age of 65 who participate in the Kentucky Group Health Insurance Program through the Kentucky Teachers' Retirement System and for Plan Year 2020 only, the Kentucky Teachers' Retirement System Board of Trustees may continue to pay from the Medical Insurance Fund one-third of the costs of the dependent subsidy. No General Fund appropriation shall be expended to pay one-third of the costs of the dependent subsidy. The dependent subsidy is not subject to KRS 161.714.

(3) **Retiree Health Insurance:** Pursuant to KRS 161.550(2)(b) and notwithstanding any statute to the contrary, included in the above General Fund appropriation is $61,700,000 in fiscal year 2020-2021 to support the state's contribution for the cost of retiree health insurance for members not eligible for Medicare who have retired on or after July 1, 2010. Notwithstanding KRS 161.675, the Teachers' Retirement System Board of Trustees shall provide health insurance supplement payments towards the cost of the single coverage insurance premium based on age and years of service credit of eligible recipients of a retirement allowance, the cost of which shall be paid from the Medical Insurance Fund. Notwithstanding KRS 161.675, the Teachers' Retirement System Board of Trustees shall authorize eligible recipients of a retirement allowance from the Teachers' Retirement System who are less than age 65 to be included in the state-sponsored health insurance plan that is provided to active teachers and state employees under KRS 18A.225. Notwithstanding KRS 161.675(4)(a), the contribution paid by retirees who are less than age 65 who qualify for the maximum health insurance
supplement payment for single coverage shall be no more than the sum of (a) the
employee contribution paid by active teachers and state employees for a similar plan, and
(b) the standard Medicare Part B premium as determined by the Centers for Medicare and
Medicaid Services. Notwithstanding KRS 161.675(4)(a), the contribution paid by retirees
who are less than age 65 who do not qualify for the maximum health insurance
supplement payment for single coverage shall be determined by the same graduated
formula used by the Teachers' Retirement System for Plan Year 2020.

Notwithstanding KRS 161.420 and 161.550, any General Fund contribution to the
Teachers’ Retirement System medical insurance fund in fiscal year 2020-2021 in excess
of the actuarially determined contribution shall carry forward and be considered the
General Fund contribution for fiscal year 2021-2022. The Teachers’ Retirement System
Board of Trustees shall report the amount carried forward to the Interim Joint Committee
on Appropriations and Revenue by August 1, 2021.

(4) Medical Insurance Fund Employee Contributions: Notwithstanding KRS
161.540(1), the employee contribution to the Medical Insurance Fund shall not be
changed in fiscal year 2020-2021.

30. APPROPRIATIONS NOT OTHERWISE CLASSIFIED

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
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<td>General Fund</td>
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<td>14,526,400</td>
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</table>

(1) Funding Sources for Appropriations Not Otherwise Classified: Funds
required to pay the costs of items included within Appropriations Not Otherwise
Classified are appropriated. Any required expenditure over the above amounts is to be
paid first from the General Fund Surplus Account (KRS 48.700), if available, or from any
available balance in either the Judgments budget unit appropriation or the Budget
Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures
provided in this Act.

The above appropriation is for the payment of Attorney General Expense, Kentucky
Claims Commission Award, Guardian Ad Litem, Prior Year Claims, Unredeemed Checks Refunded, Involuntary Commitments - ICF/MR, Frankfort in Lieu of Taxes, Frankfort Cemetery, Police Officer, Firefighter, and National Guard and Reserve Survivor Benefits, Medical Malpractice Liability Insurance Reimbursement, and Blanket Employee Bonds.

(2) **Repayment of Awards or Judgments:** Funds are appropriated from the General Fund for the repayment of awards or judgments made by the Kentucky Claims Commission against departments, boards, commissions, and other agencies funded with appropriations out of the General Fund. However, awards under $5,000 shall be paid from funds available for the operations of the agency.

(3) **Guardian Ad Litem Fees:** Included in the above appropriation is funding for fees to be paid to each guardian ad litem appointed by the court pursuant to KRS 311.732. The fee shall be fixed by the court and shall not exceed $500.

(4) **Reissuance of Uncashed Checks:** Checks written by the State Treasurer and not cashed within the statutory period may be presented to the State Treasurer for reissuance in accordance with KRS 41.370.

(5) **Police Officer, Firefighter, and Active Duty National Guard and Reserve Survivor Benefits:** Funds are appropriated for payment of benefits for survivors of state and local police officers, firefighters, and active duty National Guard and Reserve members in accordance with KRS 61.315 and for the cost of insurance premiums for firefighters as provided in KRS 95A.070.

31. **JUDGMENTS**

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
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<td>22,500,000</td>
<td>-0-</td>
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</tbody>
</table>

(1) **Known Liabilities Against the Commonwealth:** The above appropriation is for the payment of judgments for known liabilities against the Commonwealth.

(2) **Payment of Judgments and Carry Forward of General Fund**
Appropriation Balance: Notwithstanding KRS 45A.275, the payment of judgments, that exceed the above appropriation, as may be rendered against the Commonwealth by courts and orders of the State Personnel Board and, where applicable, shall be subject to KRS Chapter 45 and shall not be deemed a necessary governmental expense. Notwithstanding KRS 45A.270(1), funds required to pay the costs of items included within the Judgments budget are included in the above appropriation, and amounts required for any award or judgment in excess of the above appropriation shall be paid from appropriations for that department or agency and otherwise paid pursuant to KRS 45A.270(2).

32. KENTUCKY COMMUNICATIONS NETWORK AUTHORITY

<table>
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<tr>
<td><strong>TOTAL</strong></td>
<td>46,253,100</td>
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</table>

(1) Rate Assessments: Notwithstanding KRS 154.15-020, rate assessments charged to state agencies for access to the KentuckyWired broadband network shall not exceed rates currently charged for broadband services to those state agencies in fiscal year 2019-2020.

(2) Availability Payments: Included in the above General Fund appropriation is $22,535,600 in fiscal year 2020-2021 for the network availability payments.

(3) Authority to Sell: Notwithstanding KRS 154.15-020, the Kentucky Communications Network Authority shall have the authority to enter into contracts with public and private entities to carry out its duties and responsibilities, which may include the sale of all or portions of the Commonwealth’s open-access broadband network known as KentuckyWired. A contract or other agreement involving the acquisition or disposition of a property interest by the Commonwealth shall be signed by the Secretary of the Finance and Administration Cabinet. KRS Chapters 45A and 56 may require the Secretary’s signature on other contracts or agreements.
(4) **Contractual Costs:** Included in the above General Fund appropriation is $8,025,800 in fiscal year 2020-2021 for contractual costs.

**TOTAL - GENERAL GOVERNMENT**

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<th>2019-20</th>
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<tr>
<td>Restricted Funds</td>
<td>-0-</td>
<td>333,526,500</td>
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<tr>
<td>Federal Funds</td>
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<tr>
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<tr>
<td>Total</td>
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<td>1,794,495,300</td>
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**B. ECONOMIC DEVELOPMENT CABINET**

**Budget Unit**

1. **ECONOMIC DEVELOPMENT**

<table>
<thead>
<tr>
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<td>Total</td>
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</table>

(1) **Funding for Commercialization and Innovation:** Notwithstanding KRS 154.12-278, interest income earned on the balances in the High-Tech Construction/Investment Pool and loan repayments received by the High-Tech Construction/Investment Pool shall be used to support the Office of Entrepreneurship and are appropriated in addition to amounts appropriated above.

(2) **Lapse and Carry Forward of General Fund Appropriation Balance for Bluegrass State Skills Corporation:** Notwithstanding KRS 45.229, the General Fund appropriation balance for Bluegrass State Skills Corporation training grants for fiscal year 2019-2020 and fiscal year 2020-2021 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 each fiscal year
combined with the additional training grant allotment amounts in each fiscal year of the
2020-2022 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.

(3) **Science and Technology Program:** Notwithstanding KRS 164.6011 to
164.6041 and any other statute to the contrary, the Cabinet for Economic Development
shall have the authority to carry out the provisions of KRS 164.6013 to 164.6041.

(4) **Carry Forward of General Fund Appropriation Balance:** Notwithstanding
KRS 45.229, the General Fund appropriation in fiscal year 2019-2020 and fiscal year
2020-2021 to the Cabinet for Economic Development, Science and Technology Program,
shall not lapse and shall carry forward in the Cabinet for Economic Development.

(5) **Executive Officers' Compensation:** Notwithstanding KRS 154.10-050(2),
any additional executive officers as described in KRS 154.10-050(2) shall not be paid a
salary greater than the salary of the Governor of the Commonwealth.

(6) **Training Grants:** Included in the above General Fund appropriation is
$1,000,000 in fiscal year 2020-2021 for the Bluegrass State Skills Corporation to make
training grants to support manufacturing-related investments. The Corporation shall
utilize these funds for a manufacturer designated by the United States Department of
Commerce, United States Census Bureau North American Industry Classification System
code of 336111, 336112, 336120, or 336211 that employs at least 10,000 full-time
persons at the same facility or at multiple facilities located within the same county to help
offset associated costs of retraining its workforce.

**C. DEPARTMENT OF EDUCATION**

**Budget Units**

1. **SUPPORT EDUCATION EXCELLENCE IN KENTUCKY (SEEK)**
### PROGRAM

| General Fund | 2,973,696,700 | 0- |

1. **Common School Fund Earnings:** Accumulated earnings for the Common School Fund shall be transferred in fiscal year 2020-2021 to the SEEK Program.

2. **Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above General Fund appropriation to the base SEEK Program is intended to provide a base guarantee of $4,000 per student in average daily attendance in fiscal year 2020-2021, as well as to meet the other requirements of KRS 157.360. Notwithstanding KRS 157.360(2), each district’s base funding level shall be adjusted for the number of students demonstrating limited proficiency in English language skills, multiplied by 0.096.

   Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriation for this purpose, except as provided in this Act. The total appropriation for the SEEK Program shall be measured by, or construed as, estimates of the state expenditures required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon the written request of the Commissioner of Education and with the approval of the Governor, may increase the appropriation by such amount as may be available and necessary to meet, to the extent possible, the required expenditures under the cited sections of the Kentucky Revised Statutes, but any increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions, of this Act and KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, allotments to local school districts may be reduced in accordance with KRS 157.430.

(4) **Base SEEK Allotments:** Notwithstanding KRS 157.420(2), included in the above General Fund appropriation is $1,978,539,700 in fiscal year 2020-2021 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriation for this purpose, except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is $214,752,800 in fiscal year 2020-2021 for pupil transportation.

(5) **Tier I Component:** Included in the above General Fund appropriation is $179,738,200 in fiscal year 2020-2021 for the Tier I component as established by KRS 157.440.

(6) **Vocational Transportation:** Included in the above General Fund appropriation is $2,416,900 in fiscal year 2020-2021 for vocational transportation.

(7) **Teachers' Retirement System Employer Match:** Included in the above General Fund appropriation is $425,565,500 in fiscal year 2020-2021 to enable local school districts to provide the employer match for qualified employees.

(8) **Salary Supplements for Nationally Certified Teachers:** Notwithstanding KRS 157.395, included in the above General Fund appropriation is $2,750,000 in fiscal year 2020-2021 for the purpose of providing salary supplements for public school teachers attaining certification by the National Board for Professional Teaching Standards. Notwithstanding KRS 157.395, if the appropriation is insufficient to provide the mandated salary supplement for teachers who have obtained this certification, the Department of Education is authorized to pro rata reduce the supplement.

(9) **SEEK Adjustment Factors:** Funds allocated for the SEEK base and its adjustment factors that are not needed for the base or a particular adjustment factor may be allocated to other adjustment factors, if funds for that adjustment factor are not sufficient.
(10) Facilities Support Program of Kentucky/Equalized Nickel Levies:

Included in the above General Fund appropriation is $93,014,600 in fiscal year 2020-2021 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620.

(11) Growth Levy Equalization Funding: Included in the above General Fund appropriation is $24,430,700 in fiscal year 2020-2021 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620 for districts meeting the eligibility requirements of KRS 157.621(1) and (4). Notwithstanding KRS 157.621(1)(b)2., a school district that imposes the levy authorized by KRS 157.621(1)(b)1. shall be equalized for that levy at 25 percent of the calculated equalization funding in fiscal year 2020-2021, in addition to the equalization funding appropriated in accordance with KRS 157.621(1)(b)2., and all funds for this purpose shall be committed to debt service, new facilities, or major renovations in accordance with KRS 157.440(1)(b). It is the intent of the 2020 General Assembly that any local school district receiving partial equalization under this subsection in fiscal year 2020-2021 shall also be equalized for that levy at 25 percent of the calculated equalization funding in fiscal year 2021-2022, and shall receive full calculated equalization in the 2022-2024 fiscal biennium and thereafter until the earlier of June 30, 2038, or the date the bonds for the local school district supported by this equalization funding are retired.

(12) Retroactive Equalized Facility Funding: Included in the above General Fund appropriation is $34,181,600 in fiscal year 2020-2021 to provide equalized facility funding pursuant to KRS 157.440 and 157.620 to districts meeting the eligibility requirements of KRS 157.621(2) and (4). In addition, a local board of education that levied a tax rate subject to recall by January 1, 2014, in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new facilities, or major renovations of existing facilities shall be eligible for equalization funds from the state at 150 percent of the statewide average per pupil assessment. Revenue to generate the five cent equivalent levy may be obtained from levies on
property, motor vehicles, or the taxes authorized by KRS 160.593 to 160.597, 160.601 to
160.633, and 160.635 to 160.648 if the levy was dedicated to facilities funding at the time
of the levy. The equalization funds shall be used as provided in KRS 157.440(1)(b).
Notwithstanding KRS 157.621(2)(a) and (4), for fiscal year 2020-2021, school districts
that levied the tax rate subject to recall prior to January 1, 2018, shall be equalized at 100
percent of the calculated equalization funding, school districts that levied the tax rate
subject to recall after January 1, 2018, and before January 1, 2020, shall be equalized at
25 percent of the calculated equalization funding, and all funds for this purpose shall be
committed to debt service, new facilities, or major renovations in accordance with KRS
157.440(1)(b). It is the intent of the 2020 General Assembly that any local school district
receiving partial equalization under this subsection in fiscal year 2020-2021 shall also be
equalized for that levy at 25 percent of the calculated equalization funding in fiscal year
2021-2022, and shall receive full calculated equalization in the 2022-2024 fiscal
biennium and thereafter until the earlier of June 30, 2038, or the date the bonds for the
local school district supported by this equalization funding are retired, in accordance with
KRS 157.621(2). Notwithstanding KRS 157.440, 157.621, or any other provision of this
Act, no school district shall be equalized for an equivalent tax rate of more than 15 cents.

(13) Equalized Facility Funding: Included in the above General Fund
appropriation is $9,055,300 in fiscal year 2020-2021 to provide equalized facility funding
pursuant to KRS 157.440 and 157.620 to districts meeting the eligibility requirements of
KRS 157.621(3) and (4). Notwithstanding KRS 157.621(3)(c), a school district meeting
the criteria of KRS 157.621(3)(a) and (b) that did not receive equalization funding in
fiscal year 2019-2020 shall be equalized at 25 percent of the calculated equalization
funding in fiscal year 2020-2021, and all funds for this purpose shall be committed to
debt service, new facilities, or major renovations in accordance with KRS 157.440(1)(b).
In addition, notwithstanding KRS 157.621(1) and (3), a school district that has levied a
two-cent equivalent rate authorized by KRS 157.621(1)(a) and is not receiving state
equalization funding for that levy under KRS 157.621(1)(b), 157.621(3), or any other provision of this Act, shall be equalized at 25 percent of the calculated equalization funding in fiscal year 2020-2021, and all funds for this purpose shall be committed to debt service, new facilities, or major renovations in accordance with KRS 157.440(1)(b).

It is the intent of the 2020 General Assembly that any local school district receiving partial equalization under this subsection in fiscal year 2020-2021 shall also be equalized for that levy at 25 percent of the calculated equalization funding in fiscal year 2021-2022, and shall receive full calculated equalization in the 2022-2024 fiscal biennium and thereafter until the earlier of June 30, 2038, or the date the bonds for the local school district supported by this equalization funding are retired in accordance with KRS 157.621(3).

(14) **BRAC Equalized Facility Funding:** Notwithstanding KRS 157.621(1)(c)2., included in the above General Fund appropriation is $2,318,800 in fiscal year 2020-2021 to provide equalized facility funding to school districts meeting the eligibility requirements of KRS 157.621(1)(c)1. pursuant to KRS 157.440 and 157.620.

(15) **Equalization Funding for Critical Construction Needs Schools:** Included in the above General Fund appropriation is $6,932,600 in fiscal year 2020-2021 to school districts in accordance with KRS 157.621(5).

(16) **Hold-Harmless Guarantee:** A modified hold-harmless guarantee is established in fiscal year 2020-2021 which provides that every local school district shall receive at least the same amount of SEEK state funding per pupil as was received in fiscal year 1991-1992. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, and allotments to local school districts are reduced in accordance with KRS 157.430, allocations to school districts subject to this provision shall not be reduced.

(17) **Residential Youth-at-Risk Programs:** In accordance with KRS 157.360, no funds from the SEEK Program shall be distributed to the programs operated by the
Kentucky Guard Youth Challenge Division of the Department of Military Affairs. Notwithstanding KRS 157.350, 157.360, 157.410, and any other statute to the contrary, any school district providing educational services to students enrolled in programs operated by the Kentucky Guard Youth Challenge Division of the Department of Military Affairs shall be paid for those services solely from the General Fund appropriation in Part I, A., 7. of this Act, and students enrolled in such programs shall not be included in the average daily attendance for purposes of SEEK Program funding.

2. OPERATIONS AND SUPPORT SERVICES

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<td>Restricted Funds</td>
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<td>Federal Funds</td>
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<td>TOTAL</td>
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(1) Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set those employees’ compensation comparable to the competitive market.

(2) Debt Service: Included in the above General Fund appropriation is $959,500 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(3) Blind/Deaf Residential Travel Program: Included in the above General Fund appropriation is $492,300 in fiscal year 2020-2021 for the Blind/Deaf Residential Travel Program.

(4) School Food Services: Included in the above General Fund appropriation is $3,555,900 in fiscal year 2020-2021 for the School Food Services Program.

(5) Advanced Placement and International Baccalaureate Exams:
Notwithstanding KRS 160.348(3), included in the above General Fund appropriation is $1,000,000 in fiscal year 2020-2021 to pay the cost of Advanced Placement and International Baccalaureate examinations for those students who meet the eligibility requirements for free or reduced-price meals.

(6) **Review of the Classification of Primary and Secondary School Buildings:**

Included in the above General Fund appropriation is $600,000 in fiscal year 2020-2021 to implement KRS 157.420(9) and (10). Notwithstanding KRS 45.229, any portion of the $600,000 that has not been expended by the end of fiscal year 2020-2021 shall not lapse and shall carry forward. Notwithstanding KRS 157.420(9) and (10), only schools classified as A1, A2, A3, A4, A5, A6, C2, and D1 shall be included in the evaluation process. Notwithstanding KRS 157.420(9) and (10), the Department of Education may limit the school buildings included in the evaluation process based on the time elapsed since the building's construction or last major renovation as defined in 702 KAR 4:160. The Department of Education shall provide an updated list of school buildings evaluated by the process pursuant to KRS 157.420(9) and (10) to the Legislative Research Commission by October 1, 2021.

(7) **District Facility Plan Modifications:** Notwithstanding any statute to the contrary, a district may modify its district facility plan without convening the local planning committee for the sole purpose of complying with KRS 158.162(3)(d). Any modification shall identify an unmet requirement of KRS 158.162(3)(d) as the highest priority on the modified district facility plan, subject to approval by the local board of education and the Commissioner of Education.

### 3. LEARNING AND RESULTS SERVICES

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<td>Federal Funds</td>
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</table>
(1) **Kentucky Education Technology System:** Notwithstanding KRS 157.650 to 157.665, the School for the Deaf and the School for the Blind shall be fully eligible, along with local school districts, to participate in the Kentucky Education Technology System in a manner that takes into account the special needs of the students of these two schools.

(2) **Family Resource and Youth Services Centers:** Funds appropriated to establish and support Family Resource and Youth Services Centers shall be transferred in fiscal year 2020-2021 to the Cabinet for Health and Family Services consistent with KRS 156.496. The Cabinet for Health and Family Services is authorized to use, for administrative purposes, no more than three percent of the total funds transferred from the Department of Education for the Family Resource and Youth Services Centers. If a certified person is employed as a director or coordinator of a Family Resource and Youth Services Center, that person shall retain his or her status as a certified employee of the school district.

If 70 percent or more of the funding level provided by the state is utilized to support the salary of the director of a center, that center shall provide a report to the Cabinet for Health and Family Services and the State Budget Director identifying the salary of the director. The Cabinet for Health and Family Services shall transmit any reports received from Family Resource and Youth Services Centers pursuant to this paragraph to the Legislative Research Commission.

(3) **Health Insurance:** Included in the above General Fund appropriation is $749,844,400 in fiscal year 2020-2021 for employer contributions for health insurance and the contribution to the health reimbursement account for employees waiving coverage.

(4) **Program Flexibility:** Notwithstanding KRS 158.070(8) and 158.446, local school districts shall be provided additional flexibility in the utilization of funds for
Extended School Services and Safe Schools. Local school districts shall continue to address the governing statutes and serve the intended student population but may utilize funds from these programs for general operating expenses in fiscal year 2020-2021. Local school districts that utilize these funds for general operating expenses shall report to the Kentucky Department of Education and the Interim Joint Committee on Education the amount of funding from each program utilized for general operating expenses.

(5) Center for School Safety: Included in the above General Fund appropriation is $13,000,000 in fiscal year 2020-2021 for the Center for School Safety. Notwithstanding KRS 158.446, the Center for School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440, 158.441, 158.4415, 158.4416, 158.442, 158.445, and 158.446, except that no more than $1,300,000 in fiscal year 2020-2021 may be retained for administrative purposes.

(6) Allocations to School-Based Decision Making Councils: Notwithstanding KRS 160.345(8), for fiscal year 2020-2021, a local board of education may reduce the allocations to individual schools within the district as outlined in 702 KAR 3:246, secs. 6, 7, and 8. The allocation under 702 KAR 3:246, sec. 6, shall not be less than $100 per pupil in average daily attendance.

(7) Kentucky School for the Blind and Kentucky School for the Deaf: Included in the above General Fund appropriation is $6,853,100 in fiscal year 2020-2021 for the Kentucky School for the Blind and $10,080,600 in fiscal year 2020-2021 for the Kentucky School for the Deaf.

(8) Career and Technical Education: Included in the above General Fund appropriation is $64,149,700 in fiscal year 2020-2021 for career and technical education. Of this amount, $12,043,500 in fiscal year 2020-2021 shall be distributed as supplemental funding to local area vocational education centers. Notwithstanding KRS 157.069, Category II and III programs in districts that also enroll students at a state-operated vocational education and technology center physically located in a different.
time zone shall be included in the distribution. Notwithstanding KRS 157.069, Category
II and III programs in districts established after June 21, 2001, shall be included in the
distribution if approved by the Commissioner of Education.

(9) **Advisory Council for Gifted and Talented Education:** Notwithstanding
KRS 158.648(1), a member of the State Advisory Council for Gifted and Talented
Education may be reappointed but shall not serve more than five consecutive terms.

Notwithstanding KRS 158.648(1), a member of the Kentucky Association for Gifted
Education shall be a voting member of the State Advisory Council for Gifted and
Talented Education.

(10) **School-Based Mental Health Services Providers:** Included in the above
General Fund appropriation is $7,412,500 in fiscal year 2020-2021 to fund additional
school-based mental health services provider full-time equivalent positions on a
reimbursement basis. The Kentucky Center for School Safety, in consultation with the
Office of the State School Security Marshal, shall develop criteria to determine which
districts shall receive funding to meet the requirements of KRS 158.4416(3)(a). The
criteria shall include:

(a) A local district’s use of Medicaid funding to supplement General Fund;

(b) An equitable and balanced statewide distribution; and

(c) Any other criteria to support a trauma-informed approach in schools.

(11) **Redistribution of Resources:** Notwithstanding KRS 156.095, 156.553,
156.555, 157.390, 158.070, 158.770, 158.775, 158.805, 161.027 to 161.030, 161.165, and
161.167, no General Fund is provided for the Professional Development Program, the
Commonwealth School Improvement Fund, the Leadership and Mentor Fund, the Middle
School Academic Center, the Teacher's Professional Growth Fund, the Teacher
Academies Program, the Writing Program, the Kentucky Principal Internship Program,
the Kentucky Teacher Internship Program, and the Kentucky Academy for Equity in
Teaching in order to increase funding for school-based mental health services providers.
(12) **Learning and Results Services Programs**: Included in the above General Fund appropriation are the following allocations for fiscal year 2020-2021, but no portion of these funds shall be utilized for state-level administrative purposes:

(a) $1,700,000 for AdvanceKentucky;
(b) $1,200,000 for the Collaborative Center for Literacy Development;
(c) $1,850,000 for the Community Education Program;
(d) $23,916,300 for the Extended School Services Program;
(e) $48,889,000 for the Family Resource and Youth Services Centers Program;
(f) $6,208,400 for the Gifted and Talented Program;
(g) $100,000 for the Hearing and Speech Center;
(h) $100,000 for the Heuser Hearing and Language Academy;
(i) Notwithstanding KRS 154A.130(4), $250,000 for the Jobs for America’s Graduates Program;
(j) $250,000 for the Kentucky Alliance of Boys & Girls Clubs;
(k) $9,465,500 for the Kentucky Educational Collaborative for State Agency Children;
(l) $1,391,000 for Local School District Life Insurance;
(m) $5,019,000 for the Mathematics Achievement Fund;
(n) $84,481,100 for the Preschool Program;
(o) $15,936,600 for the Read to Achieve Program;
(p) $1,300,000 for Save the Children;
(q) $500,000 for Teach for America; and
(r) $250,000 for the Visually Impaired Preschool Services Program.

(13) **Area Technology Center Authority**: Notwithstanding KRS 157.069, for the first year a local board of education assumes authority for the management and control of a state-operated secondary vocational education and technology center on or after the effective date of this Act, the locally operated center shall receive funding in an amount
not less than 100 percent of the annual state General Fund appropriation allocated to the center for on-site direct costs for the budget year immediately preceding the transfer, including any amount allocated directly to the local district for use of district-owned facilities. In the second year, after the local board of education assumes authority of a state-operated center and annually thereafter, the center shall annually receive an amount not less than 75 percent of the amount allocated to it the previous year. The remaining 25 percent of funds previously allocated to the center shall annually be allocated to locally operated secondary area centers and vocational departments that do not receive state supplemental funds under Part I, C., 3., (8) of this Act.

Notwithstanding KRS 156.844(1), if a state-operated secondary vocational education and technology center serves more than one school district, any agreement shall require the local board to continue to serve the additional school district or districts through an interlocal agreement.

Notwithstanding KRS 156.844(2) and (5), a certified employee who has earned continuing status in the state certified personnel system under KRS 156.800 to 156.860 may be granted a continuing service contract as defined in KRS 161.720 upon transfer to a local board of education; a principal who has earned continuing status prior to transfer may be granted a continuing service contract, but the provisions relating to demotion of the principal under KRS 161.765 shall apply; and a classified employee who has four years of continuous active service in the state certified personnel system under KRS 156.800 to 156.860 at the time of transfer may be offered an employment contract at the time of transfer that shall be considered a continuing service contract as defined in KRS 161.720 for a minimum of five complete school terms.

**TOTAL - DEPARTMENT OF EDUCATION**

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<tr>
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1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT

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<tr>
<td><strong>TOTAL</strong></td>
<td>27,220,700</td>
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</table>

(1) Early Childhood Development: Included in the above General Fund (Tobacco) appropriation is $1,400,000 in fiscal year 2020-2021 for the Early Childhood Advisory Council.

(2) Governor's Scholars Program: Included in the above General Fund appropriation is $1,758,700 in fiscal year 2020-2021 for the Governor's Scholars Program.

(3) Governor's School for Entrepreneurs: Included in the above General Fund appropriation is $362,700 in fiscal year 2020-2021 for the Governor's School for Entrepreneurs.

(4) Kentucky Center for Statistics: Included in the above General Fund appropriation is $1,200,000 in fiscal year 2020-2021 to sustain the State Longitudinal Data System.

(5) The Hope Center: Included in the above General Fund appropriation is $100,000 in fiscal year 2020-2021 for the Hope Center.

2. PROPRIETARY EDUCATION

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1. Restricted Funds 331,900 -0-

2. **DEAF AND HARD OF HEARING**

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<table>
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<td>6</td>
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3. **KENTUCKY EDUCATIONAL TELEVISION**

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4. **ENVIRONMENTAL EDUCATION COUNCIL**

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<table>
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<tr>
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<td>14</td>
<td>TOTAL</td>
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5. (1) **Environmental Education Council:** Notwithstanding KRS 224.43-505(2)(b), the Council may use interest received to support the operations of the Council.

6. **LIBRARIES AND ARCHIVES**

a. **General Operations**

<table>
<thead>
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<tbody>
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<table>
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<td>Federal Funds</td>
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<td>19</td>
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b. **Direct Local Aid**

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<table>
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<th>2021-22</th>
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<tr>
<td>22</td>
<td>General Fund</td>
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<tr>
<td>23</td>
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<td>25</td>
<td>TOTAL</td>
<td>10,494,900</td>
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</table>
1. **General Fund**  
   4,329,600  

2. **Restricted Funds**  
   1,046,900  

3. **TOTAL**  
   5,376,500

4. **(1) Per Capita Grants**: Notwithstanding KRS 171.201, no General Fund is provided for non-construction state aid.

5. **(2) Public Libraries Facilities Construction**: Included in the above General Fund appropriation is $4,329,600 in fiscal year 2020-2021 for the Public Libraries Facilities Construction Fund.

### TOTAL - LIBRARIES AND ARCHIVES

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
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<tbody>
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<td>Restricted Funds</td>
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<td>Federal Funds</td>
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<tr>
<td>TOTAL</td>
<td>15,871,400</td>
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### 7. WORKFORCE INVESTMENT

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<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
<td>502,294,700</td>
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<tr>
<td>TOTAL</td>
<td>551,389,700</td>
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</table>

5. **(1) Unemployment Compensation Administration Fund**: Notwithstanding KRS 341.240 and 341.295, funds from the Unemployment Compensation Administration Fund may be used in fiscal year 2020-2021 to support the Wagner-Peyser Program.

6. **(2) Lapse and Carry Forward of General Fund Appropriation**: Not less than $2,000,000 of unexpended Office of Adult Education funds in fiscal year 2019-2020 shall lapse to the General Fund. Notwithstanding KRS 45.229, the General Fund balance for the Office of Adult Education for fiscal year 2019-2020 and fiscal year 2020-2021...
shall not lapse and shall carry forward.

(3) **Cafeteria Service Contracts:** No state agency shall enter into any contract with a nongovernmental entity for the operation of food services provided in the cafeterias located in the Kentucky Transportation Cabinet office building and/or the Cabinet for Human Resources office building in Frankfort unless the Office of Vocational Rehabilitation has declined in writing to provide such services.

(4) **Adult Education:** Included in the above General Fund appropriation is $18,407,600 in fiscal year 2020-2021 for the Office of Adult Education.

(5) **Employer and Apprenticeship Services:** Included in the above General Fund appropriation is $581,100 in fiscal year 2020-2021 for the Office of Employer and Apprenticeship Services. The Education and Workforce Development Cabinet shall provide a report by December 1, 2020, to the Interim Joint Committee on Education detailing the use of these funds.

### TOTAL - EDUCATION AND WORKFORCE DEVELOPMENT CABINET

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<tr>
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<th>2020-21</th>
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<tbody>
<tr>
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<tr>
<td>General Fund</td>
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<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
<td>516,343,600</td>
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<tr>
<td>TOTAL</td>
<td>614,363,800</td>
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### E. ENERGY AND ENVIRONMENT CABINET

#### Budget Units

1. **SECRETARY**

<table>
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<th>2020-21</th>
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<tr>
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<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
<td>1,337,000</td>
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</tr>
</tbody>
</table>
(1) **Volkswagen Settlement:** Included in the above Restricted Funds appropriation is $20,378,600 in fiscal year 2020-2021 to administer the Consent Decrees in Volkswagen "Clean Diesel" Marketing, Sales Practices, and Products Liability litigation. Of this amount:

(a) $8,521,700 shall be used to reimburse local school districts for 50 percent of the purchase cost to replace up to five school buses per district currently in daily use meeting the necessary criteria with a chassis year of 2001 or earlier. If these funds are insufficient to cover 50 percent of the purchase costs of districts that have requested reimbursement by June 1, 2021, the reimbursement shall be pro rata reduced;

(b) $8,521,700 shall be transferred to the Office of Transportation Delivery to replace public transit buses meeting the necessary criteria. Priority shall be given to maximizing Federal Transit Grants;

(c) $3,056,700 shall be used for the purchase of light-duty, zero-emission vehicle supply equipment meeting the necessary criteria. Recipients shall provide at least 50 percent of matching funds per project; and

(d) $278,500 may be used for administrative costs.

Notwithstanding Part III, 2. of this Act, unexpended Restricted Funds appropriated in this subsection shall become available for expenditure in the 2020-2022 biennium.

**2. ADMINISTRATIVE SERVICES**

<table>
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<tr>
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<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
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**3. ENVIRONMENTAL PROTECTION**

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<tr>
<td>TOTAL</td>
<td></td>
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</tbody>
</table>
(1) **Debt Service:** Included in the above General Fund appropriation is $140,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

### 4. **NATURAL RESOURCES**

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<tr>
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<td>112,252,400</td>
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</table>

(1) **Emergency Forest Fire Suppression:** Not less than $2,500,000 of the above General Fund appropriation in fiscal year 2020-2021 shall be set aside for emergency forest fire suppression. Any portion of the $2,500,000 not expended for emergency forest fire suppression shall lapse to the General Fund at the end of the fiscal year. There is appropriated from the General Fund the necessary funds, subject to the conditions and procedures provided in this Act, which are required as a result of emergency fire suppression activities in excess of $2,500,000 in fiscal year 2020-2021. Fire suppression costs in excess of $2,500,000 annually shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(2) **Environmental Stewardship Program:** Included in the above General Fund (Tobacco) appropriation is $2,479,500 in fiscal year 2020-2021 for the Environmental
1. Stewardship Program.

2. **(3) Conservation District Local Aid:** Included in the above General Fund (Tobacco) appropriation is $907,300 in fiscal year 2020-2021 for the Division of Conservation to provide direct aid to local conservation districts.

3. **(4) Mine Safety Specialists:** It is the intent of the 2020 General Assembly to fund Mine Safety Specialists with coal severance tax collections in the 2022-2024 fiscal biennium.

4. **(5) Mine Safety Specialist Vacancies:** No Mine Safety Specialist vacancies shall be filled in the 2020-2022 fiscal biennium.

5. **ENERGY POLICY**

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6. **KENTUCKY NATURE PRESERVES**

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7. **PUBLIC SERVICE COMMISSION**

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</table>
(1) **Lapse of General Fund Appropriation Balance:** Notwithstanding KRS 278.150(3), $7,185,200 in fiscal year 2020-2021 shall lapse to the General Fund.

(2) **Kentucky State Board on Electric Generation and Transmission Siting:** Notwithstanding Part III, 2. of this Act, unexpended Restricted Funds appropriated for the purposes of administering KRS 278.700 to 278.716 shall become available for expenditure in the 2020-2022 biennium.

**TOTAL - ENERGY AND ENVIRONMENT CABINET**

<table>
<thead>
<tr>
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<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (Tobacco)</td>
<td>-0-</td>
<td>3,386,800</td>
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<tr>
<td>General Fund</td>
<td>700,000</td>
<td>86,352,900</td>
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<tr>
<td>Restricted Funds</td>
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<td>121,247,700</td>
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<td>Federal Funds</td>
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<td>Road Fund</td>
<td>-0-</td>
<td>320,900</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>700,000</td>
<td>298,796,200</td>
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**F. FINANCE AND ADMINISTRATION CABINET**

**Budget Units**

1. **GENERAL ADMINISTRATION**

<table>
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<td>Restricted Funds</td>
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<tr>
<td>Road Fund</td>
<td>273,600</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>36,418,800</td>
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</table>

(1) **State Motor Vehicle Fleet:** The Secretary of the Finance and Administration Cabinet shall restrict permanently assigned vehicles to only Constitutional Officers, the Court of Justice, Executive Cabinet Secretaries, law enforcement, and those who are assigned vehicles for other public safety purposes. A report listing the recipients of permanently assigned vehicles from the State Motor Vehicle Fleet shall be submitted to
the Interim Joint Committee on Appropriations and Revenue by August 1 of each fiscal
year. The above General Fund appropriation shall be used to assist with development of
this report. Should the report not be submitted timely, the entire above General Fund
appropriation shall be forfeited and all remaining funds shall lapse to the General Fund.

2. CONTROLLER

<table>
<thead>
<tr>
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<td>14,352,700</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>19,929,400</td>
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</table>

(1) Social Security Contingent Liability Fund: Any expenditures that may be
required by KRS 61.470 are hereby deemed necessary government expenses and shall be
paid first from the General Fund Surplus Account (KRS 48.700), if available, or from any
available balance in the Budget Reserve Trust Fund Account (KRS 48.705), subject to
the conditions and procedures provided in this Act.

3. INSPECTOR GENERAL

<table>
<thead>
<tr>
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<tbody>
<tr>
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<td>596,000</td>
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<tr>
<td>Restricted Funds</td>
<td>673,700</td>
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<td>TOTAL</td>
<td>1,269,700</td>
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4. DEBT SERVICE

<table>
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<tr>
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<th>2020-21</th>
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<tbody>
<tr>
<td>General Fund (Tobacco)</td>
<td>30,863,200</td>
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</tr>
<tr>
<td>General Fund</td>
<td>491,964,100</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>522,827,300</td>
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</table>

(1) General Fund (Tobacco) Debt Service Lapse: Notwithstanding Part X, (4)
of this Act, $1,926,600 in fiscal year 2020-2021 shall lapse to the General Fund.

5. FACILITIES AND SUPPORT SERVICES
### COUNTY COSTS

<table>
<thead>
<tr>
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<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
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<tr>
<td>Restricted Funds</td>
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<td>1,702,500</td>
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<tr>
<td>TOTAL</td>
<td>2,800,000</td>
<td>21,446,000</td>
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</table>

1. **Debt Service:** Included in the above General Fund appropriation is $533,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

6. **COUNTY COSTS**

7. **COMMONWEALTH OFFICE OF TECHNOLOGY**

<table>
<thead>
<tr>
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<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
<td>134,891,600</td>
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</table>
(1) **Computer Services Fund Receipts:** The Secretary of the Finance and Administration Cabinet shall provide a listing of fee receipts from the Executive, Judicial, and Legislative Branches of government itemized by appropriation units, cost allocation methodology, and a report detailing the rebate of excess fee receipts to the agencies to the Interim Joint Committee on Appropriations and Revenue by August 1 of each fiscal year.

(2) **Service Rates:** Notwithstanding KRS 45.253(6), the Commonwealth Office of Technology shall maintain the rate schedule in effect in fiscal year 2019-2020 for services rendered or materials furnished during the 2020-2022 fiscal biennium, unless the services or materials are required by law to be furnished gratuitously. Enterprise assessments and security assessments not directly related to specific rated services shall not exceed fiscal year 2019-2020 levels.

8. **REVENUE**

<table>
<thead>
<tr>
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<tr>
<td>General Fund</td>
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<tr>
<td>Road Fund</td>
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<tr>
<td>TOTAL</td>
<td>116,829,700</td>
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</tbody>
</table>

(1) **Operations of Revenue:** Notwithstanding KRS 132.672, 134.552(2), 136.652, and 365.390(2), funds may be expended in support of the operations of the Department of Revenue.

(2) **State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of $250,000 of the Tobacco Settlement payments received in fiscal year 2020-2021 is appropriated to the Finance and Administration Cabinet, Department of Revenue for the
state's diligent enforcement of noncompliant nonparticipating manufacturers.

9. PROPERTY VALUATION ADMINISTRATORS

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<tr>
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<th>2021-22</th>
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<td><strong>General Fund</strong></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>59,946,700</td>
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</table>

(1) Management of Expenditures: Notwithstanding KRS 132.590 and 132.597, the property valuation administrators are authorized to take necessary actions to manage expenditures within the appropriated amounts contained in this Act.

(2) Property Valuation Administrators’ Expense Allowance: Notwithstanding KRS 132.597, each property valuation administrator shall receive an expense allowance of $2,400 annually, payable out of the State Treasury at the rate of $200 per month in the 2020-2022 fiscal biennium.

(3) Salary Increment: Notwithstanding KRS 132.590, no increment is provided on the base salary or wages of each eligible property valuation administrator.

TOTAL - FINANCE AND ADMINISTRATION CABINET

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
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<td><strong>Restricted Funds</strong></td>
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<td><strong>Federal Funds</strong></td>
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<td>150,400</td>
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<tr>
<td><strong>Road Fund</strong></td>
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<td><strong>TOTAL</strong></td>
<td>2,800,000</td>
<td>972,494,200</td>
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G. HEALTH AND FAMILY SERVICES CABINET

Budget Units

1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT

<table>
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<th>2020-21</th>
<th>2021-22</th>
</tr>
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</table>

Page 54 of 180
<table>
<thead>
<tr>
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<td>3</td>
<td>Federal Funds</td>
<td>48,932,500</td>
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<tr>
<td>4</td>
<td>TOTAL</td>
<td>109,121,900</td>
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</tr>
</tbody>
</table>

(1) **Debt Service**: Included in the above General Fund appropriation is $199,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) **Human Services Transportation Delivery**: Notwithstanding KRS 281.010, the Kentucky Works Program shall not participate in the Human Services Transportation Delivery Program or the Coordinated Transportation Advisory Committee.

(3) **Federally Funded Positions**: Notwithstanding KRS 18A.010(2) and any provisions of this Act to the contrary, direct service units of the Office of Inspector General, Department for Income Support, Office for Children with Special Health Care Needs, Department for Community Based Services, Department for Behavioral Health, Developmental and Intellectual Disabilities, Family Resource Centers and Volunteer Services, Department for Aging and Independent Living, and the Department for Public Health shall be authorized to establish and fill such positions that are 100 percent federally funded for salary and fringe benefits.

(4) **Kentucky All Schedule Prescription Electronic Reporting (KASPER System)**: In accordance with the appropriation as set forth in Part II, G., 1., 002. of this Act, the Cabinet for Health and Family Services shall issue a Request for Proposals to determine if a vendor can provide a system that is a scalable, cloud-based solution and is capable of best practices, including analytics and administrative dashboards, that also enables critical communications between practitioners, administrators, and doctors, and readily bridges patient transition directly to treatment. The Cabinet may include additional requirements for system functionalities that may improve the implementation of a new KASPER program.
(5) Special Olympics: Included in the above General Fund appropriation is $50,000 in fiscal year 2020-2021 to support the operations of Special Olympics Kentucky.

2. OFFICE FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS

<table>
<thead>
<tr>
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<tbody>
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<td>General Fund</td>
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</tr>
<tr>
<td>Restricted Funds</td>
<td>11,439,500</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>4,551,800</td>
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</tr>
<tr>
<td>TOTAL</td>
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</table>

3. MEDICAID SERVICES

a. Medicaid Administration

<table>
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<th>2021-22</th>
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<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
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<tr>
<td>TOTAL</td>
<td>235,705,600</td>
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</table>

(1) Transfer of Excess Administrative Funds for Medicaid Benefits: If any portion of the above General Fund appropriation in either fiscal year is deemed to be in excess of the necessary expenses for administration of the Department, the amount may be used for Medicaid Benefits in accordance with statutes governing the functions and activities of the Department for Medicaid Services. In no instance shall these excess funds be used without prior written approval of the State Budget Director to:

(a) Establish a new program;
(b) Expand the services of an existing program; or
(c) Increase rates or payment levels in an existing program.

Any transfer authorized under this subsection shall be approved by the Secretary of the Finance and Administration Cabinet upon recommendation of the State Budget
Director.

(2) Medicaid Service Category Expenditure Information: No Medicaid managed care contract shall be valid and no payment to a Medicaid managed care vendor by the Finance and Administration Cabinet or the Cabinet for Health and Family Services shall be made, unless the Medicaid managed care contract contains a provision that the contractor shall collect Medicaid expenditure data by the categories of services paid for by the Medicaid Program. Actual statewide Medicaid expenditure data by all categories of Medicaid services, including mandated and optional Medicaid services, special expenditures/offsets, and Disproportionate Share Hospital payments by type of hospital, shall be compiled by the Department for Medicaid Services for all Medicaid providers and forwarded to the Interim Joint Committee on Appropriations and Revenue on a quarterly basis. Projections of Medicaid expenditures by categories of Medicaid services shall be provided to the Interim Joint Committee on Appropriations and Revenue upon request.

b. Medicaid Benefits

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<td>Restricted Funds</td>
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<td>Federal Funds</td>
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<tr>
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<td>12,191,523,400</td>
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</table>

(1) Transfer of Medicaid Benefits Funds: Any portion of the General Fund appropriation in either fiscal year that is deemed to be necessary for the administration of the Medicaid Program may be transferred from the Medicaid Benefits budget unit to the Medicaid Administration budget unit in accordance with statutes governing the functions and activities of the Department for Medicaid Services. The Secretary shall recommend any proposed transfer to the State Budget Director for approval prior to transfer. Such action shall be reported by the Cabinet for Health and Family Services to the Interim
Joint Committee on Appropriations and Revenue.

(2) **Intergovernmental Transfers (IGTs):** Any funds received through an Intergovernmental Transfer (IGT) agreement between the Department for Medicaid Services and other governmental entities, in accordance with a federally approved State Plan amendment, shall be used to provide for the health and welfare of the citizens of the Commonwealth through the provision of Medicaid Benefits. Revenues from IGTs are contingent upon agreement by the parties, including but not limited to the Cabinet for Health and Family Services, Department for Medicaid Services, and the appropriate providers. The Secretary of the Cabinet for Health and Family Services shall make the appropriate interim appropriations increase requests pursuant to KRS 48.630.

(3) **Medicaid Benefits Budget Deficit:** If Medicaid Benefits expenditures are projected to exceed available funds, the Secretary of the Cabinet for Health and Family Services may recommend and implement that reimbursement rates, optional services, eligibles, or programs be reduced or maintained at levels existing at the time of the projected deficit in order to avoid a budget deficit. The projected deficit shall be confirmed and approved by the Office of State Budget Director. No rate, service, eligible, or program reductions shall be implemented by the Cabinet for Health and Family Services without written notice of such action to the Interim Joint Committee on Appropriations and Revenue and the State Budget Director. Such actions taken by the Cabinet for Health and Family Services shall be reported, upon request, at the next meeting of the Interim Joint Committee on Appropriations and Revenue.

(4) **Kentucky Access Fund:** Notwithstanding KRS 304.17B-021, funds are transferred from this source to Medicaid Benefits in each fiscal year.

(5) **Disproportionate Share Hospital (DSH) Program:** Hospitals shall report the uncompensated care for which, under federal law, the hospital is eligible to receive disproportionate share payments. Disproportionate share payments shall equal the maximum amounts established under federal law.
(6) **Medicaid Pharmacy:** Notwithstanding KRS 205.6312(4), a pharmacy provider participating in the Medical Assistance Program or a pharmacy provider serving Kentucky Medicaid recipients through a Medicaid Managed Care Organization shall not be required to serve an eligible recipient if the recipient does not make the required copayment at the time of service. An exception to this provision shall be an encounter when a recipient presents a condition which could result in harm to the recipient if left untreated, in which case the pharmacist shall dispense a 72-hour emergency supply of the required medicine. The recipient may then return to the pharmacy with the necessary copayment to obtain the remainder of the prescription. Only one dispensing fee shall be paid by the Cabinet for the provision of both the emergency supply and the remainder of the prescription. The Medicaid Managed Care Organization shall determine its policies with respect to dispensing fees.

(7) **Hospital Indigent Patient Billing:** Hospitals shall not bill patients for services if the services have been reported to the Cabinet and the hospital has received disproportionate share payments for the specific services.

(8) **Provider Tax Information:** Any provider who posts a sign or includes information on customer receipts or any material distributed for public consumption indicating that it has paid provider tax shall also post, in the same size typeset as the provider tax information, the amount of payment received from the Department for Medicaid Services during the same period the provider tax was paid. Providers who fail to meet this requirement shall be excluded from the Disproportionate Share Hospital and Medicaid Programs. The Cabinet for Health and Family Services shall include this provision in facilities' annual licensure inspections.

(9) **Medicaid Budget Analysis Reports:** The Department for Medicaid Services shall submit a quarterly budget analysis report to the Interim Joint Committee on Appropriations and Revenue no later than 75 days after the quarter's end. The report shall provide monthly detail of actual expenditures, eligibles, and average monthly cost per
eligible by eligibility category along with current trailing 12-month averages for each of these figures. The report shall also provide actual figures for all categories of noneligible-specific expenditures such as Supplemental Medical Insurance premiums, Kentucky Patient Access to Care, nonemergency transportation, drug rebates, cost settlements, and Disproportionate Share Hospital payments by type of hospital. The report shall compare the actual expenditure experience with those underlying the enacted or revised enacted budget and explain any significant variances which may occur.

(10) Medicaid Managed Care Organization Reporting: Except as provided by KRS 61.878, all records and correspondence relating to Kentucky Medicaid, revenues derived from Kentucky Medicaid funds, and expenditures utilizing Kentucky Medicaid funds of a Medicaid managed care company operating within the Commonwealth shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. All records and correspondence relating to Medicaid specifically prohibited from disclosure by the federal Health Insurance Portability and Accountability Act privacy rules shall not be provided under this Act.

No later than 60 days after the end of a quarter, each Medicaid managed care company operating within the Commonwealth shall prepare and submit to the Department for Medicaid Services sufficient information to allow the department to meet the following requirements 90 days after the end of the quarter. The Department shall forward to the Legislative Research Commission Budget Review Office a quarterly report detailing monthly actual expenditures by service category, monthly eligibles, and average monthly cost per eligible for Medicaid and the Kentucky Children's Health Insurance Program (KCHIP) along with current trailing 12-month averages for each of these figures. The report shall also provide actual figures for other categories such as pharmacy rebates and reinsurance. Finally, the Department shall include in this report the most recent information or report available regarding the amount withheld to meet Department of Insurance reserve requirements, and any distribution of moneys received
or retained in excess of these reserve requirements.

(11) **Critical Access Hospitals:** Beginning with the effective date of this Act through June 30, 2022, no acute care hospital shall convert to a critical access hospital unless the hospital has either received funding for a feasibility study from the Kentucky State Office of Rural Health or filed a written request by January 1, 2020, with the Kentucky State Office of Rural Health requesting funding for conducting a feasibility study.

(12) **Appeals:** An appeal from denial of a service or services provided by a Medicaid managed care organization for medical necessity, or denial, limitation, or termination of a health care service in a case involving a medical or surgical specialty or subspecialty, shall, upon request of the recipient, authorized person, or provider, include a review by a board-eligible or board-certified physician in the appropriate specialty or subspecialty area; except in the case of a health care service rendered by a chiropractor or optometrist, for which the denial shall be made respectively by a chiropractor or optometrist duly licensed in Kentucky as specified in KRS 304.17A-607(1)(b). The physician reviewer shall not have participated in the initial review and denial of service and shall not be the provider of the service or services under consideration in the appeal.

(13) **Medicaid Prescription Benefits Reporting:** Notwithstanding KRS 205.647, the Department for Medicaid Services shall submit a report to the Interim Joint Committee on Appropriations and Revenue and the Medicaid Oversight and Advisory Committee by December 1 of each fiscal year on the dispensing of prescription medications to persons eligible under KRS 205.560. The report shall include:

(a) The total Medicaid dollars paid to the state pharmacy benefit manager by a managed care organization;

(b) The total amount of Medicaid dollars paid to the state pharmacy benefit manager by a managed care organization which were not subsequently paid to a pharmacy licensed in Kentucky;
(c) The average reimbursement by drug ingredient cost, dispensing fee, and any other fee paid by the state pharmacy benefit manager to licensed pharmacies with which the state pharmacy benefit manager shares common ownership, management, or control; or which are owned, managed, or controlled by any of the state pharmacy benefit manager's management companies, parent companies, subsidiary companies, jointly held companies, or companies otherwise affiliated by a common owner, manager, or holding company; or which share any common members on the board of directors; or which share managers in common;

(d) The average reimbursement by drug ingredient cost, dispensing fee, or any other fee paid by the state pharmacy benefit manager to pharmacies licensed in Kentucky which operate ten locations, ten or fewer locations, or ten or more locations; and

(e) All common ownership, management, common members of a board of directors, shared managers, or control of the state pharmacy benefit manager, or any of the state pharmacy benefit manager's management companies, parent companies, subsidiary companies, jointly held companies, or companies otherwise affiliated by a common owner, manager, or holding company with any managed care organization contracted to administer Kentucky Medicaid benefits, any entity which contracts on behalf of a pharmacy, or any pharmacy services administration organization, or any common ownership management, common members of a board of directors, shared managers, or control of a pharmacy services administration organization that is contracted with the state pharmacy benefit manager, with any drug wholesaler or distributor or any of the pharmacy services administration organizations, management companies, parent companies, subsidiary companies, jointly held companies, or companies otherwise affiliated by a common owner, common members of a board of directors, manager, or holding company.

(14) Kentucky Children's Health Insurance Program (KCHIP): Included in the above appropriation is $46,453,100 in General Fund, $500,000 in Restricted Funds,
and $234,638,800 in Federal Funds in fiscal year 2020-2021 to support the continuation of KCHIP services.

15 Supports for Community Living Waiver Program Rates: If the Supports for Community Living Waiver Program experiences a material change in funding based upon a new or amended waiver that is approved by the Centers for Medicare and Medicaid Services, the Department for Medicaid Services may adjust the upper payment limit amount for a Supports for Community Living Waiver Program service as long as the upper payment limit for each service is not less than the upper payment limit in effect on January 1, 2020.

16 Substance Abuse Treatment for Incarcerated Individuals - Medicaid Demonstration Waiver: Within ninety days after the effective date of this Act, the Department for Medicaid Services shall develop and submit an application for a Section 1115 demonstration waiver under 42 U.S.C. sec. 1315 to provide Medicaid coverage for substance use disorder treatment, including peer support services, to individuals incarcerated for a conviction under KRS Chapter 218A. Upon approval of the waiver, the cost of treatment for a substance use disorder or patient navigation provided by a licensed clinical social worker shall be a covered Medicaid benefit for an incarcerated individual.

TOTAL - MEDICAID SERVICES

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4. BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

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<tr>
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<td>1,916,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>
General Fund 171,573,900 -0-
Restricted Funds 187,519,500 -0-
Federal Funds 70,602,900 -0-
TOTAL 431,612,300 -0-

(1) Disproportionate Share Hospital Funds: Pursuant to KRS 205.640(3)(a)2., mental health disproportionate share funds are budgeted at the maximum amounts permitted by Section 1923(h) of the Social Security Act. Upon publication in the Federal Register of the Annual Institutions for Mental Disease (IMD) Disproportionate Share Hospital (DSH) limit, 92.3 percent of the federal IMD DSH limit goes to the state-operated mental hospitals. If there are remaining funds within the psychiatric pool after all private psychiatric hospitals reach their hospital-specific DSH limit, state mental hospitals may exceed the 92.3 percent limit but may not exceed their hospital-specific DSH limit.

(2) Lease Payments for Eastern State Hospital: Included in the above General Fund appropriation is $11,256,700 in fiscal year 2020-2021 to make lease payments to the Lexington-Fayette Urban County Government to retire its debt for the construction of the new facility.

(3) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $1,416,000 in fiscal year 2020-2021 for substance abuse prevention and treatment for pregnant women with a history of substance abuse problems.

(4) Debt Service: Included in the above General Fund appropriation is $275,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(5) Kentucky Rural Mental Health and Suicide Prevention Pilot Program: Included in the above General Fund (Tobacco) appropriation is $500,000 in fiscal year 2020-2021 to support the Kentucky Rural Mental Health and Suicide Prevention pilot program. The Department for Behavioral Health, Developmental and Intellectual
Disabilities shall coordinate with the Kentucky Department of Agriculture, the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, and other entities to enhance awareness of the National Suicide Prevention Lifeline (988) in rural communities in Kentucky and to improve access to information on mental health issues and available treatment services. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall provide cultural competency training to staff to address the unique mental health challenges affecting the state’s rural communities. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall also provide outreach, treatment, and other necessary services to improve the mental health outcomes of rural communities in Kentucky. The Department for Behavioral Health, Developmental and Intellectual Disabilities, in conjunction with the Kentucky Department of Agriculture and the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, shall apply for federal funds as provided by the Agriculture Improvement Act of 2018, 7 U.S.C. sec. 5936, to supplement the General Fund (Tobacco) appropriation provided above. The Cabinet for Health and Family Services shall submit a report on the results of the pilot program, including but not limited to the number of participants, the mental health issues addressed, and the funding used to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Agriculture by June 30, 2021.

(6) **The Healing Place:** Included in the above General Fund appropriation is $900,000 in fiscal year 2020-2021 to support direct services to clients provided by The Healing Place.

(7) **Regional Mental Health/Mental Retardation Boards Retirement Cost:** Included in the above General Fund appropriation is $23,274,100 in fiscal year 2020-2021 for Regional Mental Health/Mental Retardation Boards to assist them with employer contributions for the Kentucky Employees Retirement System. In July and January of each year, the Department for Behavioral Health, Developmental and Intellectual Disabilities shall coordinate with the Kentucky Department of Agriculture, the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, and other entities to enhance awareness of the National Suicide Prevention Lifeline (988) in rural communities in Kentucky and to improve access to information on mental health issues and available treatment services. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall provide cultural competency training to staff to address the unique mental health challenges affecting the state’s rural communities. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall also provide outreach, treatment, and other necessary services to improve the mental health outcomes of rural communities in Kentucky. The Department for Behavioral Health, Developmental and Intellectual Disabilities, in conjunction with the Kentucky Department of Agriculture and the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, shall apply for federal funds as provided by the Agriculture Improvement Act of 2018, 7 U.S.C. sec. 5936, to supplement the General Fund (Tobacco) appropriation provided above. The Cabinet for Health and Family Services shall submit a report on the results of the pilot program, including but not limited to the number of participants, the mental health issues addressed, and the funding used to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Agriculture by June 30, 2021.

**The Healing Place:** Included in the above General Fund appropriation is $900,000 in fiscal year 2020-2021 to support direct services to clients provided by The Healing Place.

**Regional Mental Health/Mental Retardation Boards Retirement Cost:** Included in the above General Fund appropriation is $23,274,100 in fiscal year 2020-2021 for Regional Mental Health/Mental Retardation Boards to assist them with employer contributions for the Kentucky Employees Retirement System. In July and January of each year, the Department for Behavioral Health, Developmental and Intellectual Disabilities shall coordinate with the Kentucky Department of Agriculture, the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, and other entities to enhance awareness of the National Suicide Prevention Lifeline (988) in rural communities in Kentucky and to improve access to information on mental health issues and available treatment services. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall provide cultural competency training to staff to address the unique mental health challenges affecting the state’s rural communities. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall also provide outreach, treatment, and other necessary services to improve the mental health outcomes of rural communities in Kentucky. The Department for Behavioral Health, Developmental and Intellectual Disabilities, in conjunction with the Kentucky Department of Agriculture and the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, shall apply for federal funds as provided by the Agriculture Improvement Act of 2018, 7 U.S.C. sec. 5936, to supplement the General Fund (Tobacco) appropriation provided above. The Cabinet for Health and Family Services shall submit a report on the results of the pilot program, including but not limited to the number of participants, the mental health issues addressed, and the funding used to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Agriculture by June 30, 2021.
Intellectual Disabilities shall obtain the total creditable compensation reported by each Regional Mental Health/Mental Retardation Board to the Kentucky Retirement System and utilize that number to determine how much of this total appropriation shall be distributed to each Regional Mental Health/Mental Retardation Board. Payments to the Mental Health/Mental Retardation Boards shall be made on September 1 and April 1 of each fiscal year.

5. PUBLIC HEALTH

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (Tobacco)</td>
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<tr>
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<td>Federal Funds</td>
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<td>191,400,300</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>300,000</td>
<td>369,577,200</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $7,000,000 in fiscal year 2020-2021 for the Health Access Nurturing Development Services (HANDS) Program, $942,000 in fiscal year 2020-2021 for Healthy Start initiatives, $942,000 in fiscal year 2020-2021 for Early Childhood Mental Health, $989,100 in fiscal year 2020-2021 for Early Childhood Oral Health, and $2,000,000 in fiscal year 2020-2021 for Smoking Cessation.

(2) Local and District Health Department Retirement Cost: Included in the above General Fund appropriation is $25,394,600 in fiscal year 2020-2021 for Local and District Health Departments to assist them with employer contributions for the Kentucky Employees Retirement System. In July and January of each year, the Department for Public Health shall obtain the total creditable compensation reported by each Local and District Health Department Board to the Kentucky Retirement System and utilize that number to determine how much of this total appropriation shall be distributed to each department. Payments to the Local and District Health Departments shall be made on
September 1 and April 1 of each fiscal year.

(3) **Local and District Health Department Fees:** Notwithstanding KRS 211.170 and 211.180, local and district health departments shall retain 90 percent of the fees collected for delivering foundational public health program services to fund the costs of operations, services, and the employer contributions for the Kentucky Employees Retirement System.

(4) **Kentucky Poison Control Center and COVID-19 Hotline:** Included in the above General Fund appropriation is $300,000 in fiscal year 2019-2020, and $1,850,000 in fiscal year 2020-2021 for the Kentucky Poison Control Center and COVID-19 Hotline. If federal emergency relief funds become available for COVID-19-related poison control expenditures, those Federal Funds shall be used first to support the Kentucky Poison Control Center and COVID-19 Hotline, and any unexpended General Fund balance from the appropriations set forth in this subsection shall lapse to the General Fund.

(5) **Kentucky Colon Cancer Screening Program:** Included in the above General Fund appropriation is $500,000 in fiscal year 2020-2021 to support the Kentucky Colon Cancer Screening Program.

(6) **Kentucky Pediatric Cancer Research Trust Fund:** Included in the above General Fund appropriation is $2,500,000 in fiscal year 2020-2021 to the Kentucky Pediatric Cancer Research Trust Fund for general pediatric cancer research and support of expansion of clinical trials at the University of Kentucky and the University of Louisville.

(7) **Folic Acid Program:** General Fund (Tobacco) continuing appropriation reserves allotted to the Folic Acid Program shall be utilized by the Department for Public Health during the 2020-2022 fiscal biennium to continue the Folic Acid Program.

### 6. FAMILY RESOURCE CENTERS AND VOLUNTEER SERVICES

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>11,348,900</td>
<td>-0-</td>
</tr>
</tbody>
</table>
Federal Funds 7,053,300 -0-
TOTAL 18,402,200 -0-

(1) **Family Resource and Youth Services Centers Funds:** No more than three percent of the total funds transferred from the Department of Education to the Family Resource and Youth Services Centers, as consistent with KRS 156.496, shall be used for administrative purposes in each fiscal year.

If 70 percent or more of the funding level provided by the state is utilized to support the salary of the director of a Family Resource and Youth Services Center, that center shall provide a report to the Cabinet for Health and Family Services and the State Budget Director identifying the salary of the director. The Cabinet for Health and Family Services shall transmit any reports received from Family Resource and Youth Services Centers pursuant to this paragraph to the Legislative Research Commission.

7. **INCOME SUPPORT**

<table>
<thead>
<tr>
<th></th>
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<td>TOTAL</td>
<td>115,191,100</td>
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8. **COMMUNITY BASED SERVICES**

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<tr>
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<th>2020-21</th>
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</thead>
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<tr>
<td>General Fund</td>
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<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>202,178,300</td>
<td>-0-</td>
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<td>Federal Funds</td>
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<tr>
<td>TOTAL</td>
<td>1,370,277,800</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Tobacco Settlement Funds:** Included in the above General Fund (Tobacco) appropriation is $9,750,000 in fiscal year 2020-2021 for the Early Childhood
Development Program. Included in the above General Fund (Tobacco) appropriation is $2,500,000 in fiscal year 2020-2021 for the Early Childhood Adoption and Foster Care Supports Program.

(2) **Contracted Entities Retirement Cost:** Included in the above General Fund appropriation is $1,498,900 in fiscal year 2020-2021 for domestic violence shelters, rape crisis centers, and child advocacy centers to assist them with employer contribution rates for the Kentucky Employees Retirement System. In the interim, the contracted entities shall evaluate the feasibility of continued participation in the Kentucky Employees Retirement System as provided in KRS 61.522.

(3) **Fostering Success:** Included in the above General Fund appropriation is $500,000 in fiscal year 2020-2021 for the Fostering Success Program. The Cabinet for Health and Family Services shall submit a report containing the results of the program, including but not limited to the number of participants, number and type of job placements, job training provided, and any available information pertaining to individual outcomes to the Interim Joint Committee on Appropriations and Revenue by July 1 of each fiscal year.

(4) **Relative Placement Support Benefit:** Included in the above General Fund appropriation is $1,000,000 in fiscal year 2020-2021 for start-up costs associated with placing children with non-parental relatives.

(5) **Domestic Violence Shelters:** Included in the above General Fund appropriation is $500,000 in fiscal year 2020-2021 for operational costs.

(6) **Rape Crisis Centers:** Included in the above General Fund appropriation is $500,000 in fiscal year 2020-2021 for operational costs.

(7) **Dually Licensed Pediatric Facilities:** Included in the above General Fund appropriation is $550,000 in fiscal year 2020-2021 to provide supplemental payments to dually licensed pediatric facilities for emergency shelter services for children.

(8) **Child Care Assistance Program:** Included in the above General Fund
appropriation is $10,600,000 in fiscal year 2020-2021 to provide services to families at or
below 160 percent of the federal poverty level as determined annually by the U.S.
Department of Health and Human Services.

(9) Family Counseling and Trauma Remediation: Included in the above
General Fund appropriation is $50,000 in fiscal year 2020-2021 to provide forensic
interviews, family counseling, and trauma remediation services primarily in Jefferson
County and surrounding Kentucky counties.

(10) Child Advocacy Centers: Included in the above General Fund appropriation is
$500,000 in fiscal year 2020-2021 to support the operations of the child advocacy centers.

(11) Family Scholar House: Included in the above General Fund appropriation is
$1,000,000 in fiscal year 2020-2021 to support the operations of the Family Scholar House.

(12) Mental Illness or Intellectual Disability Supplemental Payments: Included in the above General Fund appropriation is $2,200,000 in fiscal year 2020-2021 to support an increase in the reimbursements provided to personal care homes which provide services to individuals diagnosed with a mental illness or intellectual disability.

9. AGING AND INDEPENDENT LIVING

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<tbody>
<tr>
<td>General Fund</td>
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<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
<td>24,826,500</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>72,912,900</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Local Match Requirements: Notwithstanding KRS 205.460, entities contracting with the Cabinet for Health and Family Services to provide essential services under KRS 205.455 and 205.460 shall provide local match equal to or greater than the amount in effect during fiscal year 2019-2020. Local match may include any combination
of materials, commodities, transportation, office space, personal services, or other types of facility services or funds. The Secretary of the Cabinet for Health and Family Services shall prescribe the procedures to certify the local match compliance.

10. HEALTH DATA AND ANALYTICS

<table>
<thead>
<tr>
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<th>2020-21</th>
<th>2021-22</th>
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<tr>
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<tr>
<td>Restricted Funds</td>
<td>7,078,900</td>
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</tr>
<tr>
<td>Federal Funds</td>
<td>3,635,200</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,195,500</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Kentucky Access Fund:** Notwithstanding KRS 304.17B-021, funds from this source are transferred to the Health Benefit Exchange in each fiscal year.

TOTAL - HEALTH AND FAMILY SERVICES CABINET

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<td>General Fund (Tobacco)</td>
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<td>-0-</td>
</tr>
<tr>
<td>General Fund</td>
<td>300,000</td>
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<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>-0-</td>
<td>1,390,564,700</td>
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</tr>
<tr>
<td>Federal Funds</td>
<td>-0-</td>
<td>10,626,073,800</td>
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<tr>
<td>TOTAL</td>
<td>300,000</td>
<td>14,945,374,300</td>
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</tbody>
</table>

H. JUSTICE AND PUBLIC SAFETY CABINET

Budget Units

1. JUSTICE ADMINISTRATION

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (Tobacco)</td>
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</tr>
<tr>
<td>General Fund</td>
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<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
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<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>87,390,600</td>
<td>-0-</td>
</tr>
</tbody>
</table>
1 (1) Operation UNITE: (a) Notwithstanding KRS 48.005(4), included in the 2 above Restricted Funds appropriation is $1,500,000 in fiscal year 2020-2021 for the 3 Operation UNITE Program from settlement funds resulting from the suit against Purdue 4 Pharma, et al.. Included in the above General Fund appropriation is $500,000 in fiscal 5 year 2020-2021 for the Operation UNITE Program. 6
(b) For the period ending June 30, 2020, the Secretary of the Justice and Public 7 Safety Cabinet, in coordination with the Chief Executive Officer of Operation UNITE, 8 shall prepare a report detailing for what purpose and function the funds were utilized. 9 This report shall be submitted to the Interim Joint Committee on Appropriations and 10 Revenue by September 1 of fiscal year 2020-2021.

(2) Office of Drug Control Policy: Included in the above General Fund 11 (Tobacco) appropriation is $3,166,600 in fiscal year 2020-2021 for the Office of Drug 12 Control Policy.

(3) Access to Justice: Included in the above General Fund appropriation is 14 $500,000 in fiscal year 2020-2021 to support the Access to Justice Program.

(4) Court Appointed Special Advocate Funding: (a) Included in the above 17 General Fund appropriation is $1,500,000 in fiscal year 2020-2021 for grants to support 18 Court Appointed Special Advocate (CASA) funding programs.
(b) No administrative costs shall be paid from the appropriation provided in 20 paragraph (a) of this subsection.

(5) Restorative Justice: Included in the above General Fund (Tobacco) 22 appropriation is $350,000 in fiscal year 2020-2021 to support the Restorative Justice 23 Program administered by the Volunteers of America.

2. CRIMINAL JUSTICE TRAINING

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
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</tr>
<tr>
<td>Federal Funds</td>
<td>120,000</td>
<td>0</td>
</tr>
</tbody>
</table>
(1) **Kentucky Law Enforcement Foundation Program Fund:** Included in the above Restricted Funds appropriation is $76,878,700 in fiscal year 2020-2021 for the Kentucky Law Enforcement Foundation Program Fund.

(2) **Training Incentive Payments:** Notwithstanding Part III, 2. of this Act, Restricted Funds appropriations may be increased to ensure sufficient funding to support the provision of training incentive payments.

(3) **Administrative Reimbursement:** Notwithstanding KRS 15.450(3), the Department of Criminal Justice Training shall not receive reimbursement for the salaries and other costs of administering the fund, to include the Kentucky Law Enforcement Council operations and expenses, Peace Officers Professional Standards Office, attorney positions in the Department of Justice Administration, the Professional Development and Wellness Branch, Office of the State School Security Marshal, debt service, capital outlay, and Department personnel costs and expenses in excess of $30,096,600 in fiscal year 2020-2021. The Department shall submit a report detailing reimbursed expenditures for the prior fiscal year to the Interim Joint Committee on Appropriations and Revenue by August 1 of each fiscal year.

(4) **Criminal Justice Council:** Pursuant to KRS 15.410 to 15.518, the Department of Criminal Justice Training shall not transfer funds from the Kentucky Law Enforcement Foundation Program Fund to support the Criminal Justice Council.

### 3. JUVENILE JUSTICE

<table>
<thead>
<tr>
<th>Fund</th>
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<th>2021-22</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
<td>9,272,500</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>122,528,300</td>
<td>-0-</td>
</tr>
</tbody>
</table>

### 4. STATE POLICE
(1) **Call to Extraordinary Duty:** There is appropriated from the General Fund to the Department of Kentucky State Police, subject to the conditions and procedures provided in this Act, funds which are required as a result of the Governor's call of the Kentucky State Police to extraordinary duty when an emergency situation has been declared to exist by the Governor. Funding is authorized to be provided from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(2) **Restricted Funds Uses:** Notwithstanding KRS 24A.179, 42.320(2)(h), 65.7631, 189A.050(3)(a), 237.110(18), and 281A.160(2)(b), funds are included in the above Restricted Funds appropriation to maintain the operations and administration of the Kentucky State Police.

(3) **Telecommunicator Training Incentive:** Included in the above General Fund appropriation is sufficient funding for a $3,100 annual training incentive stipend for telecommunicators.

(4) **Debt Service:** Included in the above General Fund appropriation is $295,000 in fiscal year 2020-2021 to support debt service for the Emergency Radio System Replacement, Phase II capital project set forth in Part II, H., 4., 001. of this Act.

(5) **Statewide Law Enforcement Initiatives:** (a) Included in the above General Fund appropriation is $3,000,000 in fiscal year 2020-2021 to support rapid DNA laboratory analysis.

(b) Included in the above General Fund appropriation is $180,000 in fiscal year...
2020-2021 to support service contracts for mass spectrometry instruments.


5. CORRECTIONS

a. Corrections Management

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
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<tr>
<td>Restricted Funds</td>
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<td>Federal Funds</td>
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<tr>
<td>TOTAL</td>
<td>14,820,600</td>
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</table>

(1) Local Correctional Facilities: Notwithstanding KRS 441.420, no funds are provided for reimbursement to counties for design fees for architectural and engineering services associated with any new local correctional facility approved by the Local Correctional Facilities Construction Authority.

(2) Facility Reporting: (a) The Department of Corrections shall continuously monitor its bed utilization of county jails, halfway houses, Recovery Kentucky Drug treatment centers, and all other community correctional residential facilities that are under contract with the Department. This monitoring shall include periodic review of its classification system to ensure that all offenders are placed in the least restrictive housing that provides appropriate security to protect public safety and provide ample opportunity for treatment and successful re-entry.

(b) On a quarterly basis, the Department shall submit a report detailing the average occupancy rate for each of these facility types outlined in paragraph (a) of this subsection to the Legislative Research Commission.

b. Adult Correctional Institutions
<table>
<thead>
<tr>
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<th>2020-21</th>
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<tr>
<td>3</td>
<td>Federal Funds</td>
<td>-0-</td>
<td>193,000</td>
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<tr>
<td>4</td>
<td>TOTAL</td>
<td>13,415,600</td>
<td>375,800,100</td>
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</table>

1. **Debt Service**: Included in the above General Fund appropriation is $460,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

2. **Transfer to State Institutions**: Notwithstanding KRS 532.100(7), state prisoners, excluding the Class C and Class D felons qualifying to serve time in county jails, may be transferred to a state institution within 90 days of final sentencing, if the county jail does not object to the additional 45 days.

3. **Operational Costs for Inmate Population**: In the event that actual operational costs exceed the amounts appropriated to support the budgeted average daily population of state felons in fiscal year 2020-2021, the additional payments shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705), subject to notification as to necessity and amount by the State Budget Director who shall report any certified expenditure to the Interim Joint Committee on Appropriations and Revenue.

4. **Substance Abuse Treatment and Job Training Pilot Project**: (a) It is the intent of the General Assembly to reduce recidivism, enhance public safety, reduce overcrowding across the Commonwealth’s correctional institutions and jails, promote workforce preparedness within the justice-involved population, and encourage successful re-entry of offenders.

   (b) No later than September 1, 2020, the Department shall, in conformance with the provisions of KRS Chapter 45A, issue a solicitation for a Substance Abuse Treatment and Job Training pilot project that will include inpatient/residential treatment services for
offenders with substance use disorders to receive evidence-based treatment, provide job training services, and coordinate work assignments for offenders within a centrally located facility.

(c) Any cost avoidance pursuant to the provisions of this subsection shall be reported on a quarterly basis to the Legislative Research Commission in each fiscal year. This report shall include but not be limited to the costs associated with the pilot project, the number of offenders participating in the pilot project, and the total number of days of sentence credit awarded by program type for offenders participating in the pilot project.

(d) Within ninety days after the effective date of this Act, the Department for Medicaid Services shall develop and submit an application for a Section 1115 demonstration waiver under 42 U.S.C. sec. 1315 to provide Medicaid coverage for substance use disorder treatment, including peer support services, to individuals incarcerated for a conviction under KRS Chapter 218A. Upon approval of the waiver, the cost of treatment for a substance use disorder or patient navigation provided by a licensed clinical social worker shall be a covered Medicaid benefit for an incarcerated individual.

c. Community Services and Local Facilities

<table>
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</table>

(1) Excess Local Jail Per Diem Costs: In the event that actual local jail per diem payments exceed the amounts appropriated to support the budgeted average daily population of state felons in county jails for fiscal year 2020-2021, the payments shall be deemed necessary government expenses and may be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705), subject to notification as to necessity and amount by the State Budget Director who shall report
any certified expenditure to the Interim Joint Committee on Appropriations and Revenue.

(2) **Local Jails Funding:** Notwithstanding KRS 441.605 to 441.695, funds in the amount of $3,000,000 in fiscal year 2020-2021 shall be expended from the Kentucky Local Correctional Facilities Construction Authority for local correctional facility and operational support.

(3) **Parole for Infirm Inmates:**

(a) The Commissioner of the Department of Corrections shall certify and notify the Parole Board when a prisoner meets the requirements of paragraph (c) of this subsection for parole.

(b) Notwithstanding any statute to the contrary, within 30 days of receiving notification as prescribed by paragraph (a) of this subsection, the Parole Board shall grant parole.

(c) A prisoner who has been determined by the Department of Corrections to be physically or mentally debilitated, incapacitated, or infirm as a result of advanced age, chronic illness, disease, or any other qualifying criteria that constitutes an infirm prisoner shall be eligible for parole if:

1. The prisoner was not convicted of a capital offense and sentenced to death or was not convicted of a sex crime as defined in KRS 17.500;
2. The prisoner has reached his or her parole eligibility date or has served one-half of his or her sentence, whichever occurs first;
3. The prisoner is substantially dependent on others for the activities of daily living; and
4. There is a low risk of the prisoner presenting a threat to society if paroled.

(d) Unless a new offense is committed that results in a new conviction subsequent to a prisoner being paroled, paroled prisoners shall not be considered to be under the custody of the state in any way.

(e) Prisoners paroled under this subsection shall be paroled to a licensed long-term-care facility, nursing home, or family placement in the Commonwealth.
(f) The Cabinet for Health and Family Services and the Justice and Public Safety Cabinet shall provide all needed assistance and support in seeking and securing approval from the United States Department of Health and Human Services for federal assistance, including Medicaid funds, for the provision of long-term-care services to those eligible for parole under paragraph (c) of this subsection.

(g) The Cabinet for Health and Family Services and the Justice and Public Safety Cabinet shall have the authority to contract with community providers that meet the requirements of paragraph (e) of this subsection and that are willing to house any inmates deemed to meet the requirements of this subsection so long as contracted rates do not exceed current expenditures related to the provisions of this subsection.

(h) The Cabinet for Health and Family Services and the Justice and Public Safety Cabinet are encouraged to collaborate with other states that are engaged in similar efforts so as to achieve the mandates of this subsection.

(i) The Cabinet for Health and Family Services and the Justice and Public Safety Cabinet shall provide a report to the Interim Joint Committee on Appropriations and Revenue by December 15 of each fiscal year concerning these provisions. The report shall include the number of persons paroled, the identification of the residential facilities utilized, an estimate of cost savings as a result of the project, and any other relevant material to assist the General Assembly in assessing the value of continuing and expanding the project.

(4) Participation in Transparent Governing - Full Disclosure of Inmate Population Forecasts and Related Materials: The Office of State Budget Director shall provide the methodology, assumptions, data, and all other related materials used to project biennial offender population forecasts conducted by the Office of State Budget Director, the Kentucky Department of Corrections, and any consulting firms, to the Interim Joint Committee on Appropriations and Revenue by November 1, 2021. This submission shall include but not be limited to the projected state, county, and community
offender populations for the 2022-2024 fiscal biennium and must coincide with the budgeted amount for these populations. This submission shall clearly divulge the methodology and reasoning behind the budgeted and projected offender population in a commitment to participate in transparent governing.

(5) Participation in Transparent Governing - Calculating Avoided Costs

Relating to Legislative Action: The Office of State Budget Director shall provide the methodology, assumptions, data, and all other related materials used to calculate any avoided costs pursuant to the implementation of 2011 Ky. Acts ch. 2 by November 1, 2021. This submission shall clearly divulge the methodology and reasoning behind the projected costs avoided in a commitment to participate in transparent governing.

d. Local Jail Support

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<tr>
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<tr>
<td>General Fund</td>
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(1) Local Corrections Assistance Fund Allocation: Notwithstanding KRS 196.288(5)(a), included in the above General Fund appropriation is $4,630,200 in fiscal year 2020-2021 for the Local Corrections Assistance Fund. Moneys in the fund shall be distributed to the counties in fiscal year 2020-2021. Amounts distributed from the fund shall be used to support local correctional facilities and programs, including the transportation of prisoners, as follows:

(a) In fiscal year 2020-2021, the first $3,000,000 received by the fund, or, if the fund receives less than $3,000,000, the entire balance of the fund, shall be divided equally among all counties; and

(b) Any moneys remaining after making the distributions required by paragraph (a) of this subsection shall be distributed to each county based on a ratio, the numerator of which shall be the county's county inmate population on the second Thursday in January during the prior fiscal year, and the denominator of which shall be the total counties' county inmate population for the entire state on the second Thursday in January.
during the prior fiscal year.

(2) **Jailers’ Allowance:** Notwithstanding KRS 441.115(2), each jailer shall receive an expense allowance of $2,400 annually, at the rate of $200 per month in fiscal year 2020-2021, for participation in the Jail Staff Training Program.

(3) **Life Safety or Closed Jails:** Included in the above General Fund appropriation is $860,000 in fiscal year 2020-2021 to provide a monthly payment of an annual amount of $20,000 to each county with a life safety jail or closed jail. The payment shall be in addition to the payment required by KRS 441.206(2).

(4) **Inmate Medical Care Expenses:** Included in the above General Fund appropriation is $792,800 in fiscal year 2020-2021 for medical care contracts to be distributed, upon approval of the Department of Corrections, to counties by the formula codified in KRS 441.206, and $851,800 in fiscal year 2020-2021, on a partial reimbursement basis, for medical claims in excess of the statutory threshold pursuant to KRS 441.045. The funding support for medical contracts and catastrophic medical expenses for indigents shall be maintained in discrete accounts. Any medical claim that exceeds the statutory threshold may be reimbursed for that amount in excess of the statutory threshold.

(5) **County Jail Incentive Program:** (a) It is the intent of the General Assembly to incentivize county jails to offer evidence-based programs to state inmates housed in county jails. Program completions shall result in sentence credit awards to state inmates.

(b) No later than July 1, 2020, the Department shall issue guidance to counties, and submit a copy to the Legislative Research Commission, detailing the dollar amount of each incentive, the number of days of sentence credit awarded to eligible state inmates for each eligible program, standards that eligible county jails must achieve to be eligible for participation, and for which inmates county jails are incentivized to offer evidence-based programs.
(c) Any cost avoidance pursuant to the provisions of this subsection shall be reported on a quarterly basis to the Legislative Research Commission in each fiscal year. This report shall include but is not limited to the number of program completions by program type, the number of county jails participating in the incentive program, the total number of days of sentence credit awarded by program type, and the total amount of incentive payments awarded to each county by program type.

**TOTAL - CORRECTIONS**

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**6. PUBLIC ADVOCACY**

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(1) **Compensatory Leave Conversion to Sick Leave:** If the Department of Public Advocacy determines that internal budgetary pressures warrant further austerity measures, the Public Advocate may institute a policy to suspend payment of 50-hour blocks of compensatory time for those attorneys who have accumulated 240 hours of compensatory time and instead convert those hours to sick leave.

**TOTAL - JUSTICE AND PUBLIC SAFETY CABINET**

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### I. LABOR CABINET

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#### 2. WORKPLACE STANDARDS

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#### 3. WORKERS' CLAIMS

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#### 4. OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

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#### 5. WORKERS' COMPENSATION FUNDING COMMISSION

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#### 6. WORKERS' COMPENSATION NOMINATING COMMITTEE
1. **GENERAL OPERATIONS**

2. **PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY**

3. **WORKERS' COMPENSATION BENEFITS AND RESERVE**

4. **TOTAL - PERSONNEL CABINET**

5. **K. POSTSECONDARY EDUCATION**
1 **Budget Units**

2 **1. COUNCIL ON POSTSECONDARY EDUCATION**

3

4 2020-21 2021-22

5 General Fund (Tobacco) 7,526,100 -0-

6 General Fund 8,086,400 -0-

7 Restricted Funds 6,435,200 -0-

8 Federal Funds 3,997,000 -0-

9 TOTAL 26,044,700 -0-

10 **(1) Interest Earnings Transfer from the Strategic Investment and Incentive Trust Fund Accounts:** Notwithstanding KRS 164.7911 to 164.7927, any expenditures from the Strategic Investment and Incentive Trust Fund accounts in excess of appropriated amounts by the Council on Postsecondary Education shall be subject to KRS 48.630.

11 **(2) Cancer Research and Screening:** Included in the above General Fund (Tobacco) appropriation is $6,876,100 in fiscal year 2020-2021 for cancer research and screening. The appropriation in fiscal year 2020-2021 shall be equally shared between the University of Kentucky and the University of Louisville.

12 **(3) Southern Regional Education Board Dues:** Included in the above General Fund appropriation is $211,600 in fiscal year 2020-2021 for Southern Regional Education Board dues.

13 **(4) Doctoral Scholars:** Included in the above General Fund appropriation is $50,000 in fiscal year 2020-2021 for the Southern Regional Education Board Doctoral Scholars Program.

14 **(5) Ovarian Cancer Screening:** Included in the above General Fund appropriation is $500,000 in fiscal year 2020-2021 for the Ovarian Cancer Screening Outreach Program at the University of Kentucky.

15 **(6) Redistribution of Resources:** Notwithstanding KRS 164.028 to 164.0282, no
General Fund is provided for Professional Education Preparation in order to increase funding for Veterinary Medicine and Optometry contract spaces.

(7) Postsecondary Education Debt: Notwithstanding KRS 45.750 to 45.810, in order to lower the cost of borrowing, any university that has issued or caused to be issued debt obligations through a not-for-profit corporation or a municipality or county government for which the rental or use payments of the university substantially meet the debt service requirements of those debt obligations is authorized to refinance those debt obligations if the principal amount of the debt obligations is not increased and the rental payments of the university are not increased. Any funds used by a university to meet debt obligations issued by a university pursuant to this subsection shall be subject to interception of state-appropriated funds pursuant to KRS 164A.608.

(8) Disposition of Postsecondary Institution Property: Notwithstanding KRS 45.777, a postsecondary institution’s governing board may elect to sell or dispose of real property or major items of equipment and proceeds from the sale shall be designated to the funding sources, on a proportionate basis, used for acquisition of the equipment or property to be sold.

(9) Spinal Cord and Head Injury Research: Included in the above General Fund (Tobacco) appropriation is $650,000 in fiscal year 2020-2021 for spinal cord and head injury research. In accordance with KRS 211.500 to 211.504, the appropriation in fiscal year 2020-2021 shall be shared between the University of Kentucky and the University of Louisville.

2. KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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<td>312,030,700</td>
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</table>
(1) **College Access Program:** Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $87,555,200 in fiscal year 2020-2021 for the College Access Program.

(2) **Kentucky Tuition Grant Program:** Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $44,078,100 in fiscal year 2020-2021 for the Kentucky Tuition Grant Program.

(3) **Kentucky National Guard Tuition Award Program:** Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $7,398,100 in fiscal year 2020-2021 for the National Guard Tuition Award Program.

(4) **Kentucky Educational Excellence Scholarships (KEES):** Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $113,768,600 in fiscal year 2020-2021 for the Kentucky Educational Excellence Scholarships (KEES). Included in the above Restricted Funds appropriation is $10,000,000 in fiscal year 2020-2021 for KEES.

(5) **Work Ready Scholarship Program:** Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $7,300,000 in fiscal year 2020-2021 for the Work Ready Scholarship Program. Notwithstanding KRS 164.787, the dual credit component of the Work Ready Scholarship Program for high school students shall be funded and administered through the Dual Credit Scholarship Program.

(6) **Dual Credit Scholarship Program:** Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $13,150,000 in fiscal year 2020-2021 for the Dual Credit Scholarship Program. Notwithstanding KRS 164.786(1)(f) and 164.787(2)(d), the dual credit tuition rate ceiling shall be two-fifths of the per credit hour tuition amount charged by the Kentucky Community and Technical College System for in-state students. Notwithstanding KRS 164.786(1)(g)2. and (4)(b), priority for awarding scholarships shall be given in order to high school seniors, juniors, sophomores, and freshmen. Notwithstanding KRS 164.786(4)(c), eligible high school students may receive
a dual credit scholarship for two career and technical education dual credit courses per academic year and two general education dual credit courses over the junior and senior years, up to a maximum of ten approved dual credit courses. Notwithstanding KRS 164.786(4)(d), dual credit scholarships awarded for the Spring 2020 semester shall not be reduced if the dual credit course is not successfully completed by the student as a result of the student’s inability to properly access the new course delivery method due to the novel coronavirus (COVID-19).

(7) Veterinary Medicine Contract Spaces: Included in the above General Fund appropriation is $5,248,000 in fiscal year 2020-2021 to fund 164 veterinary slots.

(8) Optometry Contract Spaces: Included in the above General Fund appropriation is $795,600 in fiscal year 2020-2021 to fund 44 optometry slots.

(9) Use of Lottery Revenues: Notwithstanding KRS 154A.130(3) and (4), lottery revenues in the amount of $273,250,000 in fiscal year 2020-2021 are appropriated to the Kentucky Higher Education Assistance Authority. Notwithstanding KRS 154A.130(4) and any provisions of this Act to the contrary, if lottery receipts received by the Commonwealth, excluding any unclaimed prize money received under Part III, 20. of this Act, exceed $277,000,000 in fiscal year 2020-2021, the first $3,000,000 of excess funds in fiscal year 2020-2021 shall be transferred to the Kentucky Higher Education Assistance Authority and appropriated in accordance with KRS 154A.130(4)(b), and any additional excess shall be held in a trust and agency account and shall not be expended or appropriated without the express authority of the General Assembly.

(10) Redistribution of Resources: Notwithstanding KRS 164.518, 164.740 to 164.764, 164.769, 164.7890(11)(c), 164.7891(11)(b), and 164.7894, no General Fund is provided for Early Childhood Development Scholarships, Work Study, the Teacher Scholarship Program, Coal County Pharmacy Scholarships, Osteopathic Medicine Scholarships, and Coal County College Completion Scholarships in order to provide additional funding to the College Access Program and Kentucky Tuition Grant Program.
3. EASTERN KENTUCKY UNIVERSITY

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<td>TOTAL</td>
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(1) **Mandated Programs:** Included in the above General Fund appropriation is $4,571,900 in fiscal year 2020-2021 for the Model Laboratory School.

(2) **Debt Service:** Included in the above General Fund appropriation is $317,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

4. KENTUCKY STATE UNIVERSITY

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(1) **Mandated Programs:** Included in the above General Fund appropriation is $7,148,800 in fiscal year 2020-2021 to fund the state match payments required of land-grant universities under federal law.

5. MOREHEAD STATE UNIVERSITY

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(1) **Mandated Programs:** Included in the above General Fund appropriation are
the following:

(a) $3,151,400 in fiscal year 2020-2021 for the Craft Academy for Excellence in Science and Mathematics; and

(b) $250,000 in fiscal year 2020-2021 for installation of the Jet Propulsion Laboratory antenna.

6. MURRAY STATE UNIVERSITY

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<td>Federal Funds</td>
<td>22,709,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>186,615,200</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Mandated Programs: Included in the above General Fund appropriation is $3,200,000 in fiscal year 2020-2021 for the Breathitt Veterinary Center.

7. NORTHERN KENTUCKY UNIVERSITY

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>51,280,500</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>199,178,300</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>13,075,600</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>263,534,400</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Mandated Programs: Included in the above General Fund appropriation is $1,323,900 in fiscal year 2020-2021 for the Kentucky Center for Mathematics.

8. UNIVERSITY OF KENTUCKY

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>258,609,200</td>
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<tr>
<td>Restricted Funds</td>
<td>3,972,440,600</td>
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<tr>
<td>Federal Funds</td>
<td>280,222,000</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>4,511,271,800</td>
<td>-0-</td>
</tr>
</tbody>
</table>
(1) **Mandated Programs:** Included in the above General Fund appropriation are the following:

(a) $31,275,300 in fiscal year 2020-2021 for the College of Agriculture, Food, and Environment’s Cooperative Extension Service;

(b) $29,479,600 in fiscal year 2020-2021 for the Kentucky Agricultural Experiment Station;

(c) $5,176,200 in fiscal year 2020-2021 for the Center for Applied Energy Research;

(d) $4,076,300 in fiscal year 2020-2021 for the Kentucky Geological Survey;

(e) $4,034,200 in fiscal year 2020-2021 for the Veterinary Diagnostic Laboratory;

(f) $2,040,500 in fiscal year 2020-2021 for the Sanders-Brown Center on Aging;

(g) $1,800,000 in fiscal year 2020-2021 for the College of Agriculture, Food, and Environment’s Division of Regulatory Services;

(h) $600,000 in fiscal year 2020-2021 for the College of Agriculture, Food, and Environment’s Kentucky Small Business Development Center;

(i) $586,300 in fiscal year 2020-2021 for the University Press of Kentucky;

(j) Notwithstanding KRS 154A.130(4), $500,000 in fiscal year 2020-2021 for the Human Development Institute for the Supported Higher Education Project;

(k) $450,200 in fiscal year 2020-2021 for the Center of Excellence in Rural Health;

(l) $450,200 in fiscal year 2020-2021 for the Kentucky Cancer Registry; and

(m) $100,000 in fiscal year 2020-2021 for the Sports Medicine Research Institute.

(2) **Debt Service:** It is the intent of the 2020 General Assembly to provide sufficient debt service in fiscal year 2021-2022 to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(3) **Restricted Funds Transfer:** Notwithstanding KRS 138.510 and 230.265,
$1,500,000 in Restricted Funds shall be transferred in fiscal year 2020-2021 from the
Equine Drug Research Council under the Horse Racing Commission budget unit to the
Equine Analytical Chemistry Lab.

9. UNIVERSITY OF LOUISVILLE

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>124,117,900</td>
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<tr>
<td>Restricted Funds</td>
<td>1,052,772,700</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>120,084,400</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,296,975,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Mandated Programs: Included in the above General Fund appropriation are the following:

(a) $695,200 in fiscal year 2020-2021 for the Rural Health Education Program;

and

(b) $150,000 in fiscal year 2020-2021 for the Kentucky Autism Training Center.

10. WESTERN KENTUCKY UNIVERSITY

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>72,596,200</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>280,768,200</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>32,340,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>385,704,400</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Mandated Programs: Included in the above General Fund appropriation are the following:

(a) $4,985,100 in fiscal year 2020-2021 for the Gatton Academy of Mathematics and Science; and

(b) $750,000 in fiscal year 2020-2021 for the Kentucky Mesonet.

11. KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>171,265,800</td>
</tr>
<tr>
<td>---</td>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>2</td>
<td>Restricted Funds</td>
<td>453,871,900</td>
</tr>
<tr>
<td>3</td>
<td>Federal Funds</td>
<td>220,482,800</td>
</tr>
<tr>
<td>4</td>
<td>TOTAL</td>
<td>845,620,500</td>
</tr>
</tbody>
</table>

(1) **Mandated Programs**: Included in the above General Fund appropriation are the following:

(a) $4,149,800 in fiscal year 2020-2021 for KCTCS-TRAINS;

(b) $1,869,900 in fiscal year 2020-2021 for the Kentucky Fire Commission;

(c) $1,799,700 in fiscal year 2020-2021 for the Kentucky Board of Emergency Medical Services; and

(d) $1,000,000 in fiscal year 2020-2021 for Adult Agriculture Education.

(2) **Firefighters Foundation Program Fund**: (a) Included in the above Restricted Funds appropriation is $50,560,000 in fiscal year 2020-2021 for the Firefighters Foundation Program Fund.

(b) Notwithstanding Part III, 2. of this Act, Restricted Funds appropriations may be increased to ensure sufficient funding to support the provision of training incentive payments.

(c) Notwithstanding KRS 95A.200 to 95A.300, $6,400,000 in fiscal year 2020-2021 shall be transferred to support projects as set forth in Part II, Capital Projects Budget, of this Act.

(d) Notwithstanding KRS 95A.200 to 95A.300, $1,250,000 in fiscal year 2020-2021 shall be made available from the fund for a program to care for and treat firefighters affected by Post-Traumatic Stress Injury and Post-Traumatic Stress Disorder.

(3) **Firefighters Training Center Fund**: Notwithstanding KRS 95A.262(3), $500,000 in Restricted Funds is provided in fiscal year 2020-2021 for the Firefighters Training Center Fund.

(4) **Guaranteed Energy Savings Performance Contracts**: Notwithstanding
KRS 56.770 and 56.774, guaranteed energy savings performance contracts may be
executed for buildings operated by the Kentucky Community and Technical College
System under agreements governed by KRS 164.593.

12. POSTSECONDARY EDUCATION PERFORMANCE FUND

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>14,994,800</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Postsecondary Education Performance Fund: Notwithstanding KRS
164.092(1)(e), "formula base amount" means an institution's General Fund appropriation
from fiscal year 2019-2020, including adjustments reflecting the performance distribution
from fiscal year 2019-2020 plus any additional appropriations in fiscal year 2020-2021,
less debt service on bonds, and less appropriations for mandated programs.

TOTAL - POSTSECONDARY EDUCATION

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (Tobacco)</td>
<td>-0-</td>
<td>7,526,100</td>
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</tr>
<tr>
<td>General Fund</td>
<td>497,400</td>
<td>1,153,052,400</td>
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<tr>
<td>Restricted Funds</td>
<td>-0-</td>
<td>6,469,745,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>-0-</td>
<td>878,925,300</td>
<td>-0-</td>
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<tr>
<td>TOTAL</td>
<td>497,400</td>
<td>8,509,248,800</td>
<td>-0-</td>
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</tbody>
</table>

L. PUBLIC PROTECTION CABINET

1. SECRETARY

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
<td>6,956,100</td>
<td>-0-</td>
</tr>
</tbody>
</table>

2. KENTUCKY CLAIMS COMMISSION

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>1,005,400</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>911,200</td>
<td>-0-</td>
</tr>
</tbody>
</table>
1 Federal Funds 157,200 -0-
2 TOTAL 2,073,800 -0-

3. PROFESSIONAL LICENSING
4 2020-21 2021-22
5 Restricted Funds 5,123,100 -0-

4. BOXING AND WRESTLING AUTHORITY
7 2020-21 2021-22
8 Restricted Funds 183,000 -0-

5. ALCOHOLIC BEVERAGE CONTROL
10 2020-21 2021-22
11 Restricted Funds 7,236,200 -0-
12 Federal Funds 439,000 -0-
13 TOTAL 7,675,200 -0-

6. CHARITABLE GAMING
15 2020-21 2021-22
16 Restricted Funds 3,795,200 -0-

7. FINANCIAL INSTITUTIONS
18 2020-21 2021-22
19 Restricted Funds 13,114,000 -0-

8. HORSE RACING COMMISSION
21 2020-21 2021-22
22 General Fund 1,677,700 -0-
23 Restricted Funds 42,569,200 -0-
24 TOTAL 44,246,900 -0-

(1) Administration and Regulation of Racing: Included in the above General
Fund appropriation is $500,000 in fiscal year 2020-2021 to support one full-time Safety
Steward and additional Investigator positions.
(2) **Restricted Funds Transfer**: Notwithstanding KRS 138.510 and 230.265, $1,500,000 in Restricted Funds shall be transferred in fiscal year 2020-2021 from the Equine Drug Research Council to the Equine Analytical Chemistry Lab at the University of Kentucky.

9. **HOUSING, BUILDINGS AND CONSTRUCTION**

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>2,629,800</td>
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<tr>
<td>Restricted Funds</td>
<td>22,355,700</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>24,985,500</td>
<td></td>
</tr>
</tbody>
</table>

(1) **Building Code Enforcement Positions**: Included in the above Restricted Funds appropriation is $150,700 in fiscal year 2020-2021 to support Building Codes Field Inspector positions.

(2) **School Building Plan Reviews and Inspections**: Notwithstanding KRS 198B.060, local governments may have jurisdiction for plan review, inspection, and enforcement responsibilities over buildings intended for educational purposes, other than licensed day-care centers, at the discretion of the local school districts.

10. **INSURANCE**

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
<td>17,837,000</td>
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<tr>
<td>Federal Funds</td>
<td>600,000</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>18,437,000</td>
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</tbody>
</table>

**TOTAL - PUBLIC PROTECTION CABINET**

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>5,312,900</td>
<td></td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>120,080,700</td>
<td></td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1,196,200</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>126,589,800</td>
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</tr>
</tbody>
</table>
### M. TOURISM, ARTS AND HERITAGE CABINET

#### Budget Units

1. **SECRETARY**

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>3,276,300</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>15,263,200</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>18,539,500</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Tourism Grants**: Included in the above Restricted Funds appropriation are the following allocations for the 2020-2022 fiscal biennium:

(a) $500,000 in fiscal year 2020-2021 for the Kentucky Mountain Regional Recreation Authority;

(b) $150,000 in fiscal year 2020-2021 to the Kenton County Fiscal Court to execute the planning, marketing, and implementation of the regional Jacob Spears Licking River Water Trail from Paris, Kentucky, to the Ohio River;

(c) $190,000 in fiscal year 2020-2021 for the Judge Joseph Holt House;

(d) $100,000 in fiscal year 2020-2021 for EP Tom Sawyer Park Tennis/Pickleball Courts; and

(e) $60,000 in fiscal year 2020-2021 for the Trail of Tears Pow Wow.

(2) **Kentucky Center for African American Heritage**: Included in the above General Fund appropriation is $100,000 in fiscal year 2020-2021 for the Kentucky Center for African American Heritage.

2. **ARTISANS CENTER**

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>290,300</td>
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</tr>
<tr>
<td>Restricted Funds</td>
<td>1,801,300</td>
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</tr>
<tr>
<td>Road Fund</td>
<td>573,800</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,665,400</td>
<td>-0-</td>
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</tbody>
</table>
### 3. TOURISM

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>3,145,000</td>
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<tr>
<td>Restricted Funds</td>
<td>60,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,205,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Whitehaven Welcome Center:** Included in the above General Fund appropriation is $130,000 in fiscal year 2020-2021 to support the Whitehaven Welcome Center.

### 4. PARKS

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>2,700,000</td>
<td>47,547,900</td>
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</tr>
<tr>
<td>Restricted Funds</td>
<td>-0-</td>
<td>52,285,900</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,700,000</td>
<td>99,833,800</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Park Capital Maintenance and Renovation Fund:** Notwithstanding KRS 148.810, no transfer to the Park Capital Maintenance and Renovation Fund shall be made.

(2) **Debt Service:** Included in the above General Fund appropriation is $398,000 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(3) **Capitol Annex Cafeteria:** Included in the above General Fund appropriation is $234,400 in fiscal year 2020-2021 to support the Capitol Annex cafeteria operated by the Department of Parks.

### 5. HORSE PARK COMMISSION

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>1,729,000</td>
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<tr>
<td>Restricted Funds</td>
<td>11,290,000</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>13,019,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>
6. STATE FAIR BOARD

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>4,416,400</td>
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<tr>
<td>Restricted Funds</td>
<td>49,643,800</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>54,060,200</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Debt Service: Included in the above General Fund appropriation is $302,500 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

7. FISH AND WILDLIFE RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
<td>49,139,400</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>19,381,900</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>68,521,300</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Fish and Wildlife Resources Peace Officers' Stipend: Notwithstanding Part III, 2. of this Act, Restricted Funds appropriations may be increased to ensure sufficient funding to support the provisions of KRS 15.460(1)(a).

(2) Fees-in-Lieu-of Stream Mitigation Reporting: The Department of Fish and Wildlife Resources shall develop a report of all projects managed by the Fees-in-Lieu-of Stream Mitigation Program. The Department shall present this report to the Interim Joint Committee on Tourism, Small Business, and Information Technology by August 1, 2021.

8. HISTORICAL SOCIETY

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>6,456,700</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>894,300</td>
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</tr>
<tr>
<td>Federal Funds</td>
<td>170,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,521,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

9. ARTS COUNCIL
10. HERITAGE COUNCIL

2020-21 2021-22

2 General Fund 1,537,900 -0- 3
3 Restricted Funds 352,600 -0- 4
4 Federal Funds 708,500 -0- 5
5 TOTAL 2,599,000 -0-

11. KENTUCKY CENTER FOR THE ARTS

2020-21 2021-22

8 General Fund 738,400 -0- 9
9 Restricted Funds 779,900 -0- 10
10 Federal Funds 869,200 -0- 11
11 TOTAL 2,387,500 -0-

TOTAL - TOURISM, ARTS AND HERITAGE CABINET

2019-20 2020-21 2021-22

17 General Fund 2,700,000 69,696,200 -0- 18
18 Restricted Funds -0- 181,510,400 -0- 19
19 Federal Funds -0- 21,129,600 -0- 20
20 Road Fund -0- 573,800 -0- 21
21 TOTAL 2,700,000 272,910,000 -0-

PART II

CAPITAL PROJECTS BUDGET

(1) Capital Construction Fund Appropriations and Reauthorizations:

Moneys in the Capital Construction Fund are appropriated for the following capital projects subject to the conditions and procedures in this Act. Items listed without appropriated amounts are previously authorized for which no additional amount is
required. These items are listed in order to continue their current authorization into the 2020-2022 fiscal biennium. Unless otherwise specified, reauthorized projects shall conform to the original authorization enacted by the General Assembly.

(2) **Expiration of Existing Line-Item Capital Construction Projects:** All appropriations to existing line-item capital construction projects expire on June 30, 2020, unless reauthorized in this Act with the following exceptions: (a) A construction or purchase contract for the project shall have been awarded by June 30, 2020; (b) Permanent financing or a short-term line of credit sufficient to cover the total authorized project scope shall have been obtained in the case of projects authorized for bonds, if the authorized project completes an initial draw on the line of credit within the fiscal biennium immediately subsequent to the original authorization; and (c) Grant or loan agreements, if applicable, shall have been finalized and properly signed by all necessary parties by June 30, 2020. Notwithstanding the criteria set forth in this subsection, the disposition of 2020-2022 fiscal biennium nonstatutory appropriated maintenance pools funded from Capital Construction Investment Income shall remain subject to KRS 45.770(5)(c).

(3) **Bond Proceeds Investment Income:** Investment income earned from bond proceeds beyond that which is required to satisfy Internal Revenue Service arbitrage rebates and penalties and excess bond proceeds upon the completion of a bond-financed capital project shall be used to pay debt service according to the Internal Revenue Service Code and accompanying regulations.

(4) **Appropriations for Projects Not Line-Itemized:** Inasmuch as the identification of specific projects in a variety of areas of the state government cannot be ascertained with absolute certainty at this time, amounts are appropriated for specific purposes to projects which are not individually identified in this Act in the following areas: Kentucky Infrastructure Authority Water and Sewer projects; Repair of State-Owned Dams; Guaranteed Energy Savings Performance Contract projects; Wetland and
Stream Mitigation projects; Bond-funded, Restricted Fund, and Aircraft maintenance pools; Postsecondary Education pools; Commonwealth Office of Technology Infrastructure Upgrades; and the Wastewater Treatment Upgrades pool. Notwithstanding any statute to the contrary, projects estimated to cost $1,000,000 and over and equipment estimated to cost $200,000 and over shall be reported to the Capital Projects and Bond Oversight Committee.

(5) **Capital Construction and Equipment Purchase Contingency Account:** If funds in the Capital Construction and Equipment Purchase Contingency Account are not sufficient, then expenditures of the fund are to be paid first from the General Fund Surplus Account (KRS 48.700), if available, or from the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in this Act.

(6) **Emergency Repair, Maintenance, and Replacement Account:** If funds in the Emergency Repair, Maintenance, and Replacement Account are not sufficient, then expenditures of the fund are to be paid first from the General Fund Surplus Account (KRS 48.700), if available, or from the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in this Act.

(7) **Appropriation-Supported Debt:** To lower the cost of borrowing, the agencies identified in KRS 45A.850(1)(a) and (2)(a) are authorized to refinance appropriation supported debt obligations that have previously been issued and for which the Commonwealth is currently making lease-rental payments to meet the current debt service requirements. Such action is authorized provided that the principal amount of any such debt obligation is not increased and the term of the debt obligation is not extended. Any such refinancing shall still be subject to the requirements of KRS 45.750 to 45.810 for reporting to the Capital Projects and Bond Oversight Committee.

(8) **Cash Defeasance:** State agencies identified in KRS 45A.850(1)(a) and (2)(a) are authorized to economically or legally defease debt obligations that have previously been issued by the agency, or through a third-party but for which the Commonwealth or
the agency is currently making lease-rental payments to meet the current debt service requirements. If Restricted Funds are used for the defeasance of bonds, the agency may use a prior Agency Bond authorization for a new debt obligation so long as the debt service for the new debt obligation is not greater than the debt service of the defeased bonds and the term of the new debt obligation is not greater than the term of the defeased bonds. Any such refinancing shall still be subject to the requirements of KRS 45.750 to 45.810 for reporting to the Capital Projects and Bond Oversight Committee.

A. GENERAL GOVERNMENT

<table>
<thead>
<tr>
<th>Budget Units</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<tbody>
<tr>
<td>1. DEPARTMENT OF VETERANS' AFFAIRS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>001. Nurse Call System – Additional Reauthorization ($1,550,000 Investment Income)</td>
<td>Restricted Funds 4,500,000</td>
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<tr>
<td>002. Improve/Expand Pavement and Parking Areas</td>
<td>Restricted Funds -0-</td>
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<td>003. Construct Bowling Green Veterans Center</td>
<td>Federal Funds -0-</td>
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<tr>
<td></td>
<td>Bond Funds -0-</td>
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<td></td>
<td>TOTAL -0-</td>
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<td>004. Maintenance Pool – 2020-2022</td>
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<td>005. Replace Cooling Tower – Eastern Kentucky Veterans Center</td>
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<td>006. Replace Steam Boiler – Thomson-Hood Veterans Center</td>
<td>Restricted Funds -0-</td>
<td>300,000</td>
<td>-0-</td>
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2. KENTUCKY INFRASTRUCTURE AUTHORITY

001. KIA Fund A – Federally Assisted Wastewater Program – 2020-2022
1. Federal Funds -0- 20,428,000 -0-
2. Bond Funds -0- 4,086,000 -0-
3. TOTAL -0- 24,514,000 -0-

(1) Permitted Use of Funds: The Bond Funds shall be used to meet the state match requirement for federal funds for the Wastewater State Revolving Loan Fund Program.

002. KIA Fund F – Drinking Water Revolving Loan Program – 2020-2022

1. Federal Funds -0- 18,303,000 -0-
2. Bond Funds -0- 4,561,000 -0-
3. TOTAL -0- 22,864,000 -0-

(1) Permitted Use of Funds: The Bond Funds shall be used to meet the state match requirement for federal funds for the Safe Drinking Water State Revolving Loan Fund Program.

003. KIA Fund A – Federally Assisted Wastewater Program – 2018-2020 Reauthorization ($30,000,000 Agency Bonds)

004. KIA Fund F – Drinking Water Revolving Loan Program – 2018-2020 Reauthorization ($30,000,000 Agency Bonds)

3. MILITARY AFFAIRS

001. Maintenance Pool – 2020-2022

1. Investment Income -0- 1,500,000 -0-

002. Bluegrass Station Facility Maintenance Pool – 2020-2022

1. Restricted Funds -0- 1,000,000 -0-

003. Install Solar Panels at Armories Statewide Reauthorization ($413,000 Restricted Funds, $1,238,000 Federal Funds)

004. Construct Industrial Building at Bluegrass Station Reauthorization ($15,000,000 Other Funds)

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.
005. Construct Multi-purpose Building at Bluegrass Station Reauthorization

($15,000,000 Other Funds)

(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

006. Construct WHFRTC Qualification Training Range Reauthorization

($6,515,000 Federal Funds)

4. **ATTORNEY GENERAL**

001. Franklin County – Lease

002. Upgrade Technology

<table>
<thead>
<tr>
<th>Bond Funds</th>
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5. **UNIFIED PROSECUTORIAL SYSTEM**

a. Commonwealth's Attorneys

001. Jefferson County – Lease

6. **AGRICULTURE**

001. Inspection and Licensing Project

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<tr>
<th>Restricted Funds</th>
<th>1,052,400</th>
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002. Franklin County – Lease

7. **OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS**

a. Nursing

001. Jefferson County – Lease

8. **KENTUCKY RIVER AUTHORITY**

001. Locks 2 and 3 Upper Guide Wall Repair

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<th>Restricted Funds</th>
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002. Design and Repair Dam 7 Reauthorization ($3,081,000 Agency Bonds)

003. Design and Repair Dam 6 Reauthorization ($2,299,000 Agency Bonds)

9. **SCHOOL FACILITIES CONSTRUCTION COMMISSION**

001. Offers of Assistance – 2018-2020

<table>
<thead>
<tr>
<th>Bond Funds</th>
<th>58,000,000</th>
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</table>
002. School Facilities Construction Commission Reauthorization ($84,500,000 Bond Funds)

003. Offers of Assistance - 2020-2022

B. ECONOMIC DEVELOPMENT CABINET

(1) Economic Development Bond Issues: Before any economic development bonds are issued, the proposed bond issue shall be approved by the Secretary of the Finance and Administration Cabinet and the State Property and Buildings Commission under KRS 56.440 to 56.590. In addition to the terms and conditions of KRS 154.12-100, administration of the Economic Development Bond Program by the Secretary of the Cabinet for Economic Development is subject to the following guideline: project selection shall be documented when presented to the Secretary of the Finance and Administration Cabinet. Included in the documentation shall be the rationale for selection and expected economic development impact.

(2) Use of New Economy Funds: Notwithstanding KRS 154.12-100, 154.12-278(4) and (5), and 154.20.035, the Secretary of the Cabinet for Economic Development may use funds appropriated in the Economic Development Fund Program, High-Tech Construction/Investment Pool, and the Kentucky Economic Development Finance Authority Loan Pool interchangeably for economic development projects.

C. DEPARTMENT OF EDUCATION

Budget Units 2020-21 2021-22

1. OPERATIONS AND SUPPORT SERVICES

001. School Safety Facility Upgrades

Bond Funds 18,200,000 -0-

002. State Schools HVAC Pool – 2020-2022

Bond Funds 5,000,000 -0-

003. State Schools Roof Replacement Pool – 2020-2022
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<td>3</td>
<td>Investment Income</td>
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<td><strong>D. EDUCATION AND WORKFORCE DEVELOPMENT CABINET</strong></td>
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<td><strong>Budget Units</strong></td>
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<td>2021-22</td>
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<td>6</td>
<td><strong>1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT</strong></td>
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<td><strong>3. LIBRARIES AND ARCHIVES</strong></td>
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<td><strong>4. WORKFORCE INVESTMENT</strong></td>
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<td><strong>E. ENERGY AND ENVIRONMENT CABINET</strong></td>
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<td><strong>Budget Units</strong></td>
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<td>2021-22</td>
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<td><strong>2. ENVIRONMENTAL PROTECTION</strong></td>
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### F. FINANCE AND ADMINISTRATION CABINET

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<th>Budget Units</th>
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<th>2021-22</th>
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<tbody>
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<td><strong>1. FACILITIES AND SUPPORT SERVICES</strong></td>
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<tr>
<td>001. Capitol Campus Upgrade</td>
<td>Bond Funds</td>
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<tr>
<td>002. Maintenance Pool – 2020-2022</td>
<td>Bond Funds</td>
<td>22,000,000</td>
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<tr>
<td>003. Air Handler Replacement and Repair – Central Lab Reauthorization and Reallocation ($189,700 Bond Funds)</td>
<td>Bond Funds</td>
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<td>004. Elevator Upgrades Phase 1</td>
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<tr>
<td>005. HVAC Replacement and Repair COT Building</td>
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<tr>
<td>006. Guaranteed Energy Savings Performance Contracts</td>
<td>Investment Income</td>
<td>1,200,000</td>
</tr>
</tbody>
</table>

### 2. COMMONWEALTH OFFICE OF TECHNOLOGY

(1) Transfer of Restricted Funds from Operating Budget: For the major equipment purchases displayed in this section funded from Restricted Funds, it is anticipated that these funds shall be transferred from the Operating Budget as funds are available and needed.

| 001. Enterprise Infrastructure 2020-2022 | Restricted Funds | 4,000,000 | -0- |
| 002. Boone County – Lease | | | |
3. KENTUCKY LOTTERY CORPORATION

001. Data Processing, Telecommunications, and Related Equipment

Other Funds 500,000 -0-

G. HEALTH AND FAMILY SERVICES CABINET

Budget Units 2020-21 2021-22

1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT

001. Maintenance Pool – 2020-2022

Bond Funds 5,000,000 -0-

002. KASPER

Federal Funds 1,820,000 -0-

Investment Income 180,000 -0-

TOTAL 2,000,000 -0-

2. OFFICE FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS

001. Jefferson County – Lease

3. BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

001. Oakwood Renovate/Replace Cottages – Phase II

Bond Funds 8,000,000 -0-

002. Western State Hospital – Electrical Upgrade – Phase III

Bond Funds 3,493,000 -0-

003. Oakwood Replace, Upgrade, and Enhance Generators

Bond Funds 1,825,000 -0-

4. PUBLIC HEALTH

001. WIC Modernization

Federal Funds 10,756,000 -0-

5. INCOME SUPPORT

001. Franklin County – Lease
1 6. COMMUNITY BASED SERVICES

2 001. Boone County – Lease

3 002. Boyd County – Lease

4 003. Campbell County – Lease

5 004. Daviess County – Lease

6 005. Greenup County – Lease

7 006. Fayette County – Lease

8 007. Franklin County – Lease

9 008. Hardin County – Lease

10 009. Johnson County – Lease

11 010. Kenton County – Lease

12 011. Madison County – Lease

13 012. Shelby County – Lease

14 013. Warren County – Lease

15 014. Perry County – Lease

16 015. Muhlenberg County – Lease

H. JUSTICE AND PUBLIC SAFETY CABINET

18 Budget Units

19

20 1. JUSTICE ADMINISTRATION

21 001. Franklin County – Lease

22

23 2. CRIMINAL JUSTICE TRAINING

24 001. Maintenance Pool – 2020-2022

25

26 Restricted Funds

27

1,500,000

28

29 3. JUVENILE JUSTICE

30 001. Maintenance Pool – 2020-2022

31

32 Investment Income

33

1,500,000

34

35 002. Franklin County – Lease

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4. STATE POLICE

001. Emergency Radio System Replacement, Phase II
   Bond Funds  52,450,000  -0-

002. Maintenance Pool – 2020-2022
   Investment Income  1,000,000  -0-

003. Two Mass Spectrometry Instruments
   General Fund  700,000  -0-

5. CORRECTIONS

a. Adult Correctional Institutions

001. Maintenance Pool – 2020-2022
   Bond Funds  5,000,000  -0-

002. Repair/Replace Roofs – Eastern Kentucky Correctional Complex
   Bond Funds  6,531,000  -0-

003. Install Emergency Generators – Luther Luckett and Green River
   Bond Funds  5,700,000  -0-

004. Floyd County – Lease

b. Community Services and Local Facilities

001. Fayette County – Lease

002. Campbell County – Lease

003. Jefferson County – Lease

6. PUBLIC ADVOCACY

001. Franklin County – Lease

002. Fayette County – Lease

I. POSTSECONDARY EDUCATION

Budget Units  2019-20  2020-21  2021-22

1. COUNCIL ON POSTSECONDARY EDUCATION

001. Franklin County – Lease
2. KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION

001. Jefferson County – Lease

3. EASTERN KENTUCKY UNIVERSITY

001. Replace and Renovate Student Housing

Other Funds -0- 50,000,000 -0-

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

002. Demolish Building Pool

Restricted Funds -0- 20,000,000 -0-

Other Funds -0- 20,000,000 -0-

TOTAL -0- 40,000,000 -0-

003. Upgrade/Approve Athletics Facilities/Fields Pool

Agency Bonds -0- 25,000,000 -0-

Other Funds -0- 12,000,000 -0-

TOTAL -0- 37,000,000 -0-

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

004. Campus Infrastructure Upgrade

Other Funds -0- 35,000,000 -0-

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

005. Miscellaneous Maintenance Pool – 2020-2022

Restricted Funds -0- 20,000,000 -0-

006. Repair/Replace Infrastructure/Building System Pool

Restricted Funds -0- 20,000,000 -0-

007. Construct Regional Health Facility

Federal Funds -0- 15,000,000 -0-

008. Campus Data Network Pool

Restricted Funds -0- 13,000,000 -0-

009. Construct Alumni and Welcome Center
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<thead>
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<td><strong>011. Renovate Mechanical Systems Pool</strong></td>
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<td><strong>012. Steam Line Upgrades</strong></td>
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<td>8</td>
<td><strong>013. Upgrade and Improve Residence Halls</strong></td>
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<td><strong>014. Academic Computing Pool</strong></td>
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<td><strong>015. Scientific and Research Equipment Pool</strong></td>
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<td><strong>017. Commonwealth Hall Partial Repurposing and Renovation</strong></td>
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<td><strong>018. Property Acquisitions Pools</strong></td>
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<td>25</td>
<td><strong>019. Aviation Acquisition Pool</strong></td>
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**Note:** The above authorization is approved pursuant to KRS 45.763.
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<td><strong>024. Improve Campus Pedestrian, Parking, and Transport Reauthorization</strong></td>
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<td>15</td>
<td>($15,000,000 Agency Bonds, $12,000,000 Restricted Funds, $3,000,000 Other Funds)</td>
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<td>16</td>
<td><strong>025. Guaranteed Energy Savings Performance Contracts</strong></td>
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<td>17</td>
<td><strong>026. Aviation – Lease</strong></td>
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<td>18</td>
<td><strong>027. New Housing Space – Lease</strong></td>
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<td>20</td>
<td><strong>029. Madison County – Land – Lease</strong></td>
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<td><strong>030. Multi-Property – Multi-Use – Lease 1</strong></td>
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<td><strong>031. Multi-Property – Multi-Use – Lease 2</strong></td>
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<td>23</td>
<td><strong>032. Construct Aviation/Aerospace Instructional Facility</strong></td>
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<td>25</td>
<td><strong>033. Purchase Aviation Maintenance Technician/Pilot Training Equipment</strong></td>
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4. KENTUCKY STATE UNIVERSITY
1. **Construct New Residence Hall**

2. **Other Funds**

3. **Total:** 55,562,000

4. **Authorization:** The above authorization is approved pursuant to KRS 45.763.

5. **Acquire Land/Master Plan – 2020-2022**

6. **Restricted Funds**

7. **Federal Funds**

8. **Total:** 2,088,000

9. **Guaranteed Energy Savings Performance Contracts**

5. **MOREHEAD STATE UNIVERSITY**

10. **Construct New Residence Hall**

11. **Agency Bonds**

12. **Capital Renewal and Maintenance Pool – Auxiliary**

13. **Agency Bonds**

14. **Renovate Alumni Tower Ground Floor**

15. **Agency Bonds**

16. **Replace Exterior Precast Panels – Nunn Hall**

17. **Agency Bonds**

18. **Construct New Volleyball Facility – Phase 2**

19. **Agency Bonds**

20. **Comply with ADA – Auxiliary**

21. **Agency Bonds**

22. **Replace Turf on Jacobs Field**

23. **Agency Bonds**

24. **Guaranteed Energy Savings Performance Contracts**

25. **Renovate Cartmell Residence Hall – Reauthorization ($15,200,000 Agency Bonds)**

6. **MURRAY STATE UNIVERSITY**
001. Construct Residential Housing
Other Funds -0- 66,000,000 -0-
(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

002. Renovate/Replace Residence Hall
Agency Bonds -0- 16,740,000 -0-

003. Construct/Renovate Alternate Dining Facility
Other Funds -0- 12,000,000 -0-
(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

004. Renovate Winslow Cafeteria
Restricted Funds -0- 4,673,000 -0-

005. Renovate Residence Hall Electrical System
Agency Bonds -0- 4,180,000 -0-

006. Acquire Property
Restricted Funds -0- 4,000,000 -0-

007. Repairs of Biology Building
Restricted Funds 4,000,000 -0- -0-

008. Renovate Residence Hall HVAC System
Agency Bonds -0- 3,503,000 -0-

009. Replace CFSB Center Seating
Restricted Funds -0- 3,500,000 -0-

010. Renovate Residence Hall Interior
Agency Bonds -0- 1,601,000 -0-

011. Install CFSB Center Generator
Restricted Funds -0- 1,541,000 -0-

012. Acquire Agriculture Research Farm Land
Restricted Funds -0- 1,200,000 -0-

013. Replace Residence Hall Domestic Water Piping
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<thead>
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<td><strong>016.</strong> Guaranteed Energy Savings Performance Contracts</td>
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<td><strong>017.</strong> Renovate Residence Hall or Replace - LTF</td>
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<td>Other Funds</td>
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<td><strong>018.</strong> Renovate Residence Hall Electrical System - LTF</td>
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<td>10</td>
<td>Other Funds</td>
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<td>13</td>
<td><strong>020.</strong> Renovate Residence Hall Interior - LTF</td>
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<td>14</td>
<td>Other Funds</td>
<td>$1,601,000</td>
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<tr>
<td>15</td>
<td><strong>021.</strong> Replace Campus Communications Infrastructure (Fiber Ring)</td>
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<td><strong>7. NORTHERN KENTUCKY UNIVERSITY</strong></td>
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<td>18</td>
<td><strong>001.</strong> Renew/Renovate Fine Arts Center Phase II</td>
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<td>21</td>
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<td>22</td>
<td><strong>002.</strong> Renovate/Expand Civic Center Building</td>
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<td>23</td>
<td>Other Funds</td>
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<td>24</td>
<td><strong>003.</strong> Renovate/Expand Business Academic Building</td>
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<td>25</td>
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<td>26</td>
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<td>27</td>
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<td>$41,000,000</td>
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</tbody>
</table>
004. Replace Event Center Technology

Other Funds       -0-  4,000,000       -0-

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

005. Renew/Renovate Nunn Hall

Restricted Funds -0-  25,000,000       -0-
Other Funds      -0-  5,000,000        -0-
TOTAL            -0-  30,000,000       -0-

006. Expand/Renovate Soccer Stadium

Other Funds      -0-  3,500,000        -0-

007. Acquire Land/Master Plan 2010-2012 Reauthorization ($17,500,000 Agency Bonds, $4,000,000 Restricted Funds, $4,000,000 Other Funds)

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

008. Replace Underground Utility Infrastructure

Restricted Funds -0-  6,700,000        -0-

009. Renew/Renovate Steely Library

Restricted Funds -0-  41,000,000       -0-

010. Renovate Brown Building Reauthorization ($3,000,000 Restricted Funds, $1,500,000 Other Funds)

011. Renew E&G Building Systems Projects Pool

Restricted Funds -0-  20,000,000       -0-

012. Construct Research/Innovation Building Reauthorization ($30,000,000 Other Funds)

(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

013. Construct /Acquire New Residence Hall Reauthorization ($4,571,000 Agency Bonds)

014. Reconstruct West Side Parking Reauthorization ($6,529,000 Agency Bonds)

015. Renovate/Construct Campbell Hall
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<td>$0\text{-}18,000,000$</td>
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<td>(1) <strong>Authorization:</strong></td>
<td>The above authorization is approved pursuant to KRS 45.763.</td>
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</tr>
<tr>
<td>016.</td>
<td>Academic Space – Lease</td>
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<tr>
<td>017.</td>
<td>Office Space – Lease</td>
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<td>018.</td>
<td>Guaranteed Energy Savings Performance Contracts</td>
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<td>019.</td>
<td>Renovate Residence Halls</td>
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<td>Upgrade Admin/IT Infrastructure Pool</td>
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<td>Improve UK HealthCare Facilities – UK Chandler Hospital</td>
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<td>003.</td>
<td>Construct Library/Knowledge Center</td>
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8. **UNIVERSITY OF KENTUCKY**

22 | 001. | Replace UK HealthCare IT Systems |   |
<p>| 24 | 002. | Improve UK HealthCare Facilities – UK Chandler Hospital |   |
| 26 | 003. | Construct Library/Knowledge Center |   |</p>
<table>
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<tr>
<td>1</td>
<td><strong>004. Improve Funkhouser Building</strong></td>
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<td><strong>005. Construct College of Medicine Building</strong></td>
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<td><strong>006. Construct Student Housing</strong></td>
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<td></td>
<td>Other Funds</td>
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<td>-0- 150,000,000</td>
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<td><strong>Authorization</strong>: The above authorization is approved pursuant to KRS 45.763.</td>
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<tr>
<td>4</td>
<td><strong>007. Improve Campus Parking and Transportation System</strong></td>
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<td><strong>Authorization</strong>: The above authorization is approved pursuant to KRS 45.763.</td>
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<td><strong>008. Improve Parking/Transportation Systems UK HealthCare</strong></td>
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<td><strong>Authorization</strong>: The above authorization is approved pursuant to KRS 45.763.</td>
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<td><strong>009. Construct Digital Village Building 3</strong></td>
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<td><strong>Authorization</strong>: The above authorization is approved pursuant to KRS 45.763.</td>
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<td><strong>010. Facilities Renewal and Modernization</strong></td>
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<td><strong>011. Acquire/Renovate Housing</strong></td>
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<td>-0-</td>
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(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

**012.** Construct Retail/Parking Facility 1

|   | Other Funds      | -0-| 75,000,000 | -0-|

(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

**013.** Construct Retail/Parking Facility 2

|   | Other Funds      | -0-| 75,000,000 | -0-|

(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

**014.** Improve Center for Applied Energy Research Facilities

|   | Restricted Funds | -0-| 75,000,000 | -0-|

**015.** Improve Multi-Disciplinary Science Building

|   | Restricted Funds | -0-| 10,000,000 | -0-|

**016.** Construct/Improve Greek Housing

|   | Restricted Funds | -0-| 36,000,000 | -0-|

|   | Other Funds      | -0-| 36,000,000 | -0-|

|   | TOTAL            | -0-| 72,000,000 | -0-|

**017.** Renovate/Improve King Library

|   | Restricted Funds | -0-| 5,000,000  | -0-|

**018.** Construct Office Park at Coldstream

|   | Other Funds      | -0-| 65,000,000 | -0-|

(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

**019.** Improve Memorial Coliseum

|   | Other Funds      | -0-| 65,000,000 | -0-|

**020.** Implement Land Use Plan – UK HealthCare

|   | Restricted Funds | -0-| 60,000,000 | -0-|

**021.** Acquire Land

<p>|   | Restricted Funds | -0-| 50,000,000 | -0-|</p>
<table>
<thead>
<tr>
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<th>Funds</th>
<th>Amount</th>
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<td>1</td>
<td><strong>022.</strong> Repair/Upgrade/Expand Central Plants</td>
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<td>3</td>
<td><strong>023.</strong> Acquire Medical Facility 1</td>
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<tr>
<td>4</td>
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<td>5</td>
<td><strong>024.</strong> Improve Whalen Building &amp; Bay Facility</td>
<td>Restricted</td>
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<td>6</td>
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<tr>
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<td><strong>025.</strong> Acquire Medical Facility 2</td>
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<td>8</td>
<td></td>
<td>Funds</td>
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<tr>
<td>9</td>
<td><strong>026.</strong> Acquire/Renovate Clinical Research Facility</td>
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**1) Authorization:** The above authorization is approved pursuant to KRS 45.763.
072. Renovate/Improve Nursing Building
   Restricted Funds -0- 2,000,000 -0-

073. Construct/Expand/Renovate Ambulatory Care – UK HealthCare
   Restricted Funds -0- 20,000,000 -0-

074. Renovate/Improve Frazee Hall
   Restricted Funds -0- 11,000,000 -0-

075. Expand/Improve Johnson Center
   Restricted Funds -0- 30,000,000 -0-

076. Improve Markey Cancer Center – UK HealthCare
   Restricted Funds -0- 20,000,000 -0-

077. Improve Library Facility
   Restricted Funds -0- 20,000,000 -0-

078. Improve Student Center Space 2
   Restricted Funds -0- 20,000,000 -0-

079. Upgrade Dining Facilities
   Restricted Funds -0- 10,000,000 -0-
   Other Funds -0- 10,000,000 -0-
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(1) Authorization: The above authorization is approved pursuant to KRS 45.763.

080. Acquire Data Center Hardware – UK HealthCare
   Restricted Funds -0- 15,000,000 -0-

081. Expand/Improve Willard Medical Education Building
   Restricted Funds -0- 20,000,000 -0-

082. Acquire/Improve Elevator System – UK HealthCare
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083. Construct Engineering Center Building
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(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.

174. Construct Police Headquarters

175. Construct Indoor Track
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204. Lease – Health Affairs Office 7
205. Lease – Health Affairs Office 8
206. Lease – Health Affairs Office 9
207. Lease – Health Affairs Office 10
208. Lease – Health Affairs Office 11
209. Lease – Health Affairs Office 12
210. Lease – Health Affairs Office 13
211. Lease – Health Affairs Office 14
212. Lease – Health Affairs Office 15
213. Lease – Off Campus 1
214. Lease – Off Campus 2
215. Lease – Off Campus 3
216. Lease – Off Campus 4
217. Lease – Off Campus 5
218. Lease – Off Campus 6
219. Lease – Off Campus 7
220. Lease – Off Campus 8
221. Lease – Off Campus 9
222. Lease – Off Campus 10
223. Lease – Off Campus 11
224. Lease – Off Campus 12
225. Lease – Off Campus 13
226. Lease – UK HealthCare Grant Project 1
227. Lease – UK HealthCare Grant Project 2
228. Lease – UK HealthCare Off Campus Facility 1
229. Lease – UK HealthCare Off Campus Facility 2
230. Lease – UK HealthCare Off Campus Facility 3
231. Lease – UK HealthCare Off Campus Facility 4
232. Lease – UK HealthCare Off Campus Facility 5
233. Lease – UK HealthCare Off Campus Facility 6
234. Lease – UK HealthCare Off Campus Facility 7
235. Lease – UK HealthCare Off Campus Facility 8
236. Lease – UK HealthCare Off Campus Facility 9
237. Lease – UK HealthCare Off Campus Facility 10
238. Lease – UK HealthCare Off Campus Facility 11
239. Lease – UK HealthCare Off Campus Facility 12
240. Guaranteed Energy Savings Performance Contracts – UK HealthCare
241. Guaranteed Energy Savings Performance Contracts

9. UNIVERSITY OF LOUISVILLE
001. Construct College of Business
   Agency Bonds    -0-    40,000,000    -0-
   Other Funds     -0-    80,000,000    -0-
   TOTAL           -0-   120,000,000    -0-
002. Construct Athletics Village
   Other Funds     -0-    90,000,000    -0-
003. Purchase Housing Facilities
   Restricted Funds -0-   75,000,000    -0-
004. Renovate Vivarium Facilities
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(1) **Authorization:** The above authorization is approved pursuant to KRS 45.763.
1. **017. Construct Indoor Facility**
   - Other Funds: -0- 15,000,000 -0-

2. **018. Purchase Land**
   - Restricted Funds: -0- 15,000,000 -0-

3. **019. Exterior Envelope Replacement School of Medicine Building 55A**
   - Restricted Funds: -0- 15,000,000 -0-

4. **020. Renovate School of Nursing Building**
   - Restricted Funds: -0- 11,380,000 -0-

5. **021. Regional Biocontainment Laboratory Pressurization Upgrade**
   - Restricted Funds: -0- 10,868,800 -0-

6. **022. Basketball/Lacrosse Practice Facility Expansion**
   - Other Funds: -0- 19,000,000 -0-

7. **023. Improve Housing Facilities Pool – 2020-2022**
   - Restricted Funds: -0- 10,000,000 -0-

8. **024. Renovate Cardinal Football Stadium**
   - Other Funds: -0- 10,000,000 -0-

9. **025. Expand Jim Patterson Stadium and Construct Indoor Facility**
   - Other Funds: -0- 16,000,000 -0-

10. **026. Expand Ulmer Softball Stadium**
    - Other Funds: -0- 8,000,000 -0-

11. **027. Purchase Networking System**
    - Restricted Funds: -0- 8,000,000 -0-

    - Other Funds: -0- 7,500,000 -0-

13. **029. Construct Athletics Office Building**
    - Other Funds: -0- 7,500,000 -0-

14. **030. Purchase Research Computing Infrastructure**
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(1) **Reauthorization and Reallocation:** The above project is authorized from a reallocation of the projects set forth in 2018 Ky. Acts ch. 169, Part II, J., 075. and 077..
1. Jefferson County – Office Space 1 – Lease
2. Jefferson County – Office Space 2 – Lease
3. Jefferson County – Office Space 3 – Lease
4. Jefferson County – Office Space 4 – Lease
5. Nucleus 1 Building – Lease
6. Nucleus 1 Building 2 – Lease
7. Medical Center One – Lease
8. Medical Center One 2 – Lease
10. Trager Institute – Lease
11. Arthur Street – Lease
12. Housing Facilities – Lease
13. Support Space 1 – Lease
14. Athletic/Student Dormitory – Lease
15. Guaranteed Energy Savings Performance Contracts

10. WESTERN KENTUCKY UNIVERSITY
16. Renovate and Expand Innovation Campus

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1 | **020.** Repair/Replace Roof at Center for Research and Development  
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2 | **021.** Renovate Police Department  
| | Restricted Funds | -0- | 2,000,000 | -0- |

3 | **022.** Remove and Replace Student Housing at Farm  
| | Other Funds | -0- | 1,500,000 | -0- |

4 | **023.** Renovate Kentucky Building  
| | Restricted Funds | -0- | 17,500,000 | -0- |

5 | **024.** Renovate State and Normal Street Properties  
| | Restricted Funds | -0- | 1,500,000 | -0- |

6 | **025.** Renovate Tate Page Hall  
| | Restricted Funds | -0- | 1,200,000 | -0- |

7 | **026.** Alumni Center – Lease  
8 | **027.** Renovate Central Heat Plant  
| | Restricted Funds | -0- | 5,100,000 | -0- |

9 | **028.** Nursing and Physical Therapy – Lease  
10 | **029.** Renovate Jones Jaggers Interior  
| | Restricted Funds | -0- | 1,000,000 | -0- |

11 | **030.** Parking Garage – Lease  
12 | **031.** Guaranteed Energy Savings Performance Contracts  
13 | **032.** Construct, Renovate and Improve Athletic Facilities  
| | Agency Bonds | -0- | 50,000,000 | -0- |

14 | **033.** Capital Renewal Pool – 2020-2022  
| | Restricted Funds | -0- | 10,000,000 | -0- |

15 | **034.** Renovate Health Sciences Complex Classroom  
| | Restricted Funds | -0- | 1,500,000 | -0- |

16 | **11.** KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
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<td>17</td>
<td>009. Renovate Industrial Education Building – Hazard CTC</td>
<td>Federal Funds</td>
<td>$2,500,000</td>
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<td>19</td>
<td>010. Renovate Parking Lot and Sidewalks – West Ky CTC</td>
<td>Restricted Funds</td>
<td>$2,100,000</td>
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<td>21</td>
<td>011. Upgrade IT Infrastructure – Gateway CTC</td>
<td>Restricted Funds</td>
<td>$1,500,000</td>
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<td>23</td>
<td>012. Construct Fire Commission Five Story Training Drill Tower</td>
<td>Restricted Funds</td>
<td>$1,200,000</td>
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<td>25</td>
<td>013. Renovate Dental Hygiene Clinic – Big Sandy CTC – Mayo Campus</td>
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</table>
1. Reauthorization ($3,000,000 Restricted Funds)

2. **014.** Upgrade Welding Shop – Big Sandy CTC – Mayo Campus Reauthorization ($1,500,000 Restricted Funds)

3. **015.** Jefferson CTC – Bullitt County Campus – Lease

4. **016.** Jefferson CTC – Jefferson Education Center – Lease

5. **017.** KCTCS System Office – Lease

6. **018.** Maysville CTC – Rowan Campus – Lease

7. **019.** Elizabethtown CTC – Hardin County – Lease

8. **020.** Guaranteed Energy Savings Performance Contracts

### J. TOURISM, ARTS AND HERITAGE CABINET

#### 1. PARKS

1. **001.** Maintenance Pool – 2020-2022

   Bond Funds: 2019-20 2020-21 2021-22

   -0- 5,000,000 -0-

2. **002.** Wastewater Treatment Upgrades Pool – 2020-2022

   Bond Funds: 2019-20 2020-21 2021-22

   -0- 5,000,000 -0-

#### 2. HORSE PARK COMMISSION

1. **001.** Maintenance Pool – 2020-2022

   Investment Income: 2019-20 2020-21 2021-22

   -0- 900,000 -0-

#### 3. STATE FAIR BOARD

1. **001.** Prestonia Grounds and Infrastructure Improvements

   Bond Funds: 2019-20 2020-21 2021-22

   3,000,000 1,000,000 -0-

2. **002.** Maintenance Pool – 2020-2022

   Bond Funds: 2019-20 2020-21 2021-22

   -0- 1,500,000 -0-

#### 4. FISH AND WILDLIFE RESOURCES

1. **001.** Fees-in-Lieu-of Stream Mitigation Projects Pool Reauthorization

   ($40,000,000 Restricted Funds)
5. HERITAGE COUNCIL

001. Records Digitization Reauthorization and Reallocation ($1,000,000 Bond Funds)

(1) Reauthorization and Reallocation: The above project is authorized from a reallocation of the project set forth in 2014 Ky. Acts ch. 117 Part II, L., 5, 001..

6. KENTUCKY CENTER FOR THE ARTS

001. Maintenance Pool – 2020-2022

Investment Income -0- 240,000 -0-

PART III

GENERAL PROVISIONS

1. Funds Designations: Restricted Funds designated in the biennial budget bills are classified in the state financial records and reports as the Agency Revenue Fund, State Enterprise Funds (State Parks, State Fair Board, Insurance Administration, and Kentucky Horse Park), Internal Services Funds (Fleet Management, Computer Services, Correctional Industries, Central Printing, Risk Management, and Property Management), and selected Fiduciary Funds (Other Expendable Trust Funds). Separate fund records and reports shall be maintained in a manner consistent with the branch budget bills.

The sources of Restricted Funds appropriations in this Act shall include all fees (which includes fees for room and board, athletics, and student activities) and rentals, admittances, sales, bond proceeds, licenses collected by law, gifts, subventions, contributions, income from investments, and other miscellaneous receipts produced or received by a budget unit, except as otherwise specifically provided, for the purposes, use, and benefit of the budget unit as authorized by law. Restricted Funds receipts shall be credited and allotted to the respective fund or account out of which a specified appropriation is made in this Act. All receipts of Restricted Funds shall be deposited in the State Treasury and credited to the proper account as provided in KRS Chapters 12, 42, 45, and 48.
The sources of Federal Funds appropriations in this Act shall include federal subventions, grants, contracts, or other Federal Funds received, income from investments, other miscellaneous federal receipts received by a budget unit, and the Unemployment Compensation Fund, except as otherwise provided, for the purposes, use, and benefit of the budget unit as authorized by law. Federal Funds receipts shall be credited and allotted to the respective fund account out of which a specified appropriation is made in this Act. All Federal Funds receipts shall be deposited in the State Treasury and credited to the proper account as provided in KRS Chapters 12, 42, 45, and 48.

2. **Expenditure of Excess Federal Funds Receipts:** If receipts received or credited to the Federal Funds accounts of a budget unit during fiscal year 2020-2021, and any balance forwarded to the credit of these same accounts from the previous fiscal year, exceed the appropriation made by a specific sum for these accounts of the budget unit as provided in Part I, Operating Budget, of this Act, for the fiscal year in which the excess occurs, the excess funds in the accounts of the budget unit shall become available for expenditure for the purpose of the account during the fiscal year only upon compliance with the conditions and procedures specified in KRS 48.400, 48.500, 48.600, 48.605, 48.610, 48.620, 48.630, 48.730, and 48.800, and with the authorization of the State Budget Director and approval of the Secretary of the Finance and Administration Cabinet.

Any request made by a budget unit pursuant to KRS 48.630 that relates to Federal Funds shall include documentation showing a comparative statement of revised estimated receipts by fund source and the proposed expenditures by proposed use, with the appropriated sums specified in the Budget of the Commonwealth, and statements which explain the cause, source, and use for any variances which may exist.

Each budget unit shall submit its reports in print and electronic format consistent with the Federal Funds records contained in the fiscal biennium 2020-2022 Branch Budget Request Manual and according to the following schedule in each fiscal year: (a)
on or before the beginning of each fiscal year; (b) on or before October 1; (c) on or before January 1; and (d) on or before April 1.

Notwithstanding KRS 48.630, no unbudgeted Restricted Funds shall be allotted or expended without the express authority of the General Assembly, with the exceptions of the Public Service Commission and institutions of higher education.

3. **Interim Appropriation Increases:** No appropriation from any fund source shall exceed the sum specified in this Act until the agency has documented the necessity, purpose, use, and source, and the documentation has been submitted to the Interim Joint Committee on Appropriations and Revenue for its review and action in accordance with KRS 48.630 and Part III, 2. of this Act. Proposed revisions to an appropriation contained in the enacted Executive Budget or allotment of an unbudgeted appropriation shall conform to the conditions and procedures of KRS 48.630 and this Act.

Notwithstanding KRS 48.630(3), (4), and (5), any proposed and recommended actions to increase appropriations for funds specified in Section 2. of this Part shall be scheduled consistent with the timetable contained in that section in order to provide continuous and timely budget information.

4. **Revision of Appropriation Allotments:** Allotments within appropriated sums for the activities and purposes contained in the enacted Executive Budget shall conform to KRS 48.610 and may be revised pursuant to KRS 48.605 and this Act.

5. **Permitted Appropriation Obligations:** No state agency, cabinet, department, office, or program shall incur any obligation against the General Fund or Road Fund appropriations contained in this Act unless the obligation may be reasonably determined to have been contemplated in the enacted budget and is based upon supporting documentation considered by the General Assembly and legislative and executive records.

6. **Lapse of General Fund or Road Fund Appropriations Supplanted by Federal Funds:** Any General Fund or Road Fund appropriation made in anticipation of a
lack, loss, or reduction of Federal Funds shall lapse to the General Fund or Road Fund Surplus Account, respectively, to the extent the Federal Funds otherwise become available.

7. **Federally Funded Agencies:** A state agency entitled to Federal Funds, which would represent 100 percent of the cost of a program, shall conform to KRS 48.730.

8. **Lapse of General Fund or Road Fund Excess Debt Service Appropriations:** Pursuant to KRS 48.720, any excess General Fund or Road Fund debt service shall lapse to the respective surplus account unless otherwise directed in this Act.

9. **Statutes in Conflict:** All statutes and portions of statutes in conflict with any of the provisions of this Act, to the extent of the conflict, are suspended unless otherwise provided by this Act.

10. **Interpretation of Appropriations:** Notwithstanding KRS 48.500, all questions that arise in interpreting this Act and the Transportation Cabinet budget shall be decided by the Attorney General, and the decision of the Attorney General shall be final and conclusive.

11. **Publication of the Budget of the Commonwealth:** The State Budget Director shall cause the Governor's Office for Policy and Management, within 60 days of adjournment of the 2020 Regular Session of the General Assembly, to publish a final enacted budget document, styled the Budget of the Commonwealth, based upon the Legislative Budget, Executive Budget, Transportation Cabinet Budget, and Judicial Budget as enacted by the 2020 Regular Session, as well as other Acts which contain appropriation provisions for the 2020-2022 fiscal biennium, and based upon supporting documentation and legislative records as considered by the 2020 Regular Session. This document shall include, for each agency and budget unit, a consolidated budget summary statement of available regular and continuing appropriated revenue by fund source, corresponding appropriation allocations by program or subprogram as appropriate, budget expenditures by principal budget class, and any other fiscal data and commentary.
considered necessary for budget execution by the Governor's Office for Policy and Management and oversight by the Interim Joint Committee on Appropriations and Revenue. The enacted Executive Budget and Transportation Cabinet Budget shall be revised or adjusted only upon approval by the Governor's Office for Policy and Management as provided in each Part of this Act and by KRS 48.400 to 48.810, and upon review and approval by the Interim Joint Committee on Appropriations and Revenue.

12. **State Financial Condition**: Pursuant to KRS 48.400, the State Budget Director shall monitor and report on the financial condition of the Commonwealth.

13. **Prorating Administrative Costs**: The Secretary of the Finance and Administration Cabinet is authorized to establish a system or formula or a combination of both for prorating the administrative costs of the Finance and Administration Cabinet, the Department of the Treasury, and the Office of the Attorney General relative to the administration of programs in which there is joint participation by the state and federal governments for the purpose of receiving the maximum amount of participation permitted under the appropriate federal laws and regulations governing the programs. The receipts and allotments under this section shall be reported to the Interim Joint Committee on Appropriations and Revenue prior to any transfer of funds.

14. **Construction of Budget Provisions Regarding Executive Reorganization Orders**: Nothing in this Act shall be construed to confirm or ratify, under KRS 12.027 or 12.028, any executive reorganization order unless the executive order was confirmed or ratified by appropriate amendment to the Kentucky Revised Statutes in another Act of the 2020 Regular Session of the General Assembly.

15. **Budget Planning Report**: By August 15, 2021, the State Budget Director, in conjunction with the Consensus Forecasting Group, shall provide to each branch of government, pursuant to KRS 48.120, a budget planning report.

16. **Tax Expenditure Revenue Loss Estimates**: By October 15, 2021, the Office of State Budget Director shall provide to each branch of government detailed estimates
for the General Fund and Road Fund for the current and next two fiscal years of the
revenue loss resulting from tax expenditures. The Department of Revenue shall provide
assistance and furnish data, which is not restricted by KRS 131.190. "Tax expenditure" as
used in this section means an exemption, exclusion, or deduction from the base of a tax, a
credit against the tax, a deferral of a tax, or a preferential tax rate. The estimates shall
include for each tax expenditure the amount of revenue loss, a citation of the legal
authority for the tax expenditure, the year in which it was enacted, and the tax year in
which it became effective.

17. **Duplicate Appropriations:** Any appropriation item and sum in Parts I to X
of this Act and in an appropriation provision in any Act of the 2020 Regular Session
which constitutes a duplicate appropriation shall be governed by KRS 48.312.

18. **Priority of Individual Appropriations:** KRS 48.313 shall control when a
total or subtotal figure in this Act conflicts with the sum of the appropriations of which it
consists.

19. **Severability of Budget Provisions:** Appropriation items and sums in Parts I
to X of this Act shall conform to KRS 48.311. If any section, any subsection, or any
provision is found by a court of competent jurisdiction in a final, unappealable order to
be invalid or unconstitutional, the decision of the courts shall not affect or impair any of
the remaining sections, subsections, or provisions.

20. **Unclaimed Lottery Prize Money:** For fiscal year 2020-2021, all unclaimed
lottery prize money under KRS 154A.110(3) shall be credited to the Kentucky
Educational Excellence Scholarship Reserve Account to be held as a subsidiary account
within the Finance and Administration Cabinet for the purpose of funding the KEES
Program as appropriated in this Act. If the Kentucky Higher Education Assistance
Authority certifies to the State Budget Director that the appropriations in this Act for the
KEES Program under the existing award schedule are insufficient to meet funds required
for eligible applicants, then the State Budget Director shall provide the necessary
allotment of funds in the balance of the KEES Reserve Account to fund the KEES Program. Actions taken under this section shall be reported to the Interim Joint Committee on Appropriations and Revenue on a timely basis.

21. Workers' Compensation: Notwithstanding KRS 342.340(1) and 803 KAR 25:021, Section 5, the Personnel Cabinet shall be exempt from procuring excess risk insurance in fiscal year 2020-2021 for the Workers' Compensation Benefits and Reserve Program administered by the Cabinet.

22. Carry Forward and Undesignated General Fund and Road Fund Carry Forward: Notwithstanding KRS 48.700 and 48.705, and other Parts of this Act, the Secretary of the Finance and Administration Cabinet shall determine and certify, within 30 days of the close of fiscal year 2019-2020 and fiscal year 2020-2021, the actual amount of undesignated balance of the General Fund and the Road Fund for the year just ended. The amounts from the undesignated fiscal year 2019-2020 and fiscal year 2020-2021 General Fund and Road Fund balances that are designated and carried forward for budgeted purposes in the 2020-2022 fiscal biennium shall be determined by the State Budget Director during the close of the respective fiscal year and shall be reported to the Interim Joint Committee on Appropriations and Revenue within 30 days of the close of the fiscal year. Any General Fund undesignated balance in excess of the amount designated for budgeted purposes under this section shall be made available for the General Fund Surplus Expenditure Plan contained in Part VII of this Act unless otherwise provided in this Act. The Road Fund undesignated balance in excess of the amount designated for budgeted purposes under this section shall be made available for the Road Fund Surplus Expenditure Plan contained in Part IX of this Act unless otherwise provided in this Act.

23. Reallocation of Appropriations Among Budget Units: Notwithstanding any statute to the contrary, or provisions of this Act, the Secretary of a Cabinet, the Commissioner of the Department of Education, and other agency heads may request a
reallocation among budget units under his or her administrative authority up to ten percent of General Fund appropriations contained in Part I, Operating Budget, of this Act for fiscal years 2019-2020 and 2020-2021 for approval by the State Budget Director. A request shall explain the need and use for the transfer authority under this section. The amount of transfer of General Fund appropriations shall be separately recorded and reported in the system of financial accounts and reports provided in KRS Chapter 45. The State Budget Director shall report a transfer made under this section, in writing, to the Interim Joint Committee on Appropriations and Revenue.

24. **Local School District Expenditure Flexibility:** Notwithstanding KRS 160.470(6) or any statute to the contrary, during fiscal year 2020-2021, local school districts may adopt and the Kentucky Board of Education may approve a working budget that includes a minimum reserve of less than two percent of the total budget. The Kentucky Department of Education shall monitor the financial position of any district that receives approval for a working budget with a reserve of less than two percent and shall provide a financial report for those districts at each meeting of the Kentucky Board of Education.

25. **Appropriations Expenditure Purpose and Transfer Restrictions:** Funds appropriated in this Act shall not be expended for any purpose not specifically authorized by the General Assembly in this Act nor shall funds appropriated in this Act be transferred to or between any cabinet, department, board, commission, institution, agency, or budget unit of state government unless specifically authorized by the General Assembly in this Act and KRS 48.400 to 48.810. Compliance with the provisions of this section shall be reviewed and determined by the Interim Joint Committee on Appropriations and Revenue.

26. **Budget Implementation:** The General Assembly directs that the Executive Branch shall carry out all appropriations and budgetary language provisions as contained in the State/Executive Budget. The Legislative Research Commission shall review
quarterly expenditure data to determine if an agency is out of compliance with this directive. If the Legislative Research Commission suspects that any entity has acted in non-conformity with this section, the Legislative Research Commission may order an audit or review at the agency's expense. Such audit findings, reviews, and reports shall be subject to the Kentucky Open Records Law.

27. **Information Technology:** All authorized computer information technology projects shall submit a semiannual progress report to the Capital Projects and Bond Oversight Committee. The reporting process shall begin six months after the project is authorized and shall continue through completion of the project. The initial report shall establish a timeline for completion and cash disbursement schedule. Each subsequent report shall update the timeline and budgetary status of the project and explain in detail any issues with completion date and funding.

28. **Equipment Service Contracts and Energy Efficiency Measures:** The General Assembly mandates that the Finance and Administration Cabinet review all equipment service contracts to maximize savings to the Commonwealth to strictly adhere to the provisions of KRS 56.772, 56.782, and 56.784 in maximizing the use of energy efficiency measures.

29. **Debt Restructuring:** Notwithstanding any other provision of the Kentucky Revised Statutes, no General Fund or Road Fund debt restructuring transactions shall be undertaken during the 2020-2022 fiscal biennium.

30. **Effects of Subsequent Legislation:** If any measure enacted during the 2020 Regular Session of the General Assembly subsequent to this Act contains an appropriation or is projected to increase or decrease General Fund revenues, the amount in the Budget Reserve Trust Fund shall be revised to accommodate the appropriation or the reduction or increase in projected revenues. Notwithstanding any provision of KRS 48.120(4) and (5) to the contrary, the official enacted revenue estimates of the Commonwealth described in KRS 48.120(5) shall be adjusted at the conclusion of the
2020 Regular Session of the General Assembly to incorporate any projected revenue increases or decreases that will occur as a result of actions taken by the General Assembly subsequent to the passage of this Act by both chambers.


32. **Approval of State Aircraft Travel:** Notwithstanding KRS 44.060, 45.101, 174.508, and any other statute or administrative regulation to the contrary, the use of state aircraft by any secretary of any Executive Branch cabinet for out-of-state travel shall be approved by the State Treasurer. The State Treasurer shall only approve requests which document that the use of state aircraft is the lowest cost option as measured by both travel costs and travel time. The State Treasurer shall not designate approval authority for out-of-state travel on state aircraft by Executive Branch cabinet secretaries to any other person. Any requests and documentation regarding the use of state aircraft...
collected by the State Treasurer shall be subject to the Kentucky Open Records Act, KRS 61.872 to 61.884.

33. Jailer Canteen Accounts: Notwithstanding KRS 67.0802(6)(a), any compensation resulting from the disposal of real or personal property that was purchased from a canteen account under KRS 441.135 shall be returned to the canteen account from which the real or personal property was originally purchased. All proceeds resulting from the disposal of real or personal property purchased from a canteen account shall be reported to the Interim Joint Committee on Appropriations and Revenue by December 1 of each fiscal year.

34. Employee Layoffs, Furloughs, and Reduced Hours: Notwithstanding any statute to the contrary, the following process and procedure is established for July 1, 2020, through June 30, 2021, in the event that the Commonwealth or any agency determines that it is desirable for the Executive Branch to layoff, furlough, or reduce hours of employees:

(1) For the purposes of this section:

(a) "Appointing authority" means the agency head or any person whom he or she has authorized by law to designate to act on behalf of the agency with respect to employee appointments, position establishments, payroll documents, register requests, waiver requests, requests for certification, or other position actions;

(b) "Secretary" means the Secretary of the Personnel Cabinet as provided for in KRS 18A.015;

(c) "Furlough" or "reduction in hours" means the temporary reduction of hours an employee is scheduled to work by the appointing authority within a pay period;

(d) "Layoff" means discharge of employment subject to the rights contained in this section; and

(e) "Employees" includes all persons employed by the Executive Branch, including but not limited to employees of KRS Chapter 18A, KRS Chapter 16, KRS
Chapter 156, the Kentucky Teachers’ Retirement System, the Kentucky Higher Education Student Loan Corporation, the Kentucky Housing Corporation, and the Kentucky Lottery Corporation;

(2) An appointing authority has the authority to layoff or furlough employees or reduce hours of employment for any of the following reasons:

(a) Lack of funds or budgetary constraints;

(b) A reduction in the agency’s spending authorization;

(c) Lack of work;

(d) Abolishment of a position; or

(e) Other material change in duties or organization;

(3) The appointing authority shall determine the job classifications affected and the number of employees laid-off in each classification and each county to which a layoff applies. In the same department or office, county, and job classification, interim and probationary employees shall be laid-off before any full-time or part-time employees with status are laid-off. For purposes of layoff, "probationary employee" does not include an employee with status serving a promotional probation;

(4) The Secretary shall approve all actions taken under subsection (2) of this section and no such layoff, furlough, or reduction of hours may begin until such approval has been granted. The appointing authority with the approval of the Secretary has the authority to determine the extent, effective dates, and length of any action taken under subsection (2) of this section;

(5) In determining the employees to be laid-off, the appointing authority shall consider all employees under the same appointing authority, within the job classification affected, and within the county affected. Consideration shall be given to the following relevant factors:

(a) Job performance evaluations;

(b) Seniority;
(c) Education, training, and experience; and

(d) Disciplinary record;

(6) Any employee whose position is subject to layoff, furlough, or reduction of hours shall be provided written notice containing the reason for the action as set forth in subsection (2) of this section at least 15 days in advance of the effective date of the action;

(7) Any employee with status who is laid-off shall be eligible to apply as a reemployment applicant for positions with the same job classification from which he or she was laid-off, in the cabinet from which he or she was laid-off. For a period of two years, a reemployment applicant shall be hired before any applicant except another reemployment applicant with greater seniority who is on the same register. A reemployment applicant shall not be removed from any register except as provided by KRS 18A.032. When a reemployment applicant is removed from a register, he or she shall be notified in writing. A reemployment applicant who accepts any classified position, or who retires through the Kentucky Retirement Systems or Kentucky Teachers’ Retirement System, shall cease to have eligibility rights as a reemployment applicant;

(8) With the approval of the Secretary, the Personnel Cabinet may place employees subject to a reduction in force;

(9) Furloughs or reduction of hours during a pay period shall not result in the loss of eligibility for any benefit otherwise due the employee;

(10) The Secretary shall have the authority to promulgate comprehensive administrative regulations governing this section; and

(11) A layoff, furlough, or reduction of hours implemented in accordance with this section shall not be considered a penalization of the employee for the purposes of KRS Chapters 16, 18A, and 156, and shall be appealable to the State Personnel Board, the Kentucky Technical Education Personnel Board, the Department of Kentucky State Police Personnel Board, or other applicable administrative body.
35. COVID-19 Federal Funds: No Federal Funds received from the Coronavirus, Aid, Relief and Economic Security (CARES) Act or any other Federal Funds related to the COVID-19 emergency response shall be used to establish any new programs unless those new programs can be fully supported from existing appropriation amounts once all of the Federal Funds have been expended. No new positions shall be established unless those new positions are established as federally funded time-limited positions. The Office of State Budget Director shall submit a report to the Interim Joint Committee on Appropriations and Revenue by December 1 of each fiscal year on the expenditure of all Federal Funds and associated matching funds related to the COVID-19 emergency response.

PART IV

STATE SALARY/COMPENSATION, BENEFIT, AND EMPLOYMENT POLICY

1. Authorized Personnel Complement: On July 1, 2020, and July 1, 2021, the Personnel Cabinet and the Office of State Budget Director shall establish a record for each budget unit of authorized permanent full-time and other positions based upon the enacted Executive Budget of the Commonwealth and any adjustments authorized by provisions in this Act. The total number of filled permanent full-time and all other positions shall not exceed the authorized complements pursuant to this section. An agency head may request an increase in the number of authorized positions to the State Budget Director. Upon approval of the State Budget Director, the Secretary of the Personnel Cabinet may authorize the employment of individuals in addition to the authorized complement. A report of the actions authorized in this section shall be provided to the Legislative Research Commission on a monthly basis.

2. Salary Increment: Notwithstanding KRS 18A.355 and 156.808(6)(e) and (12), no increment is provided in fiscal year 2020-2021 on the base salary or wages of each eligible state employee on their anniversary date.

3. Employee Cross-Reference: The Personnel Cabinet may permit married
couples who are both eligible to participate in the state health insurance plan to be covered under one family health benefit plan.

4. Full-Time Positions: Notwithstanding KRS 18A.005(18)(a), full-time positions in the state parks, where the work assigned is dependent upon fluctuation in tourism, may be assigned work hours from 25 hours per week and remain in full-time positions.

5. Employer Retirement Contribution Rates: Notwithstanding KRS 61.565 and 61.702, the employer contribution rates for Kentucky Employees Retirement System from July 1, 2020, through June 30, 2021, and except as otherwise provided in this Act, shall be 84.43 percent, consisting of 73.28 percent for pension and 11.15 percent for health insurance for nonhazardous duty employees and 36.00 percent, consisting of 36.00 percent for pension for hazardous duty employees; for the same period the employer contribution for employees of the State Police Retirement System shall be 143.48 percent, consisting of 123.79 percent for pension and 19.69 percent for health insurance. Notwithstanding any other provision of this Act or KRS 61.565 or 61.702 to the contrary, the employer contribution rate from July 1, 2020, through June 30, 2021, shall be 49.47 percent, consisting of 41.06 percent for pension and 8.41 percent for health insurance for nonhazardous duty employees participating in the Kentucky Employees Retirement System who are employed by Mental Health/Mental Retardation Boards, Local and District Health Departments, domestic violence shelters, rape crisis centers, child advocacy centers, state-supported universities and community colleges, and any other agency eligible to voluntarily cease participating in the Kentucky Employees Retirement System pursuant to KRS 61.522. The rates above apply to wages and salaries earned for work performed during the described period regardless of when the employee is paid for the time worked.

6. Issuance of Paychecks to State Employees: Notwithstanding 101 KAR 2:095, Section 10, the state payroll that would normally be scheduled to be paid on June
30, 2020, June 30, 2021, and June 30, 2022, shall not be issued prior to July 1, 2020, July 
1, 2021, and July 1, 2022, respectively.

7. **Health Care Spending Account:** Notwithstanding KRS 18A.2254(2)(a) and 
(b), if a public employee waives coverage provided by his or her employer under the 
Public Employee Health Insurance Program, the employer shall forward a monthly 
amount to be determined by the Secretary of the Personnel Cabinet for that employee as 
an employer contribution to a health reimbursement account or a health flexible spending 
account, but not less than $175 per month, subject to any conditions or limitations 
imposed by the Secretary of the Personnel Cabinet to comply with applicable federal law. 
The administrative fees associated with a health reimbursement account or health flexible 
spending account shall be an authorized expense to be charged to the Public Employee 
Health Insurance Trust Fund.

8. **State Group Health Insurance Plan - Transfer Between Plan Years:** 
Notwithstanding KRS 18A.2254, the Secretary of the Finance and Administration 
Cabinet and the Secretary of the Personnel Cabinet are authorized to use the excess funds 
from Plan Year 2016, Plan Year 2017, Plan Year 2018, Plan Year 2019, and Plan Year 
2020 or any combination thereof to satisfy claims or expenses in Plan Year 2021 and 
Plan Year 2022.

9. **Full-Time Work Schedules:** It is the intent of the 2020 General Assembly 
that, in effort to attract, develop, motivate, and retain a talented, diverse workforce, while 
achieving government efficiency and quality services to the public, any full-time 
Executive Branch employees who currently work 37.5 hour work weeks shall be required 
to work 40 hours per week in the 2022-2024 fiscal biennium.

PART V

**FUNDS TRANSFER**

The General Assembly finds that the financial condition of state government 
requires the following action.
Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2020-2021:

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<th>2021-22</th>
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### A. GENERAL GOVERNMENT

1. **Department for Local Government**
   - Local Government Economic Development Fund Investment Pool
     - 1,500,000
     - (KRS 42.4582 and 42.4592)

2. **Department for Local Government**
   - Agency Revenue Fund
     - 1,000,000
     - (KRS 65A.020(5))

3. **Secretary of State**
   - Agency Revenue Fund
     - 2,000,000

4. **Attorney General**
   - Agency Revenue Fund
     - 500,000
     - (KRS 48.005(4))

5. **School Facilities Construction Commission**
   - Agency Revenue Fund
     - 2,900,000
     - (KRS 157.618)

### B. DEPARTMENT OF EDUCATION

1. **Operations and Support Services**
   - Agency Revenue Fund
     - 200,000

### C. ENERGY AND ENVIRONMENT CABINET

1. **Secretary**
   - Kentucky Pride Trust Fund
     - 2,006,300
     - (KRS 224.43-505(2)(a)3.)
Notwithstanding KRS 224.43-505(2)(a)3., these funds transfers to the General Fund support the General Fund debt service on the bonds sold as appropriated by 2003 Ky. Acts ch. 156, Part II, A., 3., c..

2. Environmental Protection

- Waste Tire Trust Fund: 1,500,000 -0-

(KRS 224.50-880)

3. Environmental Protection

- Insurance Administration Fund: 30,000,000 -0-

(KRS 224.60-130, 224.60-140, 224.60-145, and 224.60-150)

4. Public Service Commission

- Agency Revenue Fund: 200,000 -0-

(KRS 278.5499)

D. FINANCE AND ADMINISTRATION CABINET

1. General Administration

- Agency Revenue Fund: 250,000 -0-

2. General Administration

- Other Expendable Trust Fund: 4,900,000 -0-

(KRS 42.205)

3. Controller

- Agency Revenue Fund: 2,000,000 -0-

4. Controller

- Tobacco Fund Interest: 1,663,700 -0-

(KRS 194A.055, 200.151, 248.654, and 248.655)

5. Facilities and Support Services

- Agency Revenue Fund: 700,000 -0-

6. Facilities and Support Services

- Capital Construction Investment
<table>
<thead>
<tr>
<th></th>
<th>Revenue Description</th>
<th>Amount</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income Account</td>
<td>15,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td>2</td>
<td>Commonwealth Office of Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Computer Services Fund</td>
<td>14,044,400</td>
<td>-0-</td>
</tr>
<tr>
<td>4</td>
<td>(KRS 45.253)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>E. HEALTH AND FAMILY SERVICES CABINET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>1. General Administration and Program Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Malt Beverage Education Fund</td>
<td>500,000</td>
<td>-0-</td>
</tr>
<tr>
<td>8</td>
<td>2. Public Health</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Agency Revenue Fund</td>
<td>4,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td>10</td>
<td>F. PERSONNEL CABINET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>1. General Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Agency Revenue Fund</td>
<td>2,690,700</td>
<td>-0-</td>
</tr>
<tr>
<td>13</td>
<td>These funds transfers to the General Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>support General Fund debt service on bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>2. Workers' Compensation Benefits and Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>State Employees Workers'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Compensation Reserve</td>
<td>2,500,000</td>
<td>-0-</td>
</tr>
<tr>
<td>18</td>
<td>(KRS 18A.375(3))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>G. POSTSECONDARY EDUCATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>1. Kentucky Higher Education Assistance Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Other Special Revenue</td>
<td>1,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td>22</td>
<td>(KRS 164.7891(11))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>H. PUBLIC PROTECTION CABINET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>1. Alcoholic Beverage Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Agency Revenue Fund</td>
<td>2,400,000</td>
<td>-0-</td>
</tr>
<tr>
<td>26</td>
<td>(KRS 243.025(3))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>2. Financial Institutions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Agency Revenue Fund  
4,000,000  
0

2. (KRS 286.1-485)

3. **Housing, Buildings and Construction**

4. Agency Revenue Fund  
600,000  
0

5. (KRS 198B.090(10), 198B.095(4), and 198B.4037)

6. **Insurance**

7. Agency Revenue Fund  
31,000,000  
0

8. (KRS 304.2-300 and 304.2-400)

9. **I. TOURISM, ARTS AND HERITAGE CABINET**

1. **Secretary**

11. Agency Revenue Fund  
1,000,000  
0

12. (KRS 142.406(2) and (3))

13. **TOTAL - FUNDS TRANSFER**  
130,055,100  
0

14. **PART VI**

15. **GENERAL FUND BUDGET REDUCTION PLAN**

16. Pursuant to KRS 48.130 and 48.600, a General Fund Budget Reduction Plan is enacted for state government in the event of an actual or projected revenue shortfall in General Fund revenue receipts, excluding Tobacco Settlement – Phase I receipts, of $11,448,237,100 in fiscal year 2019-2020 and $11,592,051,800 in fiscal year 2020-2021, as modified by related Acts and actions of the General Assembly in an extraordinary or regular session. Notwithstanding KRS 48.130, direct services, obligations essential to the minimum level of constitutional functions, and other items that may be specified in this Act, are exempt from the requirements of this Plan. Each branch head shall prepare a specific plan to address the proportionate share of the General Fund revenue shortfall applicable to the respective branch. No budget revision action shall be taken by a branch head in excess of the actual or projected revenue shortfall.

17. The Governor, the Secretary of State, the Attorney General, the Treasurer, the
Commissioner of Agriculture, the Auditor of Public Accounts, the Chief Justice, and the Legislative Research Commission shall direct and implement reductions in allotments and appropriations only for their respective branch budget units as may be necessary, as well as take other measures which shall be consistent with the provisions of this Part and biennial branch budget bills.

Pursuant to KRS 48.130(4), in the event of a revenue shortfall of five percent or less, the following General Fund budget reduction actions shall be implemented:

1. The Local Government Economic Assistance and the Local Government Economic Development Funds shall be adjusted by the Secretary of the Finance and Administration Cabinet to equal revised estimates of receipts pursuant to KRS 42.4582 as modified by the provisions of this Act;

2. Transfers of excess unappropriated Restricted Funds, notwithstanding any statutes to the contrary, other than fiduciary funds, to the General Fund shall be applied as determined by the head of each branch for its respective budget units. No transfers to the General Fund shall be made from the following:
   a. Local Government Economic Assistance and Local Government Economic Development Funds;
   b. Unexpended debt service from the Tobacco-Settlement Phase I Funds, including but not limited to unexpended debt service and the Tobacco Unbudgeted Interest Income-Rural Development Trust Fund, in either fiscal year; and
   c. The Kentucky Permanent Pension Fund;

3. Unexpended debt service;

4. Any unanticipated Phase I Master Settlement Agreement revenues in both fiscal years shall be appropriated according to Part X of this Act and shall not be transferred to the General Fund;

5. Use of the unappropriated balance of the General Fund surplus shall be applied;
(6) Any language provision that expresses legislative intent regarding a specific appropriation shall not be reduced by a greater percentage than the reduction to the General Fund appropriation for that budget unit;

(7) Contributions appropriated to pensions in excess of statutory requirements;

(8) Contributions appropriated to pension insurance in excess of actuarially required contributions;

(9) Reduce General Fund appropriations in Executive Branch agencies' operating budget units by a sufficient amount to balance either fiscal year. No reductions of General Fund appropriations shall be made from the Local Government Economic Assistance Fund or the Local Government Economic Development Fund;

(10) Notwithstanding subsection (9) of this Part, no reductions shall be made to the Secretary of State, the Attorney General, the Treasurer, the Commissioner of Agriculture, or the Auditor of Public Accounts, or their offices, Commonwealth's Attorneys or their offices, or County Attorneys or their offices. The Governor may request their participation in a budget reduction; however, the level of participation shall be at the discretion of the Constitutional Officer or the Prosecutors Advisory Council, and shall not exceed the actual percentage of revenue shortfall;

(11) Excess General Fund appropriations which accrue as a result of personnel vacancies and turnover, and reduced requirements for operating expenses, grants, and capital outlay shall be determined and applied by the heads of the executive, judicial, and legislative departments of state government for their respective branches. The branch heads shall certify the available amounts which shall be applied to budget units within the respective branches and shall promptly transmit the certification to the Secretary of the Finance and Administration Cabinet and the Legislative Research Commission. The Secretary of the Finance and Administration Cabinet shall execute the certified actions as transmitted by the branch heads.

Branch heads shall take care, by their respective actions, to protect, preserve, and
advance the fundamental health, safety, legal and social welfare, and educational well-being of the citizens of the Commonwealth;

(12) Funds available in the Budget Reserve Trust Fund shall be applied in an amount not to exceed 50 percent of the Trust Fund balance in fiscal year 2019-2020 and 25 percent in fiscal year 2020-2021; and

(13) Pursuant to KRS 48.130 and 48.600, if the actions contained in subsections (1) to (12) of this Part are insufficient to eliminate an actual or projected General Fund revenue shortfall, then the Governor is empowered and directed to take necessary actions with respect to the Executive Branch budget units to balance the budget by such actions conforming with the criteria expressed in this Part.

PART VII

GENERAL FUND SURPLUS EXPENDITURE PLAN

(1) Notwithstanding KRS 48.130(7), 48.140(3), 48.700, and 48.705, there is established a plan for the expenditure of General Fund surplus moneys pursuant to a General Fund Surplus Expenditure Plan contained in this Part for fiscal year 2020-2021. Pursuant to the enactment of the Surplus Expenditure Plan, General Fund moneys made available for the General Fund Surplus Expenditure Plan pursuant to Part III, General Provisions, Section 22. of this Act are appropriated to the following:

For the surplus moneys from fiscal year 2019-2020:

(a) Authorized expenditures without a sum-specific appropriation amount, known as Necessary Government Expenses, including but not limited to Emergency Orders formally declared by the Governor in an Executive Order; and

(b) The remaining amount to the Budget Reserve Trust Fund; and

(2) The Secretary of the Finance and Administration Cabinet shall determine, within 30 days after the close of fiscal year 2019-2020, based on the official financial records of the Commonwealth, the amount of actual General Fund undesignated fund balance for the General Fund Surplus Account that may be available for expenditure
pursuant to the Plan in fiscal year 2020-2021. The Secretary of the Finance and Administration Cabinet shall certify the amount of actual General Fund undesignated fund balance available for expenditure to the Legislative Research Commission.

PART VIII

ROAD FUND BUDGET REDUCTION PLAN

There is established a Road Fund Budget Reduction Plan for fiscal year 2019-2020 and fiscal year 2020-2021. Notwithstanding KRS 48.130(1) and (3) relating to statutory appropriation adjustments related to the revenue sharing of motor fuels taxes, in the event of an actual or projected revenue shortfall in Road Fund revenue receipts of $1,551,800,000 in fiscal year 2019-2020 and $1,543,400,000 in fiscal year 2020-2021, as modified by related Acts and actions of the General Assembly in an extraordinary or regular session, the Governor shall implement sufficient reductions as may be required to protect the highest possible level of service.

PART IX

ROAD FUND SURPLUS EXPENDITURE PLAN

Notwithstanding KRS 48.110, 48.140, and 48.710, there is established a plan for the expenditure of the Road Fund Surplus Account. All moneys in the Road Fund Surplus Account shall be appropriated to the State Construction Account within the Highways budget unit and utilized to support projects in the 2020-2022 Biennial Highway Construction Program.

PART X

PHASE I TOBACCO SETTLEMENT

(1) General Purpose: This Part prescribes the policy implementing aspects of the national settlement agreement between the tobacco industry and the collective states as described in KRS 248.701 to 248.727. In furtherance of that agreement, the General Assembly recognizes that the Commonwealth of Kentucky is a party to the Phase I Master Settlement Agreement (MSA) between the Participating Tobacco Manufacturers
and 46 Settling States which provides reimbursement to states for smoking-related expenditures made over time.

(2) State's MSA Share: The Commonwealth’s share of the MSA is equal to 1.7611586 percent of the total settlement amount. Payments under the MSA are made to the states annually in April of each year.

(3) MSA Payment Amount Variables: The total settlement amount to be distributed on each payment date is subject to change pursuant to several variables provided in the MSA, including inflation adjustments, volume adjustments, previously settled states adjustments, and the nonparticipating manufacturers adjustment.

(4) Distinct Identity of MSA Payment Deposits: The General Assembly has determined that it shall be the policy of the Commonwealth that all Phase I Tobacco Settlement payments shall be deposited to the credit of the General Fund and shall maintain a distinct identity as Phase I Tobacco Settlement payments that shall not lapse to the credit of the General Fund surplus but shall continue forward from each fiscal year to the next fiscal year to the extent that any balance is unexpended.

(5) MSA Payment Estimates and Adjustments: Based on the official estimates of the Consensus Forecasting Group, the amount of MSA payments expected to be received in fiscal year 2019-2020 is $110,900,000 and in fiscal year 2020-2021 is $106,300,000. It is recognized that payments to be received by the Commonwealth are estimated and are subject to change. If MSA payments received are less than the official estimates, appropriation reductions shall be applied as follows: after exempting appropriations for debt service, the Attorney General, and the Department of Revenue, 50 percent to the Agricultural Development Fund, 30 percent to the Early Childhood Development Fund, and 20 percent to the Health Care Improvement Fund. If MSA payments received exceed the official estimates, appropriation increases shall be applied as follows: after exempting appropriations for debt service, the Attorney General, and the Department of Revenue, 50 percent to the Agricultural Development Fund, 30 percent to
the Early Childhood Development Fund, and 20 percent to the Health Care Improvement Fund.

a. **State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of $150,000 of the MSA payments received in fiscal year 2020-2021 is appropriated to the Attorney General for the state’s diligent enforcement of noncompliant nonparticipating manufacturers.

b. **State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of $250,000 of the MSA payments received in fiscal year 2020-2021 is appropriated to the Finance and Administration Cabinet, Department of Revenue for the state's diligent enforcement of noncompliant nonparticipating manufacturers.

c. **Debt Service:** Notwithstanding KRS 248.654 and 248.703(4), a total of $30,863,200 in MSA payments in fiscal year 2020-2021 is appropriated to the Finance and Administration Cabinet, Debt Service budget unit.

d. **Agricultural Development Initiatives:** Notwithstanding KRS 248.654 and 248.703(4), a total of $38,481,600 in MSA payments in fiscal year 2020-2021 is appropriated to the Kentucky Agricultural Development Fund to be used for agricultural development initiatives as specified in this Part.

e. **Early Childhood Development Initiatives:** Notwithstanding KRS 248.654, a total of $25,439,100 in MSA payments in fiscal year 2020-2021 is appropriated to the Early Childhood Development Initiatives as specified in this Part.

f. **Health Care Initiatives:** Notwithstanding KRS 164.476, 248.654, and 304.17B-003(5), a total of $13,042,700 in MSA payments in fiscal year 2020-2021 is appropriated to the Health Care Improvement Fund for health care initiatives as specified in this Part.

A. **STATE ENFORCEMENT**

**GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**

Notwithstanding KRS 248.654 and 248.703(4), appropriations for state
enforcement shall be as follows:

1. **GENERAL GOVERNMENT**

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorney General</td>
<td>150,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

2. **FINANCE AND ADMINISTRATION CABINET**

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>250,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

**B. DEBT SERVICE**

**GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**

Notwithstanding KRS 248.654 and 248.703(4), appropriations for debt service shall be as follows:

1. **FINANCE AND ADMINISTRATION CABINET**

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>30,863,200</td>
<td>-0-</td>
</tr>
</tbody>
</table>

1. **Debt Service**: To the extent that revenues sufficient to support the required debt service appropriations are received from the Tobacco Settlement Program, those revenues shall be made available from those accounts to the appropriate account of the General Fund. All necessary debt service amounts shall be appropriated from the General Fund and shall be fully paid regardless of whether there is a sufficient amount available to be transferred from tobacco-supported funding program accounts to other accounts of the General Fund.

2. **General Fund (Tobacco) Debt Service Lapse**: Notwithstanding Part X, (4) of this Act, $1,926,600 in fiscal year 2020-2021 shall lapse.

3. **Appropriation of Unexpended Tobacco Debt Service**: Any unexpended balance from the fiscal year 2019-2020 or fiscal year 2020-2021 General Fund (Tobacco) debt service appropriation in the Finance and Administration Cabinet, Debt Service budget unit, shall continue and be appropriated to the Governor’s Office of Agricultural
C. AGRICULTURAL DEVELOPMENT APPROPRIATIONS

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

Notwithstanding KRS 248.654 and 248.703(4), appropriations for Agricultural Development shall be as follows:

1. GENERAL GOVERNMENT

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Governor's Office of Agricultural Policy</td>
<td>34,594,800</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Tobacco Settlement Funds - Allocations: Notwithstanding KRS 248.711(2), and from the allocation provided therein, counties that are allocated in excess of $20,000 annually may provide up to four percent of the individual county allocation, not to exceed $15,000 annually, to the county council in that county for administrative costs.

(2) Counties Account: Notwithstanding KRS 248.703(1), included in the above General Fund (Tobacco) appropriation is $14,279,200 in fiscal year 2020-2021 for the counties account as specified in KRS 248.703(1)(a).

(3) Directive for Fiscal Year 2018-2019 and Fiscal Year 2019-2020 General Fund (Tobacco) Appropriations: Any remaining uncommitted or unobligated funds from the $13,000,000 General Fund (Tobacco) appropriated in the 2018-2020 fiscal biennium to the Governor’s Office of Agricultural Policy for use by the State Fair Board shall not be approved by the Agricultural Development Board for any other project until appropriated by the General Assembly.

2. DEPARTMENT OF AGRICULTURE

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Agriculture</td>
<td>500,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Farms to Food Banks: Included in the above General Fund (Tobacco) appropriation is $500,000 in fiscal year 2020-2021 to support the Farms to Food Banks
Program. The use of the moneys provided by this appropriation shall be restricted to purchases of Kentucky-grown produce from Kentucky farmers who participate in the Farms to Food Banks Program.

3. ENERGY AND ENVIRONMENT CABINET

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Natural Resources</td>
<td>3,386,800</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Environmental Stewardship Program: Included in the above General Fund (Tobacco) appropriation is $2,479,500 in fiscal year 2020-2021 for the Environmental Stewardship Program.

(2) Conservation District Local Aid: Included in the above General Fund (Tobacco) appropriation is $907,300 in fiscal year 2020-2021 for the Division of Conservation to provide direct aid to local conservation districts.

TOTAL - AGRICULTURAL 38,481,600 -0-

APPROPRIATIONS

D. EARLY CHILDHOOD DEVELOPMENT

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

Notwithstanding KRS 248.654, appropriations for Early Childhood Development shall be as follows:

1. EDUCATION AND WORKFORCE DEVELOPMENT CABINET

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. General Administration and Program Support</td>
<td>1,400,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Early Childhood Development: Included in the above General Fund (Tobacco) appropriation is $1,400,000 in fiscal year 2020-2021 for the Early Childhood Advisory Council.

2. CABINET FOR HEALTH AND FAMILY SERVICES

<table>
<thead>
<tr>
<th>Budget Units</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Community Based Services</td>
<td>12,250,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>
(1) **Early Childhood Development Program:** Included in the above General Fund (Tobacco) appropriation is $9,750,000 in fiscal year 2020-2021 for the Early Childhood Development Program.

(2) **Early Childhood Adoption and Foster Care Supports:** Included in the above General Fund (Tobacco) appropriation is $2,500,000 in fiscal year 2020-2021 for the Early Childhood Adoption and Foster Care Supports Program.

<table>
<thead>
<tr>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Public Health</td>
<td>9,873,100</td>
</tr>
</tbody>
</table>

(1) **HANDS Program, Healthy Start, Early Childhood Mental Health, and Early Childhood Oral Health:** Included in the above General Fund (Tobacco) appropriation is $7,000,000 in fiscal year 2020-2021 for the Health Access Nurturing Development Services (HANDS) Program, $942,000 in fiscal year 2020-2021 for Healthy Start initiatives, $942,000 in fiscal year 2020-2021 for Early Childhood Mental Health, and $989,100 in fiscal year 2020-2021 for Early Childhood Oral Health.

(2) **Folic Acid Program:** General Fund (Tobacco) continuing appropriation reserves allotted to the Folic Acid Program shall be utilized by the Department for Public Health during fiscal year 2020-2021 to continue the Folic Acid Program.

c. Behavioral Health, Developmental and Intellectual Disabilities Services | 2020-21 | 2021-22 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1,916,000</td>
<td>-0-</td>
<td></td>
</tr>
</tbody>
</table>

(1) **Substance Abuse Prevention and Treatment:** Included in the above General Fund (Tobacco) appropriation is $1,416,000 in fiscal year 2020-2021 for substance abuse prevention and treatment for pregnant women with a history of substance abuse problems.

(2) **Kentucky Rural Mental Health and Suicide Prevention Pilot Program:** Included in the above General Fund (Tobacco) appropriation is $500,000 in fiscal year 2020-2021 to support the Kentucky Rural Mental Health and Suicide Prevention pilot program. The Department for Behavioral Health, Developmental and Intellectual
Disabilities shall coordinate with the Kentucky Department of Agriculture, the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, and other entities to enhance awareness of the National Suicide Prevention Lifeline (988) in rural communities in Kentucky and to improve access to information on mental health issues and available treatment services. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall provide cultural competency training to staff to address the unique mental health challenges affecting the state’s rural communities. The Department for Behavioral Health, Developmental and Intellectual Disabilities shall also provide outreach, treatment, and other necessary services to improve the mental health outcomes for rural communities in Kentucky. The Department for Behavioral Health, Developmental and Intellectual Disabilities, in conjunction with the Kentucky Department of Agriculture and the University of Kentucky Southeast Center for Agricultural Health and Injury Prevention, shall apply for federal funds as provided by the Agriculture Improvement Act of 2018, 7 U.S.C. sec. 5936, to supplement the General Fund (Tobacco) appropriation provided above. The Cabinet for Health and Family Services shall submit a report on the results of the pilot program, including but not limited to the number of participants, the mental health issues addressed, and the funding used to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Agriculture by June 30, 2022.

TOTAL - EARLY CHILDHOOD 25,439,100 -0-

APPROPRIATIONS

E. HEALTH CARE IMPROVEMENT APPROPRIATIONS

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

Notwithstanding KRS 164.476, 248.654 and 304.17B-003(5), appropriations for health care improvement shall be as follows:

1. CABINET FOR HEALTH AND FAMILY SERVICES

<table>
<thead>
<tr>
<th>Budget Unit</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. **Public Health**

   (1) **Smoking Cessation Program:** Included in the above General Fund (Tobacco) appropriation is $2,000,000 in fiscal year 2020-2021 for Smoking Cessation.

2. **JUSTICE AND PUBLIC SAFETY CABINET**

   **Budget Unit** | 2020-21 | 2021-22
   --- | --- | ---
   a. **Justice Administration** | 3,516,600 | -0-

   (1) **Office of Drug Control Policy:** Included in the above General Fund (Tobacco) appropriation is $3,166,600 in fiscal year 2020-2021 for the Office of Drug Control Policy.

   (2) **Restorative Justice:** Included in the above General Fund (Tobacco) appropriation is $350,000 in fiscal year 2020-2021 to support the Restorative Justice Program administered by the Volunteers of America.

3. **POSTSECONDARY EDUCATION**

   **Budget Unit** | 2020-21 | 2021-22
   --- | --- | ---
   a. **Council on Postsecondary Education** | 7,526,100 | -0-

   (1) **Cancer Research and Screening:** Included in the above General Fund (Tobacco) appropriation is $6,876,100 in fiscal year 2020-2021 for cancer research and screening. The appropriation in fiscal year 2020-2021 shall be equally shared between the University of Kentucky and the University of Louisville.

   (2) **Spinal Cord and Head Injury Research:** Included in the above General Fund (Tobacco) appropriation is $650,000 in fiscal year 2020-2021 for spinal cord and head injury research. In accordance with KRS 211.500 to 211.504, the appropriation in fiscal year 2020-2021 shall be shared between the University of Kentucky and the University of Louisville.

**TOTAL - HEALTH CARE** | 13,042,700 | -0-

**TOTAL - PHASE I TOBACCO SETTLEMENT FUNDING PROGRAM** | 108,226,600 | -0-
### PART XI

#### STATE/EXECUTIVE BRANCH BUDGET SUMMARY

#### OPERATING BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (Tobacco)</td>
<td>-0-</td>
<td>108,226,600</td>
<td>-0-</td>
</tr>
<tr>
<td>General Fund</td>
<td>45,749,300</td>
<td>11,295,086,000</td>
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<tr>
<td>Restricted Funds</td>
<td>-0-</td>
<td>9,371,521,500</td>
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<tr>
<td>Federal Funds</td>
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<td>13,364,399,600</td>
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<tr>
<td>Road Fund</td>
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<td>113,613,900</td>
<td>-0-</td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td>45,749,300</td>
<td>34,252,847,600</td>
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</tbody>
</table>

#### CAPITAL PROJECTS BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<tbody>
<tr>
<td>General Fund</td>
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<td>Federal Funds</td>
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<td>Bond Funds</td>
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<tr>
<td>Agency Bonds</td>
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<tr>
<td>Investment Income</td>
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<tr>
<td>Other Funds</td>
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<tr>
<td>SUBTOTAL</td>
<td>16,000,000</td>
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#### TOTAL - STATE/EXECUTIVE BUDGET

<table>
<thead>
<tr>
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<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
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<tr>
<td>General Fund (Tobacco)</td>
<td>-0-</td>
<td>108,226,600</td>
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<tr>
<td>General Fund</td>
<td>45,749,300</td>
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<tr>
<td>Federal Funds</td>
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<tr>
<td>Road Fund</td>
<td>-0-</td>
<td>113,613,900</td>
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</tr>
<tr>
<td></td>
<td>Description</td>
<td>Amount</td>
<td>Balance</td>
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<tr>
<td>---</td>
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<td>---------------</td>
</tr>
<tr>
<td>1</td>
<td>Bond Funds</td>
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</tr>
<tr>
<td>2</td>
<td>Agency Bonds</td>
<td>-0-</td>
<td>422,138,000</td>
</tr>
<tr>
<td>3</td>
<td>Investment Income</td>
<td>-0-</td>
<td>9,470,000</td>
</tr>
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<td>4</td>
<td>Other Funds</td>
<td>3,000,000</td>
<td>1,771,918,000</td>
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<tr>
<td>5</td>
<td>TOTAL FUNDS</td>
<td>61,749,300</td>
<td>42,801,613,100</td>
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</table>
AN ACT relating to appropriations providing financing and conditions for the
operations, maintenance, support, and functioning of the Transportation Cabinet of the
Commonwealth of Kentucky.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. The Transportation Cabinet Budget is as follows:

PART I

OPERATING BUDGET

(1) Funds Appropriations: Notwithstanding KRS 48.110, 48.120(4), 48.300,
and any statute to the contrary, there is appropriated out of the General Fund, Road Fund,
Restricted Funds accounts, Federal Funds accounts, or Bond Funds accounts for the fiscal
year beginning July 1, 2019, and ending June 30, 2020, for the fiscal year beginning July
1, 2020, and ending June 30, 2021, the following discrete sums, or so much thereof as
may be necessary. Appropriated funds are included pursuant to KRS 48.700 and 48.710.
Each appropriation is made by source of respective fund or funds accounts.
Appropriations for the budget units of the Transportation Cabinet are subject to the
provisions of Chapters 12, 42, 45, and 48 of the Kentucky Revised Statutes and
compliance with the conditions and procedures set forth in this Act.

A. TRANSPORTATION CABINET

Budget Units

1. GENERAL ADMINISTRATION AND SUPPORT

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>500,000</td>
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<tr>
<td>Restricted Funds</td>
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<tr>
<td>Road Fund</td>
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<tr>
<td>TOTAL</td>
<td>88,284,200</td>
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</tr>
</tbody>
</table>

(1) Biennial Highway Construction Plan: The Secretary of the Transportation
Cabinet shall produce a single document that contains two separately identified sections,
as follows:

Section 1 shall detail the enacted fiscal biennium 2020-2022 Biennial Highway Construction Program and Section 2 shall detail the 2020-2022 Highway Preconstruction Program Plan for fiscal year 2020-2021 through fiscal year 2025-2026 as identified by the 2020 General Assembly. This document shall mirror in data type and format the fiscal year 2020-2026 Recommended Six-Year Road Plan as submitted to the 2020 General Assembly. The document shall be published and distributed to members of the General Assembly and the public within 60 days of adjournment of the 2020 Regular Session of the General Assembly.

(2) Debt Service: Included in the above Road Fund appropriation is $7,110,100 in fiscal year 2020-2021 for debt service on previously authorized bonds.

(3) Adopt-A-Highway Litter Program: The Transportation Cabinet and the Energy and Environment Cabinet may receive, accept, and solicit grants, contributions of money, property, labor, or other things of value from any governmental agency, individual, nonprofit organization, or private business to be used for the Adopt-a-Highway Litter Program or other statewide litter programs. Any contribution of this nature shall be deemed to be a contribution to a state agency for a public purpose and shall be treated as Restricted Funds under KRS Chapter 45 and reported according to KRS Chapter 48, and shall not be subject to restrictions set forth under KRS Chapter 11A.

(4) Riverport Improvements: Included in the above General Fund appropriation is $500,000 in fiscal year 2020-2021 to improve public riverports within Kentucky. The Secretary of the Transportation Cabinet, in conjunction with the Kentucky Water Transportation Advisory Board, shall determine how the funds are distributed.

2. AVIATION

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
<td>21,221,400</td>
<td>-0-</td>
</tr>
</tbody>
</table>
Federal Funds 500,000 -0-  
Road Fund 2,797,700 -0-  
TOTAL 24,519,100 -0-  

(1) Operational Costs: Notwithstanding KRS 183.525(5), the above Restricted Funds appropriation includes operational costs of the program in fiscal year 2020-2021.  

(2) Debt Service: Included in the above Road Fund appropriation is $1,831,100 in fiscal year 2020-2021 for debt service on previously authorized bonds. Notwithstanding KRS 183.525, $1,831,100 in fiscal year 2020-2021 is transferred to the Road Fund from the Kentucky Aviation Economic Development Fund to support debt service on those bonds.  

3. DEBT SERVICE  

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Fund</td>
<td>147,991,400</td>
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</tr>
</tbody>
</table>

(1) Economic Development Road Lease-Rental Payments: Included in the above Road Fund appropriation is $147,991,400 in fiscal year 2020-2021 for Economic Development Road lease-rental payments relating to projects financed by Economic Development Road Revenue Bonds previously authorized by the General Assembly and issued by the Kentucky Turnpike Authority.  

(2) Debt Payment Acceleration Fund Account: Notwithstanding KRS 175.505, no portion of the revenues to the state Road Fund provided by the adjustments in KRS 138.220(2), excluding KRS 177.320 and 177.365, shall accrue to the Debt Payment Acceleration Fund account during the 2020-2022 fiscal biennium.  

4. HIGHWAYS  

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Funds</td>
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<tr>
<td>Federal Funds</td>
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</tr>
<tr>
<td>Road Fund</td>
<td>826,464,900</td>
<td>-0-</td>
</tr>
</tbody>
</table>
TOTAL 1,666,311,500 -0-

(1) **Debt Service:** Included in the above Federal Funds appropriation is $79,468,700 in fiscal year 2020-2021 for debt service on Grant Anticipation Revenue Vehicle (GARVEE) Bonds previously appropriated by the General Assembly.

(2) **State Supported Construction Program:** Included in the above Road Fund appropriation is $256,669,600 in fiscal year 2020-2021 for the State Supported Construction Program.

(3) **Biennial Highway Construction Program:** Included in the State Supported Construction Program is $115,069,600 in fiscal year 2020-2021 from the Road Fund for state construction projects in the fiscal biennium 2020-2022 Biennial Highway Construction Program.

(4) **Highway Construction Contingency Account:** Included in the State Supported Construction Program is $16,600,000 in fiscal year 2020-2021 for the Highway Construction Contingency Account. Notwithstanding KRS 45.247(4), the Secretary shall not expend Highway Construction Contingency moneys for purposes he or she determines to be a priority. Notwithstanding KRS 224.43-505(2)(d), included in the Highway Construction Contingency Account is $5,000,000 in fiscal year 2020-2021 for the Kentucky Pride Fund created in KRS 224.43-505. Also included in the Highway Construction Contingency Account for Railroads is $1,600,000 in fiscal year 2020-2021 for public safety and service improvements which shall not be expended unless matched with non-state funds equaling at least 20 percent of the total amount for any individual project. Additionally, in fiscal year 2020-2021, up to $350,000 of the $1,600,000 appropriation may be used to research the merits and responsibilities of the Kentucky Rail Office in the Kentucky Transportation Cabinet and establish and administer the Kentucky Rail Office.

(5) **2018-2020 Biennial Highway Construction Plan:** Projects in the enacted 2018-2020 Biennial Highway Construction Plan are authorized to continue their current
authorization into the 2020-2022 fiscal biennium. If projects in previously enacted
highway construction plans conflict with the 2020-2022 Biennial Highway Construction
Plan, the projects in the 2020-2022 Biennial Highway Construction Plan shall control.
The Secretary shall make every effort to maintain highway program delivery by adhering
to the timeframes included in the 2020-2022 Biennial Highway Construction Plan for
those projects.

(6) **State Match Provisions:** The Transportation Cabinet is authorized to utilize
state construction moneys or Toll Credits to match federal highway moneys.

(7) **Federal Aid Highway Funds:** If additional federal highway moneys are
made available to Kentucky by the United States Congress, the funds shall be used
according to the following priority: (a) Any demonstration-specific or project-specific
moneys shall be used on the project identified; and (b) All other funds shall be used to
ensure that projects in the fiscal biennium 2020-2022 Biennial Highway Construction
Plan are funded. If additional federal moneys remain after these priorities are met, the
Transportation Cabinet may select projects from the Highway Preconstruction Program.

(8) **Road Fund Cash Management:** The Secretary of the Transportation Cabinet
may continue the Cash Management Plan to address the policy of the General Assembly
to expeditiously initiate and complete projects in the fiscal biennium 2020-2022 Biennial
Highway Construction Plan. Notwithstanding KRS Chapter 45, specifically including
KRS 45.242 and 45.244, the Secretary may concurrently advance projects in the Biennial
Highway Construction Plan by employing management techniques that maximize the
Cabinet's ability to contract for and effectively administer the project work. Under the
approved Cash Management Plan, the Secretary shall continuously ensure that the
unspent project and Road Fund balances available to the Transportation Cabinet are
sufficient to meet expenditures consistent with appropriations provided. The
Transportation Cabinet shall provide quarterly reports to the Interim Joint Committee on
Appropriations and Revenue when the General Assembly is not in session and the
Standing Committees on Appropriations and Revenue when the General Assembly is in session beginning July 1, 2020.

(9) **Carry Forward of Appropriation Balances:** Notwithstanding KRS 45.229, unexpended Road Fund appropriations in the Highways budget unit for the Construction program, the Maintenance program, and the Research program in fiscal year 2019-2020 and in fiscal year 2020-2021 shall not lapse but shall carry forward. Unexpended Federal Funds and Restricted Funds appropriations in the Highways budget unit for the Construction program, the Maintenance program, the Equipment Services program, and the Research program in fiscal year 2019-2020 and in fiscal year 2020-2021, up to the amount of ending cash balances and unissued Highway and GARVEE Bond Funds, to include any interest income earned on those bond funds, and grant balances shall not lapse but shall carry forward.

(10) **Federally Supported Construction Program:** Included in the above Federal Funds appropriation is $624,506,400 in fiscal year 2020-2021 for federal construction projects.

(11) **Highways Maintenance:** Included in the above Highways Road Fund appropriation is $399,379,300 in fiscal year 2020-2021 for Highways Maintenance. Highways Maintenance positions may be filled to the extent the above funding level and the Highways Maintenance continuing appropriation are sufficient to support those positions.

(12) **Delayed Projects Status Report:** The Secretary of the Transportation Cabinet shall report by September 30 of fiscal year 2020-2021 to the Interim Joint Committee on Transportation any project included in the enacted Biennial Highway Construction Plan which has been delayed beyond the fiscal year for which the project was authorized. The report shall include:

(a) The county name;

(b) The Transportation Cabinet project identification number;
(c) The route where the project is located;
(d) The length of the project;
(e) A description of the project and the scope of improvement;
(f) The type of local, state, or federal funds to be used on the project;
(g) The stage of development for the design, right-of-way, utility, and construction phases;
(h) The fiscal year in which each phase of the project was scheduled to commence;
(i) The estimated cost for each phase of the project;
(j) A detailed description of the circumstances leading to the delay; and
(k) The same information required in paragraphs (a) to (i) of this subsection for the project or projects advanced with funds initially scheduled for the delayed project.

(13) Maintenance Reentry Employment Program: Included in the above Road Fund appropriation is $250,000 in fiscal year 2020-2021 to support contracting with a 501(c)(3) nonprofit organization that employs individuals on probation or parole supervision to perform crew-based maintenance services. These individuals will be selected with input from the Department of Corrections and shall provide assistance with litter abatement, graffiti removal, and vegetation control.

5. JUDGMENTS

(1) Payment of Judgments: Road Fund resources required to pay judgments shall be transferred from the State Construction Account at the time when actual payments must be disbursed from the State Treasury.

6. PUBLIC TRANSPORTATION

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>5,589,000</td>
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<td>Federal Funds</td>
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</tr>
</tbody>
</table>
1. TOTAL  40,430,000  -0-

   (1) **Toll Credits:** The Transportation Cabinet is authorized to maximize, to the extent necessary, the use of Toll Credits to match Federal Funds for transit systems capital grants.

   (2) **Nonpublic School Transportation:** Included in the above General Fund appropriation is $3,500,000 in fiscal year 2020-2021 for nonpublic school transportation.

7. **REVENUE SHARING**

    | 2020-21 | 2021-22 |
    |---------|---------|
    | Road Fund | 350,007,300 | -0- |

   (1) **County Road Aid Program:** Included in the above Road Fund appropriation is $132,307,900 in fiscal year 2020-2021 for the County Road Aid Program in accordance with KRS 177.320, 179.410, 179.415, and 179.440. Notwithstanding KRS 177.320(2) and (4), the above amount has been reduced by $38,000, which has been appropriated to the Highways budget unit for the support of the Kentucky Transportation Center.

   (2) **Rural Secondary Program:** Included in the above Road Fund appropriation is $160,383,400 in fiscal year 2020-2021 for the Rural Secondary Program in accordance with KRS 177.320, 177.330, 177.340, 177.350, and 177.360. Notwithstanding KRS 177.320(1) and (4), the above amount has been reduced by $46,000, which has been appropriated to the Highways budget unit for the support of the Kentucky Transportation Center.

   (3) **Municipal Road Aid Program:** Included in the above Road Fund appropriation is $55,628,400 in fiscal year 2020-2021 for the Municipal Road Aid Program in accordance with KRS 177.365, 177.366, and 177.369. Notwithstanding KRS 177.320(4) and 177.365(1), the above amount has been reduced by $16,000, which has been appropriated to the Highways budget unit for the support of the Kentucky Transportation Center.
(4) **Energy Recovery Road Fund:** Included in the above Road Fund appropriation is $334,000 in fiscal year 2020-2021 for the Energy Recovery Road Fund in accordance with KRS 177.977, 177.9771, 177.978, 177.979, and 177.981.

(5) **County Judge/Executive Expense Allowance:** Notwithstanding KRS 67.722, each County Judge/Executive not serving in a consolidated local government shall receive an annual expense allowance of $2,400 during the 2020-2022 fiscal biennium. Payment shall be made quarterly from the Rural Secondary Program.

(6) **Continuation of the Flex Funds and the 80/20 Bridge Replacement Programs:** The Transportation Cabinet shall continue the Flex Funds and the 80/20 Bridge Replacement Programs within the Rural Secondary Program.

### 8. VEHICLE REGULATION

<table>
<thead>
<tr>
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<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
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<tbody>
<tr>
<td>Restricted Funds</td>
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<tr>
<td>Road Fund</td>
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<tr>
<td>TOTAL</td>
<td>4,265,500</td>
<td>63,513,500</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Debt Service:** Included in the above Road Fund appropriation is $800,000 in fiscal year 2020-2021 for debt service on previously authorized bonds.

### TOTAL - TRANSPORTATION CABINET

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
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<tr>
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<tr>
<td>Federal Funds</td>
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</tr>
<tr>
<td>Road Fund</td>
<td>4,265,500</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>4,265,500</td>
<td>2,381,057,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>

### PART II

**CAPITAL PROJECTS BUDGET**
(1) **Capital Construction Fund Appropriations and Reauthorizations:** Moneys in the Capital Construction Fund are appropriated for the following capital projects subject to the conditions and procedures in this Act. Items listed without appropriated amounts are previously authorized for which no additional amount is required. These items are listed in order to continue their current authorization into the 2020-2022 fiscal biennium. Unless otherwise specified, reauthorized projects shall conform to the original authorization enacted by the General Assembly.

(2) **Expiration of Existing Line-Item Capital Construction Projects:** All appropriations to existing line-item capital construction projects expire on June 30, 2020, unless reauthorized in this Act with the following exceptions: (a) A construction contract for the project shall have been awarded by June 30, 2020; (b) Permanent financing or a short-term line of credit sufficient to cover the total authorized project scope shall have been obtained in the case of projects authorized for bonds, if the authorized project completes an initial draw on the line of credit within the biennium immediately subsequent to the original authorization; and (c) Grant or loan agreements, if applicable, shall have been finalized and properly signed by all necessary parties. Notwithstanding the criteria set forth in this subsection, the disposition of 2018-2020 fiscal biennium nonstatutory appropriated maintenance pools funded from Capital Construction Investment Income shall remain subject to the provisions of KRS 45.770(5)(c).

(3) **Bond Proceeds Investment Income:** Investment income earned from bond proceeds beyond that which is required to satisfy Internal Revenue Service arbitrage rebates and penalties and excess bond proceeds upon the completion of a bond-financed capital project shall be used to pay debt service according to the Internal Revenue Service Code and accompanying regulations.

(4) **Appropriations for Projects Not Line-Itemized:** Inasmuch as the identification of specific projects cannot be ascertained with absolute certainty at this time, amounts are appropriated for specific purposes to projects which are not
individually identified in this Act in the following area: Aircraft Maintenance Pool. Notwithstanding any statute to the contrary, projects estimated to cost $1,000,000 and over and equipment estimated to cost $200,000 and over shall be reported to the Capital Projects and Bond Oversight Committee.

### A. TRANSPORTATION CABINET

<table>
<thead>
<tr>
<th>Budget Units</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. GENERAL ADMINISTRATION AND SUPPORT</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>001. Maintenance Pool - 2020-2022</strong></td>
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<td></td>
</tr>
<tr>
<td>Road Fund</td>
<td>-0-</td>
<td>2,950,000</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>002. Construct Whitley County Maintenance Facility and Salt Structure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road Fund</td>
<td>-0-</td>
<td>2,550,000</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>003. Construct Nicholas County Maintenance Facility and Salt Storage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road Fund</td>
<td>-0-</td>
<td>2,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>004. Construct Ballard County Maintenance Facility and Salt Storage – Additional Reauthorization ($1,584,000 Road Fund)</strong></td>
<td></td>
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</tr>
<tr>
<td>Road Fund</td>
<td>-0-</td>
<td>700,000</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>005. Construct Hopkins County Maintenance Facility and Salt Storage – Reauthorization ($1,800,000 Road Fund)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>006. Construct Clay County District Office – Reauthorization ($7,445,000 Road Fund)</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>AASHTOWare</td>
<td></td>
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</tr>
<tr>
<td>Road Fund</td>
<td>-0-</td>
<td>1,000,000</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>008. Construct Casey County Maintenance Facility</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Funds</td>
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<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Road Fund</td>
<td>800,000</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,460,000</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

### 2. AVIATION
001. Aircraft Maintenance Pool – 2020-2022

Investment Income  
-0- 700,000 -0-

3. HIGHWAYS

001. Repair Loadometer and Rest Areas – 2020-2022

Road Fund  
-0- 1,500,000 -0-

002. Road Maintenance Parks – 2020-2022

Road Fund  
-0- 1,250,000 -0-

003. Various Environmental Compliance – 2020-2022

Road Fund  
-0- 490,000 -0-

004. Transportation Warehouse Facility Renovation or Replacement

Road Fund  
-0- 1,500,000 -0-

005. Jefferson County – Lease

PART III

FUNDS TRANSFER

The General Assembly finds that the financial condition of state government requires the following action.

Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2020-2021:

<table>
<thead>
<tr>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
</table>

A. TRANSPORTATION CABINET

1. Aviation

Agency Revenue Fund  
438,400 -0-

(KRS 183.525(4) and (5))

2. Vehicle Regulation

Agency Revenue Fund  
4,400,000 -0-

(KRS 186.040(6)(a))
<table>
<thead>
<tr>
<th>Part</th>
<th>Description</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TOTAL - FUNDS TRANSFER</td>
<td>4,838,400</td>
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<tr>
<td>2</td>
<td></td>
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<td></td>
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<tr>
<td>3</td>
<td>PART IV</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>TRANSPORTATION CABINET BUDGET SUMMARY</td>
<td></td>
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<tr>
<td>5</td>
<td>OPERATING BUDGET</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>6</td>
<td>General Fund</td>
<td>-0-</td>
<td>6,089,000</td>
<td>-0-</td>
</tr>
<tr>
<td>7</td>
<td>Restricted Funds</td>
<td>-0-</td>
<td>161,464,300</td>
<td>-0-</td>
</tr>
<tr>
<td>8</td>
<td>Federal Funds</td>
<td>-0-</td>
<td>754,897,400</td>
<td>-0-</td>
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<tr>
<td>9</td>
<td>Road Fund</td>
<td>4,265,500</td>
<td>1,458,606,300</td>
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<tr>
<td>10</td>
<td>SUBTOTAL</td>
<td>4,265,500</td>
<td>2,381,057,000</td>
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<td>11</td>
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<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Restricted Funds</td>
<td>660,000</td>
<td>-0-</td>
<td>-0-</td>
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<tr>
<td>14</td>
<td>Road Fund</td>
<td>800,000</td>
<td>13,940,000</td>
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<td>15</td>
<td>Investment Income</td>
<td>-0-</td>
<td>700,000</td>
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<tr>
<td>16</td>
<td>SUBTOTAL</td>
<td>1,460,000</td>
<td>14,640,000</td>
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<tr>
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<tr>
<td>18</td>
<td></td>
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<td>19</td>
<td>General Fund</td>
<td>-0-</td>
<td>6,089,000</td>
<td>-0-</td>
</tr>
<tr>
<td>20</td>
<td>Restricted Funds</td>
<td>660,000</td>
<td>161,464,300</td>
<td>-0-</td>
</tr>
<tr>
<td>21</td>
<td>Federal Funds</td>
<td>-0-</td>
<td>754,897,400</td>
<td>-0-</td>
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<tr>
<td>22</td>
<td>Road Fund</td>
<td>5,065,500</td>
<td>1,472,546,300</td>
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</tr>
<tr>
<td>23</td>
<td>Investment Income</td>
<td>-0-</td>
<td>700,000</td>
<td>-0-</td>
</tr>
<tr>
<td>24</td>
<td>TOTAL FUNDS</td>
<td>5,725,500</td>
<td>2,395,697,000</td>
<td>-0-</td>
</tr>
</tbody>
</table>
AN ACT relating to the Bowling Green Veterans Center, making an appropriation therefor, and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. There is hereby appropriated to the Department of Veterans' Affairs from the General Fund $2,500,000 in fiscal year 2019-2020 for design and preconstruction costs for the Bowling Green Veterans Center.

Section 2. Appropriations authorized in this Act shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

Section 3. Whereas the veterans of this Commonwealth deserve the best possible care, and whereas this Act will advance that highly important public purpose in this time of urgent need, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.
AN ACT creating and funding a Kentucky Economic Development Finance Authority loan for a qualifying public medical center located in a city of the first class, making an appropriation therefor, and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. There is hereby appropriated to the Cabinet for Economic Development General Fund moneys in the amount of $3,069,000 in fiscal year 2020-2021 and $3,069,000 in fiscal year 2021-2022 for new debt service to support $35,000,000 in new bonds in fiscal year 2019-2020 for the creation and funding of a Kentucky Economic Development Finance Authority loan ("KEDFA loan") for a qualifying public medical center located in a city of the first class.

Section 2. The KEDFA loan shall not exceed a twenty-year term and shall be utilized by the Cabinet for Economic Development to assist the qualifying public medical center in providing needed direct health care services and research operations facilities for the citizens of the Commonwealth.

Section 3. The KEDFA loan shall be finalized with funds distributed by April 1, 2020. The Cabinet for Economic Development shall determine the terms and conditions of the KEDFA loan and monitor the performance of the qualifying public medical center to achieve partial loan forgiveness not to exceed 50 percent of the KEDFA loan amount.

Section 4. The public medical center that receives the KEDFA loan shall provide an annual report to the Interim Joint Committee on Appropriations and Revenue on October 1 of each year detailing the status of the KEDFA loan for as long as the loan is in effect.

Section 5. Whereas healthcare services are vital to the health and well-being of the citizens of the Commonwealth, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.
Legislative Branch

House Bill 355
AN ACT making appropriations for the operations, maintenance, and support of the Legislative Branch of the Commonwealth of Kentucky.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. The Legislative Branch Budget is as follows:

PART I

OPERATING BUDGET

Funds Appropriations: Notwithstanding KRS 48.110, 48.300, and any other statute to the contrary, funds are appropriated to the Legislative Research Commission for the Legislative Branch of government out of the General Fund and Restricted Funds accounts for the fiscal year beginning July 1, 2020, and ending June 30, 2021, in the following discrete sums, or so much thereof as may be necessary. Each appropriation is made by the source of respective fund or funds accounts to be used for the purposes of the Legislative Branch of government of the Commonwealth of Kentucky.

2020-21  2021-22

1. General Assembly

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>19,020,700</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>75,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>19,095,700</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Legislators Compensation: Notwithstanding KRS 6.190 and 6.213, the daily compensation provided by KRS 6.190 and the interim expense allowance provided by KRS 6.213 for members of the General Assembly shall remain at the January 1, 2020, level.

(2) Kentucky Legislative Ethics Commission: Included in the above General Fund appropriation is $567,700 in fiscal year 2020-2021 for the Kentucky Legislative Ethics Commission. Included in the above Restricted Funds appropriation is $75,000 in fiscal year 2020-2021 for the Kentucky Legislative Ethics Commission.

(3) Kentucky Long-Term Policy Research Center: Notwithstanding KRS
7B.010 to 7B.090, operation of the Kentucky Long-Term Policy Research Center and its
governing board shall continue to be suspended effective July 1, 2020, and shall remain
suspended for the 2020-2022 fiscal biennium or until funding is restored. No funds are
appropriated for the Kentucky Long-Term Policy Research Center for fiscal year 2020-
2021 and fiscal year 2021-2022.

(4) Pension Benefit Increase: Notwithstanding KRS 6.521(3), no pension
benefit increase shall be granted to recipients of a retirement allowance under KRS 6.500
to 6.577 on July 1, 2020.

2020-21 2021-

2. Legislative Research Commission

General Fund 52,965,700 -0-

(1) Permanent Full-time Employees: The total number of permanent full-time
employees hired by the Legislative Research Commission with the above appropriation,
and not assigned specifically to the House and Senate members of the Legislative
Research Commission, shall not exceed 232 in fiscal year 2020-2021. In addition to this
number, the total number of permanent full-time employees assigned specifically to the
House members of the Legislative Research Commission shall not exceed 19 and the
permanent full-time employees assigned specifically to the Senate members of the
Legislative Research Commission shall not exceed 10.

(2) Legislative Record: Notwithstanding KRS 7.105, distribution of the final
issue of the Legislative Record and the interim Legislative Record shall be suspended
effective July 1, 2020.

TOTAL - OPERATING BUDGET

2020-21 2021-22

General Fund 71,986,400 -0-

Restricted Funds 75,000 -0-
TOTAL - LEGISLATIVE BRANCH BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>71,986,400</td>
<td>-0-</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td>75,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>72,061,400</td>
<td>-0-</td>
</tr>
</tbody>
</table>

PART II

GENERAL PROVISIONS

1. Expenditure Authority: The Director of the Legislative Research Commission, under the supervision of the Legislative Research Commission, may expend any of the funds appropriated for legislative operation and administration in any lawful manner and for any legal purpose consistent with the policies and practices of the Commission. No executive agency or statute governing the executive agencies of state government shall have the power to restrict or limit the actions of, or the expenditure of funds appropriated to, the Legislative Research Commission for the Legislative Branch of government.

2. Capitol and Capitol Annex Capital Construction Expenditures: Any expenditure authorized by the Director of the Legislative Research Commission, under the supervision of the Legislative Research Commission, relating to implementation of KRS 56.463(4)(b), or relating to the Capitol Building, and funded by previous or current appropriations to the Legislative Research Commission for the Legislative Branch of government shall not be governed by KRS 7A.010, 7A.120, 45.750 to 45.810, 48.010(16), 48.020, and 48.110.
3. **Severability of Budget Provisions:** Appropriation items and sums in this Act conform to KRS 48.311. If any section, any subsection, or any provision thereof shall be invalid or unconstitutional, the decision of the courts shall not affect or impair any of the remaining sections, subsections, or provisions.

4. **Duplicate Appropriation:** Any appropriation item and sum in this Act and in an appropriation provision in another Act of the 2020 Regular Session of the General Assembly which constitutes a duplicate appropriation shall be governed by KRS 48.312.

5. **Priority of Individual Appropriations:** KRS 48.313 shall control when a total or subtotal figure in this Act conflicts with the sum of the appropriations of which it consists.

6. **Appropriations Revisions:** Notwithstanding KRS 48.630(10), no revisions for unbudgeted Restricted Funds appropriations for expenditure shall be allotted or expended that have not been appropriated in any enacted branch budget bill or without the express authority of the General Assembly.

7. **Allowance in Lieu of Stationery:** Notwithstanding KRS 6.220, in lieu of stationery, there shall be allowed to each member of the House of Representatives the sum of $250 and to each member of the Senate the sum of $500. This allowance shall be paid out of the State Treasury at the beginning of each legislative session.

8. **Issuance of Employee Paychecks:** Notwithstanding 101 KAR 2:095, Section 10, the state payroll that would normally be scheduled to be paid on June 30, 2020, June 30, 2021, and June 30, 2022, shall not be issued prior to July 1, 2020, July 1, 2021, and July 1, 2022, respectively.

9. **Salary Adjustments:** In each fiscal year, employees of the Legislative Research Commission shall receive a salary adjustment in accordance with the salary adjustment provided to state employees in the state/executive branch budget.

10. **Administrative Expenses:** Pursuant to KRS 21.540, administrative expenses shall be paid out of an administrative account which shall be funded by transfers of the
necessary moneys, in appropriate ratio, from the funds provided for in KRS 21.550 and
21.560.

11. Employee Layoffs, Furloughs, and Reduced Hours: Notwithstanding any statute to the contrary, the following process and procedure is established for July 1, 2020, through June 30, 2021, in the event that the Legislative Research Commission (LRC) determines that it is desirable for the Director of the LRC to layoff, furlough, or reduce hours of employees:

(1) For the purposes of this section:

(a) "Appointing authority" means the Director of the LRC, in his or her capacity as provided in KRS 27A.010, or any agent whom he or she has delegated to act on his or her behalf with respect to employee appointments, position establishments, payroll documents, reemployment requests, waiver requests, requests for certification, or other position actions for the LRC;

(b) "Furlough" or "reduction in hours" means the temporary reduction of hours an employee is scheduled to work by the appointing authority within a pay period;

(c) "Layoff" means discharge of employment subject to the rights contained in this section; and

(d) "Employees" includes all persons employed by the LRC;

(2) Upon an order by the LRC, the appointing authority has the authority to layoff or furlough employees or reduce hours of employment for any of the following reasons:

(a) Lack of funds or budgetary constraints;

(b) A reduction in the agency’s spending authorization;

(c) Lack of work;

(d) Abolishment of a position; or

(e) Other material change in duties or organization;

(3) The appointing authority shall determine the job classifications affected and the number of employees laid-off in each classification to which a layoff applies. In the
same department or office and job classification, interim and probationary employees shall be laid-off before any full-time or part-time employees are laid-off. For purposes of layoff, "probationary employee" does not include an employee serving a promotional probation;

(4) The Director of the LRC shall approve and implement all actions taken under subsection (2) of this section and no such layoff, furlough, or reduction of hours may begin until such approval has been granted. The Director of the LRC has the authority to determine the extent, effective dates, and length of any action taken under subsection (2) of this section;

(5) In determining the employees to be laid-off, the appointing authority shall consider all employees under the same appointing authority and within the job classification affected. Consideration shall be given to the following relevant factors:

(a) Job performance evaluations;
(b) Seniority;
(c) Education, training, and experience; and
(d) Disciplinary record;

(6) Any employee whose position is subject to layoff, furlough, or reduction of hours shall be provided written notice containing the reason for the action as set forth in subsection (2) of this section at least 15 days in advance of the effective date of the action;

(7) Any employee who is laid-off shall be eligible to apply as a reemployment applicant for positions with the same job classification in the LRC. For a period of two years, a reemployment applicant shall be hired before any applicant except another reemployment applicant with greater seniority who is on the same reemployment list. When a reemployment applicant is removed from a reemployment list, he or she shall be notified in writing. A reemployment applicant who accepts another LRC position, or who retires, shall cease to have eligibility rights as a reemployment applicant;
(8) The appointing authority may place employees subject to a reduction in force;

(9) Furloughs or reduction of hours during a pay period shall not result in the loss of eligibility for any benefit otherwise due the employee;

(10) The appointing authority shall have the authority to promulgate comprehensive administrative regulations governing this section; and

(11) A layoff, furlough, or reduction of hours implemented in accordance with this section shall not be considered a penalization of the employee.

**PART III**

**BUDGET REDUCTION OR SURPLUS EXPENDITURE PLAN**

The Legislative Branch shall participate in any Budget Reduction Plan or Surplus Expenditure Plan in accordance with KRS Chapter 48, except that obligations essential to the constitutional duties of the Legislative Branch shall be exempt from any Budget Reduction Plan. The level of participation in a Budget Reduction Plan shall be at the discretion of the Director and shall not exceed the actual percentage of revenue shortfall.
Judicial Branch

House Bill 356
AN ACT making appropriations for the operations, maintenance, support, and
functioning of the Judicial Branch of the government of the Commonwealth of Kentucky
and its various officers, boards, commissions, subdivisions, and other state-supported
activities.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. The Judicial Branch Budget is as follows:

PART I

OPERATING BUDGET

(1) Funds Appropriations: Notwithstanding KRS 48.110, 48.120(4), 48.300,
and any statute to the contrary, there is appropriated out of the General Fund, Restricted
Funds accounts, or Federal Funds accounts for the fiscal year beginning July 1, 2020, and
ending June 30, 2021, the following sums to be used for the purposes of the Judicial
Branch of the government of the Commonwealth of Kentucky, including the Supreme
Court, Court of Appeals, Circuit Court, Family Court, District Court, the Administrative
Office of the Courts, Judicial Retirement, Local Facilities Fund, Local Facilities Use
Allowance Contingency Fund, and for services performed by the Circuit Court Clerks'
offices, including both Circuit and District Court support.

A. JUDICIAL BRANCH

Budget Units

1. Court of Justice

a. Court Operations and Administration

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
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<tr>
<td>Restricted Funds</td>
<td>52,343,600</td>
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<tr>
<td>Federal Funds</td>
<td>3,190,000</td>
<td>-0-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>326,288,600</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Defined Calculations: Included in the above General Fund appropriation is
$1,045,800 in fiscal year 2020-2021 to provide funds for the increase in the employer cost of health and life insurance and the employer cost of retirement.

(2) Civil Filing Fees: Pursuant to its authority, if the Supreme Court retains the increases in civil filing fees that were effective in 2008 and 2018, the additional income resulting from the fee increases, not to exceed $15,468,100 in fiscal year 2020-2021, shall be deposited into a trust and agency account for court operations and salaries for non-elected personnel. Any revenue generated by these increases in excess of the $15,468,100 in fiscal year 2020-2021 shall be deposited into the General Fund.

(3) Night Court in Jefferson County: The Administrative Office of the Courts shall continue the operations and current schedule of night court in Okolona and Middletown in Jefferson County in fiscal year 2020-2021 if the Court of Justice does not incur any costs.

[(4) Circuit Clerk Expense Allowance: Notwithstanding KRS 64.058, each Circuit Clerk shall receive an expense allowance of $2,400 annually, at the rate of $200 per month, in fiscal year 2020-2021.]

(5) Salary Increment: Notwithstanding KRS 64.480(2), no salary adjustments are provided on the base salary or wages of the Clerk of the Supreme Court.

b. Local Facilities Fund

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>114,514,200</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) Local Facility Projects: Included in the above General Fund appropriation is $2,345,700 in fiscal year 2020-2021 to support the use allowance, operating, and non-recurring furniture and equipment costs for two judicial center projects authorized by the 2018 General Assembly.

(2) Maintenance Pool: Included in the above General Fund appropriation is $3,000,000 in fiscal year 2020-2021 to create a maintenance pool for planned and unanticipated non-capital projects for local courthouses and judicial centers.
(3) **Local Court Facility Compensation:** Included in the above General Fund appropriation are moneys to compensate local units of government for providing court space and for costs incurred in the development of local court facilities as defined in KRS Chapter 26A and provided in Part II of this Act, and to perform all other acts required or authorized by KRS Chapter 26A.

(4) **Use Allowance Payments to Counties:** Pursuant to KRS 26A.090(2), beginning with court facility construction or renovation projects authorized by the 2000 Regular Session of the General Assembly and all subsequent court facility projects, use allowance payments are restricted to the court's proportional share of the annual principal and interest costs in connection with the construction or renovation of the facility, not to exceed the authorized annual use allowance.

(5) **Court Facility Maintenance Fund:** (a) Notwithstanding KRS 26A.090(2), when there is no debt on court facility construction or renovation projects authorized prior to the 2000 Regular Session of the General Assembly, use allowance is restricted to compensation equal to two percent annually of capital costs to be paid to the county unit of government and two percent annually to be retained by the Administrative Office of the Courts and directed to a separate fund specifically for maintenance of court facilities.

(b) The fund created pursuant to paragraph (a) of this subsection shall be used for routine, ongoing, planned, and unanticipated maintenance for court facilities.

c. **Local Facilities Use Allowance Contingency Fund**

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

(1) **Funds Carry Forward:** Notwithstanding KRS 45.229, any unexpended balance remaining at the close of fiscal year 2019-2020 shall not lapse and shall continue into fiscal year 2020-2021 to provide for cost overruns in authorized court facilities projects not to exceed 15 percent of the use allowance in accordance with KRS Chapter
26A.

TOTAL - COURT OF JUSTICE

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
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</tr>
<tr>
<td>Restricted Funds</td>
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<td>0-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>3,190,000</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>440,802,800</td>
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2. Judicial Retirement System

<table>
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<tr>
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<th>2020-21</th>
<th>2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>7,147,500</td>
<td>0-</td>
</tr>
</tbody>
</table>

(1) Judicial Retirement Benefits: General Fund amounts are included to provide actuarial-assessed judicial retirement benefits pursuant to KRS 21.345 to 21.580.

(2) Administrative Expenses: Pursuant to KRS 21.540, administrative expenses shall be paid out of an administrative account which shall be funded by transfers of the necessary moneys, in appropriate ratio, from the funds provided for in KRS 21.550 and 21.560.

(3) Pension Benefit Increase: Notwithstanding KRS 21.405(5), no pension benefit increase shall be granted to recipients of a retirement allowance under KRS 21.345 to 21.580 on July 1, 2020, or July 1, 2021.

TOTAL - JUDICIAL BRANCH

<table>
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<tr>
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</tr>
<tr>
<td>Federal Funds</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>447,950,300</td>
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</tr>
</tbody>
</table>

PART II

CAPITAL PROJECTS BUDGET
(1) **Authorization of Capital Projects:** It is the intent of the General Assembly that any capital project proposed by any state government entity, including the agencies and subdivisions of the Court of Justice, shall be authorized by the General Assembly prior to the project’s financing and construction, in accordance with KRS 7A.010, 7A.120, 45.750, 45.760, 45.763, 45.765, and 48.110. Pursuant to KRS 45.760(1), the amount allotted, from all sources, for expenditure on any capital project, including leases as defined by KRS 45.750, shall not exceed the estimated cost as shown in this Act.

(2) **Capital Projects and Bond Oversight Committee:** Capital construction projects and major items of equipment that are not specifically listed in this Act may be authorized only after submission of the project to the Capital Projects and Bond Oversight Committee and in accordance with the other requirements of KRS 45.760(7). Moneys may be transferred to the allotment account of any capital project only after submission of the project to the Capital Projects and Bond Oversight Committee and in accordance with the other requirements of KRS 45.760(6). As required by KRS 45.760, all capital construction items authorized in this Act shall be constructed in accordance with this Act, supporting documentation considered by the General Assembly, and Judicial Branch budget records. Any modifications to the scope of a capital construction project or to a lease shall be reported to the Capital Projects and Bond Oversight Committee before execution.

(3) **Court Facility Planning Process:** The county shall require the Project Development Board to hire a certified architect not otherwise involved with the project to conduct an independent feasibility study to determine whether the needs of the community and the Court of Justice can best be met through the construction of a freestanding building, or through an addition and/or renovation of the existing court facility. The cost for this study shall be an accepted and approved portion of the planning process, and shall be eligible for reimbursement from the bond proceeds.

(4) **Deferred Funding:** (a) General Fund support to provide operating costs
totaling $2,053,500, annualized use allowance payments totaling $13,313,300, and nonrecurring furniture and equipment costs of $3,575,000 for Barren, Butler, Clinton, Crittenden, Jessamine, and Scott Counties is deferred to the 2022-2024 fiscal biennium.

(b) It is the intent of the General Assembly that all projects in paragraph (a) of this subsection shall be funded using resources previously appropriated for projects that no longer require use allowance debt payments in the 2022-2024 fiscal biennium.

(5) Local Facilities Use Allowance Contingency Fund: For any court facility project which is occupied and use allowance funding is insufficient, the use allowance payments shall be approved from the Local Facilities Use Allowance Contingency Fund. If funds are not available in the Local Facilities Use Allowance Contingency Fund, the Chief Justice may transfer funds from other Judicial Branch accounts in accordance with Part III, General Provisions, Section 7. of this Act to make the necessary payments.

(6) Edmonson County Courthouse Additional Parking Lot: (a) General Fund support of $70,800 in fiscal year 2020-2021 is contained in the Local Facilities Fund for an additional parking lot in Brownsville. This funding shall be contingent upon the local unit of government contributing $20,000 towards the completion of the additional parking lot.

(b) Notwithstanding any statute to the contrary, any unexpended balance from the appropriation set forth in paragraph (a) of this subsection shall be transferred to the Budget Reserve Trust Fund Account (KRS 48.705).

A. JUDICIAL BRANCH

Budget Units

1. Local Facilities Fund

<table>
<thead>
<tr>
<th>Project</th>
<th>Project Scope</th>
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</thead>
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<tr>
<td>001. Barren</td>
<td>31,615,000</td>
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<tr>
<td>002. Butler</td>
<td>11,860,000</td>
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<tr>
<td>003. Clinton</td>
<td>17,435,000</td>
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2. **Lease Authorizations**

001. Franklin County - Lease - Court of Appeals

002. Jefferson County - Lease - Parking

**PART III**

**GENERAL PROVISIONS**

1. **Expenditure Authority:** The Director of the Administrative Office of the Courts, with the approval of the Chief Justice, may expend any of the funds appropriated for court operations and administration in any lawful manner and for any legal purpose that the Chief Justice shall authorize or direct. No executive agency of state government shall have the power to restrict or limit the expenditure of funds appropriated to the Judicial Branch of government.

2. **Severability of Budget Provisions:** Appropriation items and sums in this Act conform to KRS 48.311. If any section, any subsection, or any provision thereof shall be invalid or unconstitutional, the decision of the courts shall not affect or impair any of the remaining sections, subsections, or provisions.

3. **Duplicate Appropriations:** Any appropriation item and sum in this Act and in an appropriation provision in another Act of the 2020 Regular Session of the General Assembly which constitutes a duplicate appropriation shall be governed by KRS 48.312.

4. **Priority of Individual Appropriations:** KRS 48.313 shall control when a total or subtotal figure in this Act conflicts with the sum of the appropriations of which it consists.

5. **Carry Forward of Funds:** Notwithstanding KRS 45.229, any unexpended balance remaining at the close of the fiscal years ending June 30, 2020, and June 30, 2021, shall not lapse and shall continue into the next fiscal year.
6. **Final Budget Document:** The Director of the Administrative Office of the Court of Justice shall prepare a final budget document reflecting the 2020-2022 biennial budget of the Court of Justice. A copy shall be provided to the Legislative Research Commission, and an informational copy shall be furnished to the Finance and Administration Cabinet, within 60 days of the adjournment of the 2020 Regular Session of the General Assembly.

7. **Transferability of Funds:** The Chief Justice of the Commonwealth of Kentucky shall have the ability to transfer funds to other programs and budget units within the Judicial Branch. Any funds transferred to other budget units within the Judicial Branch may be used to support any activity, program, or operation of the budget unit or program receiving the respective funds.

8. **Appropriations Revisions:** Notwithstanding KRS 48.630(10), no revisions for unbudgeted Restricted Funds appropriations for expenditure shall be allotted or expended that have not been appropriated in any enacted branch budget bill or without the express authority of the General Assembly. Proposed revisions to unbudgeted Federal Funds appropriations for expenditure in this Act shall be made and reported to the Interim Joint Committee on Appropriations and Revenue. The Director of the Administrative Office of the Courts shall notify, on a timely basis, the Legislative Research Commission of the most current estimates of anticipated receipts for the affected fiscal year and an accompanying statement which explains variations from the anticipated amount.

9. **Issuance of Paychecks to Employees:** Notwithstanding 101 KAR 2:095, Section 10, the state payroll that would normally be scheduled to be paid on June 30, 2020, June 30, 2021, and June 30, 2022, shall not be issued prior to July 1, 2020, July 1, 2021, and July 1, 2022, respectively.

10. **Maximum Salary of Trial Commissioners:** Pursuant to KRS 24A.100(3), no trial commissioner shall be compensated at a rate greater than $7,200. No funding is provided for trial commissioners commissioned in counties with a residing District
11. **Authorized Personnel Complement:** On July 1, 2020, the Administrative Office of the Courts shall establish a record for each budget unit of authorized permanent full-time and other positions based upon the enacted Judicial Budget of the Commonwealth and any adjustments authorized by provisions in this Act. The total number of filled permanent full-time and all other positions shall not exceed the authorized complements pursuant to this section. The Director of the Administrative Office of the Courts may request an increase in the number of authorized positions to the Chief Justice. Upon approval, the Administrative Office of the Courts may authorize the employment of individuals in addition to the authorized complement. A report of the actions authorized in this section shall be provided to the Interim Joint Committee on Appropriations and Revenue on a monthly basis.

12. **Debt Restructuring:** Notwithstanding any other provision of the Kentucky Revised Statutes, use allowance payments shall not be amended to reflect debt restructuring transactions undertaken by a county during the 2020-2022 fiscal biennium.

13. **Court Facility Maintenance Fund Report:** For each of the periods ending June 30, 2020, and June 30, 2021, the Director of the Administrative Office of the Courts shall prepare a court facility maintenance report. This report shall detail all court facility maintenance undertaken by the Court of Justice, to include any cost-sharing with counties, as well as detail regarding future maintenance needs. This report shall include a statewide expenditure summary followed by individual county expenditures detailing the state's and county's respective share of expenditures. The Administrative Office of the Courts shall provide this report to the Interim Joint Committee on Appropriations and Revenue by September 15 of each fiscal year.

14. **Biennial Audits:** (1) The Court of Justice shall obtain a biennial, external financial audit of all funds and accounts under its administration. Each audit shall be conducted in accordance with Generally Accepted Government Auditing Standards.
(2) The selected accountant shall forward a copy of the audit report and management letters to the Auditor of Public Accounts and the Interim Joint Committee on Appropriations and Revenue within 60 days of the completion of each audit.

(3) The Auditor of Public Accounts shall have the right to review, upon request, the accountant’s work papers for the report required in subsection (2) of this section.

15. Budgetary Restructuring: The Court of Justice is hereby notified that it is the intent of the General Assembly that, beginning with the 2022-2024 biennium, the Court of Justice shall establish new appropriation units specific to the Supreme Court, Court of Appeals, Circuit Court, Family Court, District Court, Administrative Office of the Courts, Judicial Retirement, Local Facilities Fund, Local Facilities Use Allowance Contingency Fund, and for services performed by the Circuit Court Clerks' offices. The Court of Justice shall also begin tracking expenditures by location for each of the new appropriation units identified herein.

16. Employee Layoffs, Furloughs, and Reduced Hours: Notwithstanding any statute to the contrary, the following process and procedure is established for July 1, 2020, through June 30, 2021, in the event that the Chief Justice determines that it is desirable for the Court of Justice to layoff, furlough, or reduce hours of employees:

(1) For the purposes of this section:

(a) "Appointing authority" means the Chief Justice, in his or her capacity as provided in KRS 27A.010, or any agent whom he or she has delegated to act on his or her behalf with respect to employee appointments, position establishments, payroll documents, reemployment requests, waiver requests, requests for certification, or other position actions for the Court of Justice;

(b) "Furlough" or "reduction in hours" means the temporary reduction of hours an employee is scheduled to work by the appointing authority within a pay period;

(c) "Layoff" means discharge of employment subject to the rights contained in this section; and
(d) “Employees” includes all persons employed by the Court of Justice;

(2) Upon an order by the Chief Justice, an appointing authority has the authority to layoff or furlough employees or reduce hours of employment for any of the following reasons:

(a) Lack of funds or budgetary constraints;
(b) A reduction in the agency’s spending authorization;
(c) Lack of work;
(d) Abolishment of a position; or
(e) Other material change in duties or organization;

(3) The appointing authority shall determine the job classifications affected and the number of employees laid-off in each classification and each county to which a layoff applies. In the same department or office, county, and job classification, interim and probationary employees shall be laid-off before any full-time or part-time employees with status are laid-off. For purposes of layoff, “probationary employee” does not include an employee with status serving a promotional probation;

(4) The Chief Justice shall approve and implement all actions taken under subsection (2) of this section and no such layoff, furlough, or reduction of hours may begin until such approval has been granted. The Chief Justice has the authority to determine the extent, effective dates, and length of any action taken under subsection (2) of this section;

(5) In determining the employees to be laid off, the appointing authority shall consider all employees under the same appointing authority, within the job classification affected, and within the county affected. Consideration shall be given to the following relevant factors:

(a) Job performance evaluations;
(b) Seniority;
(c) Education, training, and experience; and
(d) Disciplinary record;

(6) Any employee whose position is subject to layoff, furlough, or reduction of hours shall be provided written notice containing the reason for the action as set forth in subsection (2) of this section at least 15 days in advance of the effective date of the action;

(7) Any tenured employee who is laid off shall be eligible to apply as a reemployment applicant for positions with the same job classification in the Court of Justice. For a period of two years, a reemployment applicant shall be hired before any applicant except another reemployment applicant with greater seniority who is on the same reemployment list. When a reemployment applicant is removed from a reemployment list, he or she shall be notified in writing. A reemployment applicant who accepts another Court of Justice position, tenured or non-tenured, or who retires, shall cease to have eligibility rights as a reemployment applicant;

(8) The appointing authority may place employees subject to a reduction in force;

(9) Furloughs or reduction of hours during a pay period shall not result in the loss of eligibility for any benefit otherwise due the employee;

(10) The appointing authority shall have the authority to promulgate comprehensive administrative regulations governing this section; and

(11) A layoff, furlough, or reduction of hours implemented in accordance with this section shall not be considered a penalization of the employee.

17. Unexpended Use Allowance: Notwithstanding any provision of the Kentucky Revised Statutes, any General Fund moneys appropriated for project-related expenses or use allowance payments in fiscal year 2020-2021 that are not expended specifically for project-related expenses or use allowance payments in fiscal year 2020-2021 shall be transferred to the Budget Reserve Trust Fund Account (KRS 48.705).

18. Public Health Emergency: For the duration of the Governor’s declaration of a State of Emergency in response to the novel coronavirus (COVID-19), the Chief Justice
of the Commonwealth is authorized to declare a Judicial Emergency to protect the health and safety of court employees, elected officials, and the general public. A Judicial Emergency shall extend any administrative actions deadlines, and statutory timelines and statutes of limitations for court filings and proceedings, including but not limited to KRS 446.030, 500.050, and Chapters 342, 376, 403, 413, 456, and 620. The extensions provided herein shall be effective until 30 days after the emergency order of the Chief Justice or the Governor ends, whichever is later. This provision shall apply both prospectively and retroactively.

PART IV

BUDGET REDUCTION OR SURPLUS EXPENDITURE PLAN

The Judicial Branch shall participate in any Budget Reduction Plan or Surplus Expenditure Plan in accordance with KRS Chapter 48, except that obligations essential to the constitutional duties and use allowance of the Judicial Branch shall be exempt from any Budget Reduction Plan. The level of participation in a Budget Reduction Plan shall be at the discretion of the Chief Justice and shall not exceed the actual percentage of revenue shortfall.
Revenue

House Bill 351
AN ACT relating to governmental operations and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

Section 1. KRS 131.183 is amended to read as follows:

(1) (a) Except for the addition to tax required when an underpayment of estimated tax occurs under Section 9 of this Act and KRS 141.305, all taxes payable to the Commonwealth not paid at the time prescribed by statute shall accrue interest at the tax interest rate.

(b) The tax interest rate shall be equal to the adjusted prime rate charged by banks rounded to the nearest full percent as adjusted by subsection (2) of this section.

(c) The commissioner of revenue shall adjust the tax interest rate not later than November 15 of each year if the adjusted prime rate charged by banks during September of that year, rounded to the nearest full percent, is at least one (1) percentage point more or less than the tax interest rate which is then in effect. The adjusted tax interest rate shall become effective on January 1 of the immediately succeeding year.

(2) (a) 1. All taxes payable to the Commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the tax interest rate as determined in accordance with subsection (1) of this section until May 1, 2008.

2. Beginning on May 1, 2008, all taxes payable to the Commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the tax interest rate as determined in accordance with subsection (1) of this section plus two percent (2%).

(b) 1. Interest shall be allowed and paid upon any overpayment as defined in KRS 134.580 in respect of any of the taxes provided for in Chapters 131, 132, 134, 136, 137, 138, 139, 140, 141, 142, 143, 143A, and 243 of...
the Kentucky Revised Statutes and KRS 160.613 and 160.614 at the rate
provided in subsection (1) of this section until May 1, 2008.

2. Beginning on May 1, 2008, interest shall be allowed and paid upon any
overpayment as defined in KRS 134.580 at the rate provided in
subsection (1) of this section minus two percent (2%).

3. Effective for refunds issued after April 24, 2008, except for the
provisions of KRS 138.351, 141.044(2), 141.235(3), and subsection (3)
of this section, interest authorized under this subsection shall begin to
accrue sixty (60) days after the latest of:

a. The due date of the return;

b. The date the return was filed;

c. The date the tax was paid;

d. The last day prescribed by law for filing the return; or

e. The date an amended return claiming a refund is filed.

(c) In no case shall interest be paid in an amount less than five dollars ($5).

(d) No refund shall be made of any estimated tax paid unless a return is filed as
required by KRS Chapter 141.

3. Effective for refund claims filed on or after July 15, 1992, if any overpayment of
the tax imposed under KRS Chapter 141 results from a carryback of a net operating
loss or a net capital loss, the overpayment shall be deemed to have been made on
the date the claim for refund was filed. Interest authorized under subsection (2) of
this section shall begin to accrue ninety (90) days from the date the claim for refund
was filed.

4. No interest shall be allowed or paid on any sales tax refund as provided by KRS
139.536.

(5) For purposes of this section, any addition to tax provided in Section 9 of this Act
and KRS 141.305 shall be considered a penalty.
Section 2. KRS 131.250 is amended to read as follows:

(1) For the purpose of facilitating the administration of the taxes it administers, the department may require any tax return, report, or statement to be electronically filed.

(2) The following reports, returns, or statements shall be electronically filed:

(a) The return required by KRS 136.620;

(b) For tax periods beginning on or after January 1, 2007, the report required by KRS 138.240;

(c) For tax periods beginning on or after August 1, 2010, the report required by KRS 138.260;

(d) For taxable years beginning on or after January 1, 2010, the return filed by a specified tax return preparer reporting the annual tax imposed by KRS 141.020, if the specified tax return preparer is required to electronically file the return for federal income tax purposes;

(e) The annual withholding statement required by KRS 141.335, if the employer issues more than twenty-five (25) statements annually;

(f) For tax periods beginning on or after July 1, 2005, the return required by KRS 160.615; and

(g) (1) For taxable years beginning on or after January 1, 2019, the returns required by KRS 141.201(3) or 141.206(1), provided that the corporation or pass-through entity has gross receipts of one million dollars ($1,000,000) or more.

2. "Gross receipts" as used in this paragraph means gross receipts reported by the corporation or pass-through entity on their federal income tax return filed for the same taxable year as the return due under KRS Chapter 141.

(3) (a) A person required to electronically file a return, report, or statement may
apply for a waiver from the requirement by submitting the request on a form prescribed by the department.

(b) The request shall indicate the lack of one (1) or more of the following:

1. Compatible computer hardware;
2. Internet access; or
3. Other technological capabilities determined relevant by the department.

Section 3. KRS 133.225 is amended to read as follows:

(1) The department[ of Revenue] shall provide the following information pertaining to property taxes on a Web site that is accessible to the public:

(a) An explanation of the process for assessing property values, which shall include but not be limited to:

1. The duties and function of each state and local official involved in the property assessment process;
2. The methods most commonly used to compute fair cash value;
3. The types of property exempt from taxation;
4. The types of property assessed at a lower value as required by Sections 170 and 172A of the Kentucky Constitution, including property with a homestead exemption, agricultural property, and horticultural property;
5. The property tax calendar;
6. How and when to report property to the Property Valuation Administrator;
7. The process for examining real property for valuation purposes;
8. How and when a taxpayer is notified of the assessed value of property;
9. When and where the public can inspect the tax roll; and
10. The process for appealing the assessed values of real and personal property, including motor vehicles;
(b) An explanation of the process for setting the state tax rate and the county, city, school, and special taxing district tax rates, including but not limited to:

1. The duties and function of each state and local official involved in the process for setting tax rates;
2. The definitions of compensating tax rate and net assessment growth;
3. The requirements set forth in KRS 68.245, 132.023, 132.027, and 160.470; and
4. The recall provisions set forth in KRS 132.017;

(c) An explanation of the process for property tax collection, including but not limited to:

1. The duties and function of each state and local official involved in the tax collection process;
2. How and when to remit payment of the tax;
3. The due date for the tax;
4. The early payment discount;
5. The penalties assessed on delinquent taxes; and
6. The delinquent tax collection process; and

(d) Direct links to the Web sites or guidance on how to access the Web sites of the local offices, such as the property valuation administrator's office, the county clerk's office, and the sheriff's office, that provide taxpayers additional information on the property taxes within its jurisdiction.

(2) The Web site address that provides the information required by subsection (1) of this section shall be included on every notice of assessment and property tax bill sent to the taxpayer[draft, and the sheriff shall mail with the property tax bills annually, an explanation of the provisions of Acts 1979 (Ex. Sess.) ch. 25].
(1) (a) An excise tax at the rate of nine percent (9%) of the average wholesale price rounded to the nearest one-tenth of one cent ($0.001) shall be paid on all gasoline and special fuel received in this state. The tax shall be paid on a per gallon basis.

(b) The average wholesale price shall be determined and adjusted as provided in KRS 138.228.

(c) For the purposes of the allocations in KRS 177.320(1) and (2) and 177.365, the amount calculated under this subsection shall be reduced by the amount calculated in subsection (3) of this section.

(d) Except as provided by KRS Chapter 138, no other excise or license tax shall be levied or assessed on gasoline or special fuel by the state or any political subdivision of the state.

(e) The tax herein imposed shall be paid by the dealer receiving the gasoline or special fuel to the State Treasurer in the manner and within the time specified in KRS 138.230 to 138.340 and all such tax may be added to the selling price charged by the dealer or other person paying the tax on gasoline or special fuel sold in this state.

(f) Nothing herein contained shall authorize or require the collection of the tax upon any gasoline or special fuel after it has been once taxed under the provisions of this section, unless such tax was refunded or credited.

(2) (a) In addition to the excise tax provided in subsection (1) of this section, there is hereby levied a supplemental highway user motor fuel tax to be paid in the same manner and at the same time as the tax provided in subsection (1) of this section.

(b) The tax shall be:

1. Five cents ($0.05) per gallon on gasoline; and
2. Two cents ($0.02) per gallon on special fuel.
(c) The supplemental highway user motor fuel tax provided by this subsection and the provisions of subsections (1) and (3) of this section shall constitute the tax on motor fuels imposed by KRS 138.220.

(3) Two and one-tenth cents ($0.021), of the tax collected under subsection (1) of this section shall be excluded from the calculations in KRS 177.320(1) and (2) and 177.365. The funds identified in this subsection shall be deposited into the state road fund.

(4) Notification of the average wholesale price shall be given to all licensed dealers at least twenty (20) days in advance of July 1[the first day] of each calendar year[quarter].

(5) Dealers with a tax-paid gasoline or special fuel inventory at the time an average wholesale price becomes effective, shall be subject to additional tax or appropriate tax credit to reflect the increase or decrease in the average wholesale price for the new quarter. The department shall promulgate administrative regulations to properly administer this provision.

Section 5. KRS 138.450 is amended to read as follows:

As used in KRS 138.455 to 138.470, unless the context requires otherwise:

(1) "Current model year" means a motor vehicle of either the model year corresponding to the current calendar year or of the succeeding calendar year, if the same model and make is being offered for sale by local dealers;

(2) "Dealer" means "motor vehicle dealer" as defined in KRS 190.010;

(3) "Dealer demonstrator" means a new motor vehicle or a previous model year motor vehicle with an odometer reading of least one thousand (1,000) miles that has been used either by representatives of the manufacturer or by a licensed Kentucky dealer, franchised to sell the particular model and make, for demonstration;

(4) "Historic motor vehicle" means a motor vehicle registered and licensed pursuant to KRS 186.043;
(5) "Motor vehicle" means any vehicle that is propelled by other than muscular power and that is used for transportation of persons or property over the public highways of the state, except road rollers, mopeds, vehicles that travel exclusively on rails, and vehicles propelled by electric power obtained from overhead wires;

(6) "Moped" means either a motorized bicycle whose frame design may include one (1) or more horizontal crossbars supporting a fuel tank so long as it also has pedals, or a motorized bicycle with a step through type frame which may or may not have pedals rated no more than two (2) brake horsepower, a cylinder capacity not exceeding fifty (50) cubic centimeters, an automatic transmission not requiring clutching or shifting by the operator after the drive system is engaged, and capable of a maximum speed of not more than thirty (30) miles per hour;

(7) "New motor vehicle" means a motor vehicle of the current model year which has not previously been registered in any state or country;

(8) "Previous model year motor vehicle" means a motor vehicle not previously registered in any state or country which is neither of the current model year nor a dealer demonstrator;

(9) "Total consideration given" means the amount given, valued in money, whether received in money or otherwise, at the time of purchase or at a later date, including consideration given for all equipment and accessories, standard and optional. "Total consideration given" shall not include:

(a) Any amount allowed as a manufacturer or dealer rebate if the rebate is provided at the time of purchase and is applied to the purchase of the motor vehicle;

(b) Any interest payments to be made over the life of a loan for the purchase of a motor vehicle; and

(c) The value of any items that are not equipment or accessories including but not limited to extended warranties, service contracts, and items that are given
away as part of a promotional sales campaign;

(10) "Trade-in allowance" means:

(a) The value assigned by the seller of a motor vehicle to a motor vehicle registered to the purchaser and offered in trade by the purchaser as part of the total consideration given by the purchaser and included in the notarized affidavit attesting to total consideration given; or

(b) In the absence of a notarized affidavit, the value of the vehicle being offered in trade as established by the department through the use of the reference manual;

(11) "Used motor vehicle" means a motor vehicle which has been previously registered in any state or country;

(12) "Retail price" for:

(a) New motor vehicles;

(b) Dealer demonstrator vehicles;

(c) Previous model year motor vehicles; and

(d) U-Drive-It motor vehicles that have been transferred within one hundred eighty (180) days of being registered as a U-Drive-It and that have less than five thousand (5,000) miles;

means the total consideration given, as determined in KRS 138.4603[138.4602];

(13) "Retail price" for historic motor vehicles shall be one hundred dollars ($100);

(14) "Retail price" for used motor vehicles being titled or registered by a new resident for the first time in Kentucky whose values appear in the reference manual means the trade-in value given in the reference manual;

(15) "Retail price" for older used motor vehicles being titled or registered by a new resident for the first time in Kentucky whose values no longer appear in the reference manual shall be one hundred dollars ($100);

(16) (a) "Retail price" for:
1. Used motor vehicles, except those vehicles for which the retail price is established in subsection (13), (14), (15), (17), or (19) of this section; and

2. U-Drive-It motor vehicles that are not transferred within one hundred eighty (180) days of being registered as a U-Drive-It or that have more than five thousand (5,000) miles;

means the total consideration given, excluding any amount allowed as a trade-in allowance by the seller, as attested to in a notarized affidavit, provided that the retail price established by the notarized affidavit shall not be less than fifty percent (50%) of the difference between the trade-in value, as established by the reference manual, of the motor vehicle offered for registration and the trade-in value, as established by the reference manual, of any motor vehicle offered in trade as part of the total consideration given.

(b) The trade-in allowance shall also be disclosed in the notarized affidavit.

(c) If a notarized affidavit is not available, "retail price" shall be established by the department through the use of the reference manual;

(17) Except as provided in KRS 138.470(6), if a motor vehicle is received by an individual as a gift and not purchased or leased by the individual, "retail price" shall be the trade-in value given in the reference manual;

(18) If a dealer transfers a motor vehicle which he has registered as a loaner or rental motor vehicle within one hundred eighty (180) days of the registration, and if less than five thousand (5,000) miles have been placed on the vehicle during the period of its registration as a loaner or rental motor vehicle, then the "retail price" of the vehicle shall be the same as the retail price determined by paragraph (a) of subsection (12) of this section computed as of the date on which the vehicle is transferred;

(19) "Retail price" for motor vehicles titled pursuant to KRS 186A.520, 186A.525,
186A.530, or 186A.555 means the total consideration given as attested to in a notarized affidavit;

(20) "Loaner or rental motor vehicle" means a motor vehicle owned or registered by a dealer and which is regularly loaned or rented to customers of the service or repair component of the dealership;

(21) "Department" means the Department of Revenue;

(22) "Notarized affidavit" means a dated affidavit signed by the buyer and the seller on which the signature of the buyer and the signature of the seller are individually notarized; and

(23) "Reference manual" means the automotive reference manual prescribed by the department.

Section 6. KRS 139.260 is amended to read as follows:

For the purpose of the proper administration of this chapter and to prevent evasion of the duty to collect the taxes imposed by KRS 139.200 and 139.310, it shall be presumed that all gross receipts and all tangible personal property, digital property, and services sold by any person for delivery or access in this state are subject to the tax until the contrary is established. The burden of proving the contrary is upon the person who makes the sale of:

(1) Tangible personal property or digital property unless the person takes from the purchaser a certificate to the effect that the property is either:

(a) Purchased for resale according to the provisions of KRS 139.270;

(b) Purchased through a fully completed certificate of exemption or fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption in accordance with KRS 139.270; or

(c) Purchased according to administrative regulations promulgated by the department governing a direct pay authorization;

(2) A service included in KRS 139.200(2)(a) to (f) unless the person takes from the
purchaser a certificate to the effect that the service is purchased through a fully completed certificate of exemption or fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption in accordance with KRS 139.270; and

(3) A service included in KRS 139.200(2)(g) to (q) unless the person takes from the purchaser a certificate to the effect that the service is:

(a) Purchased for resale according to KRS 139.270;

(b) Purchased through a fully completed certificate of exemption or fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption in accordance with KRS 139.270; or

(c) Purchased according to administrative regulations promulgated by the department governing a direct pay authorization.

Section 7. KRS 141.039 is amended to read as follows:

For taxable years beginning on or after January 1, 2018, in the case of corporations:

(1) Gross income shall be calculated by adjusting federal gross income as defined in Section 61 of the Internal Revenue Code as follows:

(a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States;

(b) Exclude all dividend income;

(c) Include interest income derived from obligations of sister states and political subdivisions thereof;

(d) Exclude fifty percent (50%) of gross income derived from any disposal of coal covered by Section 631(c) of the Internal Revenue Code if the corporation does not claim any deduction for percentage depletion, or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract;

(e) Include in the gross income of lessors income tax payments made by lessees
to lessors, under the provisions of Section 110 of the Internal Revenue Code, 
and exclude such payments from the gross income of lessees;

(f) Include the amount calculated under KRS 141.205;

(g) Ignore the provisions of Section 281 of the Internal Revenue Code in 
computing gross income;

(h) Include the amount of depreciation deduction calculated under 26 U.S.C. 
sec. 167 or 168; and

(2) Net income shall be calculated by subtracting from gross income:

(a) The deduction for depreciation allowed by KRS 141.0101;

(b) Any amount paid for vouchers or similar instruments that provide health 
insurance coverage to employees or their families;

(c) All the deductions from gross income allowed corporations by Chapter 1 of 
the Internal Revenue Code, as modified by KRS 141.0101, except:

1. Any deduction for a state tax which is computed, in whole or in part, by 
reference to gross or net income and which is paid or accrued to any 
state of the United States, the District of Columbia, the Commonwealth 
of Puerto Rico, any territory or possession of the United States, or to 
any foreign country or political subdivision thereof;

2. The deductions contained in Sections 243,[ 244,] 245, and 247 of the 
Internal Revenue Code;

3. The provisions of Section 281 of the Internal Revenue Code shall be 
ignored in computing net income;

4. Any deduction directly or indirectly allocable to income which is either 
exempt from taxation or otherwise not taxed under the provisions of this 
chapter, and nothing in this chapter shall be construed to permit the 
same item to be deducted more than once;

5. Any deduction for amounts paid to any club, organization, or
establishment which has been determined by the courts or an agency
established by the General Assembly and charged with enforcing the
civil rights laws of the Commonwealth, not to afford full and equal
membership and full and equal enjoyment of its goods, services,
facilities, privileges, advantages, or accommodations to any person
because of race, color, religion, national origin, or sex, except nothing
shall be construed to deny a deduction for amounts paid to any religious
or denominational club, group, or establishment or any organization
operated solely for charitable or educational purposes which restricts
membership to persons of the same religion or denomination in order to
promote the religious principles for which it is established and
maintained;

6. Any deduction prohibited by KRS 141.205; and

7. Any dividends-paid deduction of any captive real estate investment
   trust; and

(d) 1. A deferred tax deduction in an amount computed in accordance with this
   paragraph.

2. For purposes of this paragraph:
   a. "Net deferred tax asset" means that deferred tax assets exceed the
time deferred tax liabilities of the combined group, as computed in
   accordance with accounting principles generally accepted in the
   United States of America; and
   b. "Net deferred tax liability" means deferred tax liabilities that
   exceed the deferred tax assets of a combined group as defined in
   KRS 141.202, as computed in accordance with accounting
   principles generally accepted in the United States of America.

3. Only publicly traded companies, including affiliated corporations
participating in the filing of a publicly traded company's financial
statements prepared in accordance with accounting principles generally
accepted in the United States of America, as of January 1, 2019, shall be
eligible for this deduction.

4. If the provisions of KRS 141.202 result in an aggregate increase to the
member's net deferred tax liability, an aggregate decrease to the
member's net deferred tax asset, or an aggregate change from a net
defered tax asset to a net deferred tax liability, the combined group
shall be entitled to a deduction, as determined in this paragraph.

5. For ten (10) years beginning with the combined group's first taxable
year beginning on or after January 1, 2024, a combined group shall be
entitled to a deduction from the combined group's entire net income
equal to one-tenth (1/10) of the amount necessary to offset the increase
in the net deferred tax liability, decrease in the net deferred tax asset, or
aggregate change from a net deferred tax asset to a net deferred tax
liability. The increase in the net deferred tax liability, decrease in the net
deferred tax asset, or the aggregate change from a net deferred tax asset
to a net deferred tax liability shall be computed based on the change that
would result from the imposition of the combined reporting requirement
under KRS 141.202, but for the deduction provided under this paragraph
as of June 27, 2019.

6. The deferred tax impact determined in subparagraph 5. of this paragraph
shall be converted to the annual deferred tax deduction amount, as
follows:

a. The deferred tax impact determined in subparagraph 5. of this
paragraph shall be divided by the tax rate determined under KRS
141.040;
b. The resulting amount shall be further divided by the apportionment factor determined by KRS 141.120 or 141.121 that was used by the combined group in the calculation of the deferred tax assets and deferred tax liabilities as described in subparagraph 5. of this paragraph; and

c. The resulting amount represents the total net deferred tax deduction available over the ten (10) year period as described in subparagraph 5. of this paragraph.

7. The deduction calculated under this paragraph shall not be adjusted as a result of any events happening subsequent to the calculation, including but not limited to any disposition or abandonment of assets. The deduction shall be calculated without regard to the federal tax effect and shall not alter the tax basis of any asset. If the deduction under this section is greater than the combined group's entire Kentucky net income, any excess deduction shall be carried forward and applied as a deduction to the combined group's entire net income in future taxable years until fully utilized.

8. Any combined group intending to claim a deduction under this paragraph shall file a statement with the department on or before July 1, 2019. The statement shall specify the total amount of the deduction which the combined group claims on the form, including calculations and other information supporting the total amounts of the deduction as required by the department. No deduction shall be allowed under this paragraph for any taxable year, except to the extent claimed on the timely filed statement in accordance with this paragraph.

Section 8. KRS 141.0401 is amended to read as follows:

(1) As used in this section:
(a) "Kentucky gross receipts" means an amount equal to the computation of the numerator of the apportionment fraction under KRS 141.120, any administrative regulations related to the computation of the sales factor, and KRS 141.121 and includes the proportionate share of Kentucky gross receipts of all wholly or partially owned limited liability pass-through entities, including all layers of a multi-layered pass-through structure;

(b) "Gross receipts from all sources" means an amount equal to the computation of the denominator of the apportionment fraction under KRS 141.120, any administrative regulations related to the computation of the sales factor, and KRS 141.121 and includes the proportionate share of gross receipts from all sources of all wholly or partially owned limited liability pass-through entities, including all layers of a multi-layered pass-through structure;

(c) "Affiliated[Combined] group" has the same meaning as [means all members of an affiliated group as defined] in Section 11 of this Act [KRS 141.200(9)(b)] and all limited liability pass-through entities that would be included in an affiliated group if organized as a corporation;

(d) "Cost of goods sold" means:

1. Amounts that are:
   a. Allowable as cost of goods sold pursuant to the Internal Revenue Code and any guidelines issued by the Internal Revenue Service relating to cost of goods sold, unless modified by this paragraph; and
   b. Incurred in acquiring or producing the tangible product generating the Kentucky gross receipts.

2. For manufacturing, producing, reselling, retailing, or wholesaling activities, cost of goods sold shall only include costs directly incurred in acquiring or producing the tangible product. In determining cost of
goods sold:

a. Labor costs shall be limited to direct labor costs as defined in paragraph (f) of this subsection;

b. Bulk delivery costs as defined in paragraph (g) of this subsection may be included; and

c. Costs allowable under Section 263A of the Internal Revenue Code may be included only to the extent the costs are incurred in acquiring or producing the tangible product generating the Kentucky gross receipts. Notwithstanding the foregoing, indirect labor costs allowable under Section 263A shall not be included;

3. For any activity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs shall be included in cost of goods sold.

As used in this paragraph, "guidelines issued by the Internal Revenue Service" includes regulations, private letter rulings, or any other guidance issued by the Internal Revenue Service that may be relied upon by taxpayers under reliance standards established by the Internal Revenue Service;

(e) 1. "Kentucky gross profits" means Kentucky gross receipts reduced by returns and allowances attributable to Kentucky gross receipts, less the cost of goods sold attributable to Kentucky gross receipts. If the amount of returns and allowances attributable to Kentucky gross receipts and the cost of goods sold attributable to Kentucky gross receipts is zero, then "Kentucky gross profits" means Kentucky gross receipts; and

2. "Gross profits from all sources" means gross receipts from all sources reduced by returns and allowances attributable to gross receipts from all sources, less the cost of goods sold attributable to gross receipts from all sources. If the amount of returns and allowances attributable to gross receipts from all sources is zero, then "Gross profits from all sources" means gross receipts from all sources; and
receipts from all sources and the cost of goods sold attributable to gross receipts from all sources is zero, then gross profits from all sources means gross receipts from all sources;

(f) "Direct labor" means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process;

(g) "Bulk delivery costs" means the cost of delivering the product to the consumer if:

1. The tangible product is delivered in bulk and requires specialized equipment that generally precludes commercial shipping; and

2. The tangible product is taxable under KRS 138.220;

(h) "Manufacturing" and "producing" means:

1. Manufacturing, producing, constructing, or assembling components to produce a significantly different or enhanced end tangible product;

2. Mining or severing natural resources from the earth; or

3. Growing or raising agricultural or horticultural products or animals;

(i) "Real property" means land and anything growing on, attached to, or erected on it, excluding anything that may be severed without injury to the land;

(j) "Reselling," "retailing," and "wholesaling" mean the sale of a tangible product;

(k) "Tangible personal property" means property, other than real property, that has physical form and characteristics; and

(l) "Tangible product" means real property and tangible personal property;

(2) (a) For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits except as provided in this subsection. A small business exclusion from this tax shall be provided based on the
reduction contained in this subsection. The tax shall be the greater of the amount computed under paragraph (b) of this subsection or one hundred seventy-five dollars ($175), regardless of the application of any tax credits provided under this chapter or any other provisions of the Kentucky Revised Statutes for which the business entity may qualify.

(b) The limited liability entity tax shall be the lesser of subparagraph 1. or 2. of this paragraph:

1. a. If the corporation's or limited liability pass-through entity's gross receipts from all sources are three million dollars ($3,000,000) or less, the limited liability entity tax shall be one hundred seventy-five dollars ($175);

b. If the corporation's or limited liability pass-through entity's gross receipts from all sources are greater than three million dollars ($3,000,000) but less than six million dollars ($6,000,000), the limited liability entity tax shall be nine and one-half cents ($0.095) per one hundred dollars ($100) of the corporation's or limited liability pass-through entity's Kentucky gross receipts reduced by an amount equal to two thousand eight hundred fifty dollars ($2,850) multiplied by a fraction, the numerator of which is six million dollars ($6,000,000) less the amount of the corporation's or limited liability pass-through entity's Kentucky gross receipts for the taxable year, and the denominator of which is three million dollars ($3,000,000), but in no case shall the result be less than one hundred seventy-five dollars ($175);

c. If the corporation's or limited liability pass-through entity's gross receipts from all sources are equal to or greater than six million dollars ($6,000,000), the limited liability entity tax shall be nine
and one-half cents ($0.095) per one hundred dollars ($100) of the corporation's or limited liability pass-through entity's Kentucky gross receipts.

2.  
   a. If the corporation's or limited liability pass-through entity's gross profits from all sources are three million dollars ($3,000,000) or less, the limited liability entity tax shall be one hundred seventy-five dollars ($175);

   b. If the corporation's or limited liability pass-through entity's gross profits from all sources are at least three million dollars ($3,000,000) but less than six million dollars ($6,000,000), the limited liability entity tax shall be seventy-five cents ($0.75) per one hundred dollars ($100) of the corporation's or limited liability pass-through entity's Kentucky gross profits, reduced by an amount equal to twenty-two thousand five hundred dollars ($22,500) multiplied by a fraction, the numerator of which is six million dollars ($6,000,000) less the amount of the corporation's or limited liability pass-through entity's Kentucky gross profits, and the denominator of which is three million dollars ($3,000,000), but in no case shall the result be less than one hundred seventy-five dollars ($175);

   c. If the corporation's or limited liability pass-through entity's gross profits from all sources are equal to or greater than six million dollars ($6,000,000), the limited liability entity tax shall be seventy-five cents ($0.75) per one hundred dollars ($100) of all of the corporation's or limited liability pass-through entity's Kentucky gross profits.

In determining eligibility for the reductions contained in this paragraph, a
member of an affiliated[a combined] group shall consider the total[combined] gross receipts and the total[combined] gross profits from all sources of the entire affiliated[combined] group, including eliminating entries for transactions among the group.

(c) A credit shall be allowed against the tax imposed under paragraph (a) of this subsection for the current year to a corporation or limited liability pass-through entity that owns an interest in a limited liability pass-through entity. The credit shall be the proportionate share of tax calculated under this subsection by the lower-level pass-through entity, as determined after the amount of tax calculated by the pass-through entity has been reduced by the minimum tax of one hundred seventy-five dollars ($175). The credit shall apply across multiple layers of a multi-layered pass-through entity structure. The credit at each layer shall include the credit from each lower layer, after reduction for the minimum tax of one hundred seventy-five dollars ($175) at each layer.

(d) The department may promulgate administrative regulations to establish a method for calculating the cost of goods sold attributable to Kentucky.

(3) A nonrefundable credit based on the tax calculated under subsection (2) of this section shall be allowed against the tax imposed by KRS 141.020 or 141.040. The credit amount shall be determined as follows:

(a) The credit allowed a corporation subject to the tax imposed by KRS 141.040 shall be equal to the amount of tax calculated under subsection (2) of this section for the current year after subtraction of any credits identified in KRS 141.0205, reduced by the minimum tax of one hundred seventy-five dollars ($175), plus any credit determined in paragraph (b) of this subsection for tax paid by wholly or partially owned limited liability pass-through entities. The amount of credit allowed to a corporation based on the amount of tax paid
under subsection (2) of this section for the current year shall be applied to the income tax due from the corporation's activities in this state. Any remaining credit from the corporation shall be disallowed.

(b) The credit allowed members, shareholders, or partners of a limited liability pass-through entity shall be the members', shareholders', or partners' proportionate share of the tax calculated under subsection (2) of this section for the current year after subtraction of any credits identified in KRS 141.0205, as determined after the amount of tax paid has been reduced by the minimum tax of one hundred seventy-five dollars ($175). The credit allowed to members, shareholders, or partners of a limited liability pass-through entity shall be applied to income tax assessed on income from the limited liability pass-through entity. Any remaining credit from the limited liability pass-through entity shall be disallowed.

(4) Each taxpayer subject to the tax imposed in this section shall file a return, on forms prepared by the department, on or before the fifteenth day of the fourth month following the close of the taxpayer's taxable year. Any tax remaining due after making the payments required in KRS 141.044 shall be paid by the original due date of the return.

(5) The department shall prescribe forms and promulgate administrative regulations as needed to administer the provisions of this section.

(6) The tax imposed by subsection (2) of this section shall not apply to:

(a) For taxable years beginning prior to January 1, 2021:

1. Financial institutions, as defined in KRS 136.500, except banker's banks organized under KRS 287.135 or 286.3-135;

2. Savings and loan associations organized under the laws of this state and under the laws of the United States and making loans to members only;

3. Banks for cooperatives;
4. Production credit associations;

5. Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;

6. Corporations or other entities exempt under Section 501 of the Internal Revenue Code;

7. Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;

8. Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:
   a. The property consists of the final printed product, or copy from which the printed product is produced; and
   b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.901;

9. Public service corporations subject to tax under KRS 136.120;

10. Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;

11. Any property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;

12. An alcohol production facility as defined in KRS 247.910;

13. Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;

14. Regulated investment companies as defined in Section 851 of the Internal Revenue Code;

15. Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;
16. Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;
17. Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or
18. Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership; and

(b) For taxable years beginning on or after January 1, 2021:
1. Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;
2. Corporations or other entities exempt under Section 501 of the Internal Revenue Code;
3. Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;
4. Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for
printing, provided that:

a. The property consists of the final printed product, or copy from
   which the printed product is produced; and

b. The corporation has no individuals receiving compensation in this
   state as provided in KRS 141.901;

5. Public service corporations subject to tax under KRS 136.120;

6. Open-end registered investment companies organized under the laws of
   this state and registered under the Investment Company Act of 1940;

7. Any property or facility which has been certified as a fluidized bed
   energy production facility as defined in KRS 211.390;

8. An alcohol production facility as defined in KRS 247.910;

9. Real estate investment trusts as defined in Section 856 of the Internal
   Revenue Code;

10. Regulated investment companies as defined in Section 851 of the
    Internal Revenue Code;

11. Real estate mortgage investment conduits as defined in Section 860D of
    the Internal Revenue Code;

12. Personal service corporations as defined in Section 269A(b)(1) of the
    Internal Revenue Code;

13. Cooperatives described in Sections 521 and 1381 of the Internal
    Revenue Code, including farmers' agricultural and other cooperatives
    organized or recognized under KRS Chapter 272, advertising
    cooperatives, purchasing cooperatives, homeowners associations
    including those described in Section 528 of the Internal Revenue Code,
    political organizations as defined in Section 527 of the Internal Revenue
    Code, and rural electric and rural telephone cooperatives; or

14. Publicly traded partnerships as defined by Section 7704(b) of the
Internal Revenue Code that are treated as partnerships for federal tax
purposes under Section 7704(c) of the Internal Revenue Code, or their
publicly traded partnership affiliates. "Publicly traded partnership
affiliates" shall include any limited liability company or limited
partnership for which at least eighty percent (80%) of the limited
liability company member interests or limited partner interests are
owned directly or indirectly by the publicly traded partnership.

(7) (a) As used in this subsection, "qualified exempt organization" means an entity
listed in subsection (6)(a) and (b) of this section and shall not include any
entity whose exempt status has been disallowed by the Internal Revenue
Service.

(b) Notwithstanding any other provisions of this section, any limited liability
pass-through entity that is owned in whole or in part by a qualified exempt
organization shall, in calculating its Kentucky gross receipts or Kentucky
gross profits, exclude the proportionate share of its Kentucky gross receipts or
Kentucky gross profits attributable to the ownership interest of the qualified
exempt organization.

(c) Any limited liability pass-through entity that reduces Kentucky gross receipts
or Kentucky gross profits in accordance with paragraph (b) of this subsection
shall disregard the ownership interest of the qualified exempt organization in
determining the amount of credit available under subsection (3) of this
section.

(d) The Department of Revenue may promulgate an administrative regulation to
further define "qualified exempt organization" to include an entity for which
exemption is constitutionally or legally required, or to exclude any entity
created primarily for tax avoidance purposes with no legitimate business
purpose.
(8) The credit permitted by subsection (3) of this section shall flow through multiple layers of limited liability pass-through entities and shall be claimed by the taxpayer who ultimately pays the tax on the income of the limited liability pass-through entity.

Section 9. KRS 141.044 is amended to read as follows:

(1) For taxable years beginning on or after January 1, 2019, every corporation and limited liability pass-through entity subject to taxation under KRS 141.040 and 141.0401 shall make estimated tax payments if the taxes imposed by KRS 141.040 and 141.0401 for the taxable year can reasonably be expected to exceed five thousand dollars ($5,000).

(2) Estimated tax payments for the taxes imposed under KRS 141.040 and 141.0401 shall be made at the same time and calculated in the same manner as estimated tax payments for federal income tax purposes under 26 U.S.C. sec. 6655, except:

(a) The estimated liabilities for the taxes imposed under KRS 141.040 and 141.0401 shall be used to make the estimated payments;

(b) Any provisions in 26 U.S.C. sec. 6655 that apply for federal tax purposes but do not apply to the taxes imposed under KRS 141.040 and 141.0401;

(c) The addition to tax identified by 26 U.S.C. sec. 6655(a) shall instead be considered a penalty under KRS 131.180;

(d) The tax interest rate identified under KRS 131.183 shall be used to determine the underpayment rate instead of the rate under 26 U.S.C. sec. 6621; and

(e) Any waiver of penalties shall be performed as provided in KRS 131.175; and

(f) 1. A refund of taxes collected under this section shall include interest at the tax interest rate as defined in KRS 131.010(6).

2. Interest shall not begin to accrue until ninety (90) days after the latest of:

a. The due date of the return;
b. The date the return was filed;

c. The date the tax was paid;

d. The last day prescribed by law for filing the return; or

e. The date an amended return claiming a refund is filed.

3. No refund shall be made of any estimated tax paid unless a return is
filed as required by this chapter.

(3) The department may promulgate administrative regulations to implement this
section.

Section 10. KRS 141.121 is amended to read as follows:

(1) As used in this section:

(a) "Affiliated airline" means an airline:

1. For which a qualified air freight forwarder facilitates air transportation;

and

2. That is in the same affiliated group as a qualified air freight forwarder;

(b) "Affiliated group" has the same meaning as in Section 11 of this Act;[KRS
441.200];

(c) "Kentucky revenue passenger miles" means the total revenue passenger miles
within the borders of Kentucky for all flight stages that either originate or
terminate in this state;

(d) "Passenger airline" means a person or corporation engaged primarily in the
carriage by aircraft of passengers in interstate commerce;

(e) "Provider" means any corporation engaged in the business of providing:

1. Communications service as defined in KRS 136.602;

2. Cable service as defined in KRS 136.602; or

3. Internet access as defined in 47 U.S.C. sec. 151;

(f) "Qualified air freight forwarder" means a person that:

1. Is engaged primarily in the facilitation of the transportation of property
by air;

2. Does not itself operate aircraft; and

3. Is in the same affiliated group as an affiliated airline; and

(g) "Revenue passenger miles" means miles calculated in accordance with 14 C.F.R. Part 241.

(2) (a) For purposes of apportioning business income to this state for taxable years beginning prior to January 1, 2018:

1. Passenger airlines shall determine the property, payroll, and sales factors as follows:

   a. Except as modified by this subdivision, the property factor shall be determined as provided in KRS 141.901. Aircraft operated by a passenger airline shall be included in both the numerator and denominator of the property factor. Aircraft shall be included in the numerator of the property factor by determining the product of:

      i. The total average value of the aircraft operated by the passenger airline; and

      ii. A fraction, the numerator of which is the Kentucky revenue passenger miles of the passenger airline for the taxable year and the denominator of which is the total revenue passenger miles of the passenger airline for the taxable year;

   b. Except as modified by this subdivision, the payroll factor shall be determined as provided in KRS 141.901. Compensation paid during the tax period by a passenger airline to flight personnel shall be included in the numerator of the payroll factor by determining the product of:

      i. The total amount paid during the taxable year to flight personnel; and

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ii. A fraction, the numerator of which is the Kentucky revenue passenger miles of the passenger airline for the taxable year and the denominator of which is the total revenue passenger miles of the passenger airline for the taxable year; and
c. Except as modified by this subdivision, the sales factor shall be determined as provided in KRS 141.901. Transportation revenues shall be included in the numerator of the sales factor by determining the product of:
   i. The total transportation revenues of the passenger airline for the taxable year; and
   ii. A fraction, the numerator of which is the Kentucky revenue passenger miles for the taxable year and the denominator of which is the total revenue passenger miles for the taxable year; and

2. Qualified air freight forwarders shall determine the property, payroll, and sales factors as follows:
   a. The property factor shall be determined as provided in KRS 141.901;
   b. The payroll factor shall be determined as provided in KRS 141.901; and
   c. Except as modified by this subparagraph, the sales factor shall be determined as provided in KRS 141.901. Freight forwarding revenues shall be included in the numerator of the sales factor by determining the product of:
      i. The total freight forwarding revenues of the qualified air freight forwarder for the taxable year; and
      ii. A fraction, the numerator of which is miles operated in
Kentucky by the affiliated airline and the denominator of which is the total miles operated by the affiliated airline.

(b) For purposes of apportioning income to this state for taxable years beginning on or after January 1, 2018, except as modified by this paragraph, the apportionment fraction shall be determined as provided in KRS 141.120, except that:

1. Transportation revenues shall be determined to be in this state by multiplying the total transportation revenues by a fraction, the numerator of which is the Kentucky revenue passenger miles for the taxable year and the denominator of which is the total revenue passenger miles for the taxable year; and

2. Freight forwarding revenues shall be determined to be in this state by multiplying the total freight forwarding revenues by a fraction, the numerator of which is miles operated in Kentucky by the affiliated airline and the denominator of which is the total miles operated by the affiliated airline.

(3) For purposes of apportioning income to this state for taxable years beginning on or after January 1, 2018, the apportionment fraction for a provider shall continue to be calculated using a three (3) factor formula as provided in KRS 141.901.

(4) (a) A corporation may elect the allocation and apportionment methods for the corporation's apportionable income provided for in paragraphs (b) and (c) of this subsection. The election, if made, shall be irrevocable for a period of five (5) years.

(b) All business income derived directly or indirectly from the sale of management, distribution, or administration services to or on behalf of regulated investment companies, as defined under the Internal Revenue Code of 1986, as amended, including trustees, and sponsors or participants of
employee benefit plans which have accounts in a regulated investment
company, shall be apportioned to this state only to the extent that shareholders
of the investment company are domiciled in this state as follows:

1. Total apportionable income shall be multiplied by a fraction, the
   numerator of which shall be Kentucky receipts from the services for the
tax period and the denominator of which shall be the total receipts
everywhere from the services for the tax period;

2. For purposes of subparagraph 1. of this paragraph, Kentucky receipts
   shall be determined by multiplying total receipts for the taxable year
from each separate investment company for which the services are
performed by a fraction. The numerator of the fraction shall be the
average of the number of shares owned by the investment company's
shareholders domiciled in this state at the beginning of and at the end of
the investment company's taxable year, and the denominator of the
fraction shall be the average of the number of the shares owned by the
investment company shareholders everywhere at the beginning of and at
the end of the investment company's taxable year; and

3. Nonapportionable income shall be allocated to this state as provided in
   KRS 141.120.

(c) All apportionable income derived directly or indirectly from the sale of
securities brokerage services by a business which operates within the
boundaries of any area of the Commonwealth, which on June 30, 1992, was
designated as a Kentucky Enterprise Zone, as described in KRS 154.655(2)
before that statute was renumbered in 1992, shall be apportioned to this state
only to the extent that customers of the securities brokerage firm are
domiciled in this state. The portion of business income apportioned to
Kentucky shall be determined by multiplying the total business income from
the sale of these services by a fraction determined in the following manner:

1. The numerator of the fraction shall be the brokerage commissions and total margin interest paid in respect of brokerage accounts owned by customers domiciled in Kentucky for the brokerage firm's taxable year;

2. The denominator of the fraction shall be the brokerage commissions and total margin interest paid in respect of brokerage accounts owned by all of the brokerage firm's customers for that year; and

3. Nonapportionable income shall be allocated to this state as provided in KRS 141.120.

(5) Public service companies and financial organizations required by KRS 141.010 to allocate and apportion net income shall allocate and apportion that income as follows:

(a) Nonapportionable income shall be allocated to this state as provided in KRS 141.120;

(b) Apportionable income shall be apportioned to this state as provided by KRS 141.120. Receipts shall be determined as provided by administrative regulations promulgated by the department; and

(c) An affiliated group required to file a consolidated return under Section 11 of this Act that includes a public service company, a provider of communications services or multichannel video programming services as defined in KRS 136.602, or a financial organization shall determine the amount of receipts as provided by administrative regulations promulgated by the department.

(6) A corporation:

(a) That owns an interest in a limited liability pass-through entity; or

(b) That owns an interest in a general partnership;

shall include the proportionate share of receipts of the limited liability pass-through
entity or general partnership when apportioning income. The phrases "an interest in a limited liability pass-through entity" and "an interest in a general partnership" shall extend to each level of multiple-tiered pass-through entities.

(7) The department shall promulgate administrative regulations to detail the sourcing of the following receipts related to financial institutions:

(a) Receipts from the lease of real property;
(b) Receipts from the lease of tangible personal property;
(c) Interest, fees, and penalties imposed in connection with loans secured by real property;
(d) Interest, fees, and penalties imposed in connection with loans not secured by real property;
(e) Net gains from the sale of loans;
(f) Receipts from fees, interest, and penalties charged to card holders;
(g) Net gains from the sale of credit card receivables;
(h) Card issuer's reimbursement fees;
(i) Receipts from merchant discount;
(j) Receipts from ATM fees;
(k) Receipts from loan servicing fees;
(l) Receipts from other services;
(m) Receipts from the financial institution's investment assets and activity and trading assets and activity; and
(n) All other receipts.

Section 11. KRS 141.201 is amended to read as follows:

(1) This section shall apply to taxable years beginning on or after January 1, 2019.

(2) As used in this section:

(a) "Affiliated group" means affiliated group as defined in Section 1504(a) of the Internal Revenue Code and related regulations;
(b) "Consolidated return" means a Kentucky corporation income tax return filed by members of an affiliated group in accordance with this section. The determinations and computations required by this chapter shall be made in accordance with Section 1502 of the Internal Revenue Code and related regulations, except as required by differences between this chapter and the Internal Revenue Code. Corporations exempt from taxation under KRS 141.040 shall not be included in the return;

(c) "Separate return" means a Kentucky corporation income tax return in which only the transactions and activities of a single corporation are considered in making all determinations and computations necessary to calculate taxable net income, tax due, and credits allowed in accordance with this chapter;

(d) "Corporation" means "corporation" as defined in Section 7701(a)(3) of the Internal Revenue Code; and

(e) "Election period" means the forty-eight (48) month period provided for in subsection (4)(d) of this section.

(3) Every corporation doing business in this state, except those corporations listed as exempt from taxation under KRS 141.040(1)(a) and (b), shall, for each taxable year:

(a) 1. File a combined report, if the corporation is a member of unitary business group as provided in KRS 141.202; or

2. Make an election to file a consolidated return with all members of the affiliated group as provided in this section; or

(b) File a separate return, if paragraph (a) of this subsection does not apply.

(4) (a) An affiliated group, whether or not filing a federal consolidated return, may elect to file a consolidated return which includes all members of the affiliated group.

(b) An affiliated group electing to file a consolidated return under paragraph
(a) of this subsection shall be treated for all purposes as a single corporation under this chapter.

2. The determinations and computations required by this chapter shall be made in accordance with Section 1502 of the Internal Revenue Code and related regulations, except as required by differences between this chapter and the Internal Revenue Code.

3. Corporations listed as exempt from taxation under KRS 141.040(1)(a) and (b) shall not be included in the return.

4. All transactions between corporations included in the consolidated return shall be eliminated in computing net income as provided in KRS 141.039(2), and determining the apportionment fraction in accordance with KRS 141.120.

(c) Any election made in accordance with paragraph (a) of this subsection shall be made on a form prescribed by the department and shall be submitted to the department on or before the due date of the return, including extensions, for the first taxable year for which the election is made.

(d) Any election to file a consolidated return pursuant to paragraph (a) of this subsection shall be binding on both the department and the affiliated group for a period beginning with the first month of the first taxable year for which the election is made and ending with the conclusion of the taxable year in which the forty-eighth consecutive calendar month expires.

(e) For each taxable year for which an affiliated group has made an election provided in paragraph (a) of this subsection, the consolidated return shall include all corporations which are members of the affiliated group.

(5) Each corporation included as part of an affiliated group filing a consolidated return shall be jointly and severally liable for the income tax liability computed on the consolidated return, except that any corporation which was not a member of the
affiliated group for the entire taxable year shall be jointly and severally liable only for that portion of the Kentucky consolidated income tax liability attributable to that portion of the year that the corporation was a member of the affiliated group.

(6) Every corporation return or report required by this chapter shall be executed by one (1) of the following officers of the corporation: the president, vice president, secretary, treasurer, assistant secretary, assistant treasurer, or chief accounting officer. The department may require a further or supplemental report of further information and data necessary for computation of the tax.

(7) In the case of a corporation doing business in this state that carries on transactions with stockholders or with other corporations related by stock ownership, by interlocking directorates, or by some other method, the department shall require information necessary to make possible accurate assessment of the income derived by the corporation from sources within this state. To make possible this assessment, the department may require the corporation to file supplementary returns showing information respecting the business of any or all individuals and corporations related by one (1) or more of these methods to the corporation. The department may require the return to show in detail the record of transactions between the corporation and any or all other related corporations or individuals.

Section 12. KRS 141.202 is amended to read as follows:

(1) This section shall apply to taxable years beginning on or after January 1, 2019.

(2) As used in this section:

(a) "Combined group" means the group of all corporations whose income and apportionment factors are required to be taken into account as provided in subsection (3) of this section in determining the taxpayer's share of the net income or loss apportionable to this state. A combined group shall include only corporations, the voting stock of which is more than fifty percent (50%) owned, directly or indirectly, by a common owner or owners;
(b) "Corporation" has the same meaning as in KRS 141.010, including an organization of any kind treated as a corporation for tax purposes under KRS 141.040, wherever located, which if it were doing business in this state would be a taxpayer, and the business conducted by a pass-through entity which is directly or indirectly held by a corporation shall be considered the business of the corporation to the extent of the corporation's distributive share of the pass-through entity income, inclusive of guaranteed payments;

c) "Doing business in a tax haven" means being engaged in activity sufficient for that tax haven jurisdiction to impose a tax under United States constitutional standards;

(d) 1. "Tax haven" means a jurisdiction that, during the taxable year has no or nominal effective tax on the relevant income and:
   a. Has laws or practices that prevent effective exchange of information for tax purposes with other governments on taxpayers benefiting from the tax regime;
   b. Has a tax regime which lacks transparency. A tax regime lacks transparency if the details of legislative, legal, or administrative provisions are not open and apparent or are not consistently applied among similarly situated taxpayers, or if the information needed by tax authorities to determine a taxpayer's correct tax liability, such as accounting records and underlying documentation, is not adequately available;
   c. Facilitates the establishment of foreign-owned entities without the need for a local substantive presence or prohibits these entities from having any commercial impact on the local economy;
   d. Explicitly or implicitly excludes the jurisdiction's resident taxpayers from taking advantage of the tax regime's benefits or
prohibits enterprises that benefit from the regime from operating in
the jurisdiction's domestic market; or

e. Has created a tax regime which is favorable for tax avoidance,
based upon an overall assessment of relevant factors, including
whether the jurisdiction has a significant untaxed offshore
financial or other services sector relative to its overall economy.

2. "Tax haven" does not include a jurisdiction that has entered into a
comprehensive income tax treaty with the United States, which the
Secretary of the Treasury has determined is satisfactory for purposes of
Section 1(h)(11)(C)(i)(II) of the Internal Revenue Code;

(e) "Taxpayer" means any corporation subject to the tax imposed under this
chapter;

(f) "Unitary business" means a single economic enterprise that is made up either
of separate parts of a single corporation or of a commonly controlled group of
corporations that are sufficiently interdependent, integrated, and interrelated
through their activities so as to provide a synergy and mutual benefit that
produces a sharing or exchange of value among them and a significant flow of
value to the separate parts. For purposes of this section, the term "unitary
business" shall be broadly construed, to the extent permitted by the United
States Constitution; and

(g) "United States" means the fifty (50) states of the United States, the District of
Columbia, and United States' territories and possessions.

(3) (a) Except as provided in KRS 141.201, a taxpayer engaged in a unitary business
with one (1) or more other corporations shall file a combined report which
includes the income, determined under subsection (5) of this section, and the
apportionment fraction, determined under KRS 141.120 and paragraph (d) of
this subsection, of all corporations that are members of the unitary business,
and any other information as required by the department. The combined report shall be filed on a waters-edge basis under subsection (8) of this section.

(b) The department may, by administrative regulation, require that the combined report include the income and associated apportionment factors of any corporations that are not included as provided by paragraph (a) of this subsection, but that are members of a unitary business, in order to reflect proper apportionment of income of the entire unitary businesses. Authority to require combination by administrative regulation under this paragraph includes authority to require combination of corporations that are not, or would not be combined, if the corporation were doing business in this state.

(c) In addition, if the department determines that the reported income or loss of a taxpayer engaged in a unitary business with any corporation not included as provided by paragraph (a) of this subsection represents an avoidance or evasion of tax by the taxpayer, the department may, on a case-by-case basis, require all or any part of the income and associated apportionment factors of the corporation be included in the taxpayer's combined report.

(d) With respect to the inclusion of associated apportionment factors as provided in paragraph (a) of this subsection, the department may require the inclusion of any one (1) or more additional factors which will fairly represent the taxpayer's business activity in this state, or the employment of any other method to effectuate a proper reflection of the total amount of income subject to apportionment and an equitable allocation and apportionment of the taxpayer's income.

(e) A unitary business shall consider the combined gross receipts and combined income from all sources of all members under subsection (8) of this section, including eliminating entries for transactions among the members under
subsection (8)(e) of this section.

(f) Notwithstanding paragraphs (a) to (e) of this subsection, a consolidated return may be filed as provided in KRS 141.201 if the taxpayer makes an election according to KRS 141.201.

(4) The use of a combined report does not disregard the separate identities of the taxpayer members of the combined group. Each taxpayer member is responsible for tax based on its taxable income or loss apportioned or allocated to this state, which shall include, in addition to the other types of income, the taxpayer member's share of apportionable income of the combined group, where apportionable income of the combined group is calculated as a summation of the individual net incomes of all members of the combined group. A member's net income is determined by removing all but apportionable income, expense, and loss from that member's total income as provided in subsection (5) of this section.

(5) (a) Each taxpayer member is responsible for tax based on its taxable income or loss apportioned or allocated to this state, which shall include:

1. Its share of any income apportionable to this state of each of the combined groups of which it is a member, determined under subsection (6) of this section;

2. Its share of any income apportionable to this state of a distinct business activity conducted within and without the state wholly by the taxpayer member, determined under KRS 141.120;

3. Its income from a business conducted wholly by the taxpayer member entirely within the state;

4. Its income sourced to this state from the sale or exchange of capital or assets, and from involuntary conversions, as determined under subsection (8)(g)(e) of this section;

5. Its nonapportionable income or loss allocable to this state, determined
under KRS 141.120;

6. Its income or loss allocated or apportioned in an earlier year, required to be taken into account as state source income during the income year, other than a net operating loss; and

7. Its net operating loss carryover.

(b) No tax credit or post-apportionment deduction earned by one (1) member of the group, but not fully used by or allowed to that member, may be used in whole or in part by another member of the group or applied in whole or in part against the total income of the combined group, except as provided in paragraph (c) of this subsection.

(c) If the taxable income computed pursuant to KRS 141.039 results in a net loss for a taxpayer member of the combined group, that taxpayer member has a Kentucky net operating loss, subject to the net operating loss limitations and carry forward provisions of KRS 141.011. No prior year net operating loss carryforward shall be available to entities that were not doing business in this state in the year in which the loss was incurred. A Kentucky net operating loss carryover incurred by a taxpayer member of a combined group shall be deducted from income or loss apportioned to this state pursuant to this section as follows:

1. For taxable years beginning on or after the first day of the initial taxable year for which a combined unitary tax return is required under this section, if the computation of a combined group's Kentucky net income before apportionment to this state results in a net operating loss, a taxpayer member of the group may carry over its share of the net operating loss as apportioned to this state, as calculated under this section and in accordance with KRS 141.120 or 141.121, and it shall be deductible from a taxpayer member's apportioned net income derived
from the unitary business in a future tax year to the extent that the
carryover and deduction is otherwise consistent with KRS 141.011;

2. Where a taxpayer member of a combined group has a Kentucky net
operating loss carryover derived from a loss incurred by a combined
group in a tax year beginning on or after the first day of the initial tax
year for which a combined unitary tax return is required under this
section, then the taxpayer member may share the net operating loss
carryover with other taxpayer members of the combined group if the
other taxpayer members were members of the combined group in the tax
year that the loss was incurred. Any amount of net operating loss
carryover that is deducted by another taxpayer member of the combined
group shall reduce the amount of net operating loss carryover that may
be carried over by the taxpayer member that originally incurred the loss;

3. Where a taxpayer member of a combined group has a net operating loss
carryover derived from a loss incurred in a tax year prior to the initial
tax year for which a combined unitary tax return is required under this
section, the carryover shall remain available to be deducted by that
taxpayer member and any other taxpayer members of the combined
group, but in no case shall the deduction reduce any taxpayer member's
Kentucky apportioned taxable income by more than fifty percent (50%)
in any taxable year, other than the taxpayer member that originally
incurred the net operating loss, in which case no limitation is provided
except as provided by Section 172 of the Internal Revenue Code. Any
net operating loss carryover that is not utilized in a particular taxable
year shall be carried over by the taxpayer member that generated the
loss and utilized in the future consistent with the limitations of this
subparagraph; or
4. Where a taxpayer member of a combined group has a net operating loss carryover derived from a loss incurred in a tax year during which the taxpayer member was not a taxpayer member of the combined group, the carryover shall remain available to be deducted by that taxpayer member or other taxpayer members, but in no case shall the deduction reduce any taxpayer member's Kentucky apportioned taxable income by more than fifty percent (50%) in any taxable year, other than the taxpayer member that originally incurred the net operating loss, in which case no limitation is provided except as provided by Section 172 of the Internal Revenue Code. Any net operating loss carryover that is not utilized in a particular taxable year, shall be carried over by the taxpayer member that generated the loss and utilized in the future consistent with the limitations of this subparagraph.

(6) The taxpayer's share of the business income apportionable to this state of each combined group of which it is a member shall be the product of:

(a) The apportionable income of the combined group, determined under subsection (7) of this section; and

(b) The taxpayer member's apportionment fraction, determined under KRS 141.120, including in the sales factor numerator the taxpayer's sales associated with the combined group's unitary business in this state, and including in the denominator the sales of all members of the combined group, including the taxpayer, which sales are associated with the combined group's unitary business wherever located. The sales of a pass-through entity shall be included in the determination of the partner's apportionment percentage in proportion to a ratio, the numerator of which is the amount of the partner's distributive share of the pass-through entity's unitary income included in the income of the combined group as provided in subsection (8) of this section.
and the denominator of which is the amount of pass-through entity's total unitary income.

(7) The apportionable income of a combined group is determined as follows:

(a) The total income of the combined group is the sum of the income of each member of the combined group determined under federal income tax laws, as adjusted for state purposes, as if the member were not consolidated for federal purposes; and

(b) From the total income of the combined group determined under subsection (8) of this section, subtract any income and add any expense or loss, other than the apportionable income, expense, or loss of the combined group.

(8) To determine the total income of the combined group, taxpayer members shall take into account all or a portion of the income and apportionment factor of only the following members otherwise included in the combined group as provided in subsection (3) of this section:

(a) The entire income and apportionment percentage of any member, incorporated in the United States or formed under the laws of any state, the District of Columbia, or any territory or possession of the United States, that earns less than eighty percent (80%) of its income from sources outside of the United States, the District of Columbia, or any territory or possession of the United States;

(b) Any member that earns more than twenty percent (20%) of its income, directly or indirectly, from intangible property or service related activities that are deductible against the apportionable income of other members of the combined group, to the extent of that income and the apportionment factor related to that income. If a non-United States corporation is includible as a member in the combined group, to the extent that the non-United States corporation's income is excluded from United States taxation pursuant to the
provisions of a comprehensive income tax treaty, the income or loss is not
includible in the combined group's net income or loss. The member's expenses
or apportionment factors attributable to income that is excluded from United
States taxation pursuant to the provisions of a comprehensive income tax
treaty are not to be included in the combined report;

(c) The entire income and apportionment factor of any member that is doing
business in a tax haven. If the member's business activity within a tax haven is
entirely outside the scope of the laws, provisions, and practices that cause the
jurisdiction to meet the definition established in subsection (2)(d) of this
section, the activity of the member shall be treated as not having been
conducted in a tax haven;

(d) If a unitary business includes income from a pass-through entity, the income
to be included in the total income of the combined group shall be the member
of the combined group's direct and indirect distributive share of the pass-
through entity's unitary income;

(e) Income from an intercompany transaction between members of the same
combined group shall be deferred in a manner similar to 26 C.F.R. 1.1502-13.
Upon the occurrence of any of the following events, deferred income resulting
from an intercompany transaction between members of a combined group
shall be restored to the income of the seller, and shall be apportionable
income earned immediately before the event:

1. The object of a deferred intercompany transaction is:
   a. Resold by the buyer to an entity that is not a member of the
      combined group;
   b. Resold by the buyer to an entity that is a member of the combined
      group for use outside the unitary business in which the buyer and
      seller are engaged; or
c. Converted by the buyer to a use outside the unitary business in which the buyer and seller are engaged; or

2. The buyer and seller are no longer members of the same combined group, regardless of whether the members remain unitary;

(f) A charitable expense incurred by a member of a combined group shall, to the extent allowable as a deduction provided by Section 170 of the Internal Revenue Code, be subtracted first from the apportionable income of the combined group, subject to the income limitations of that section applied to the entire apportionable income of the group, and any remaining amount shall then be treated as a nonapportionable expense allocable to the member that incurred the expense, subject to the income limitations of that section applied to the nonapportionable income of that specific member. Any charitable deduction disallowed under this paragraph, but allowed as a carryover deduction in a subsequent year, shall be treated as originally incurred in the subsequent year by the same member, and this paragraph shall apply in the subsequent year in determining the allowable deduction in that year;

(g) Gain or loss from the sale or exchange of capital assets, property described by Section 1231(a)(3) of the Internal Revenue Code, and property subject to an involuntary conversion shall be removed from the total separate net income of each member of a combined group and shall be apportioned and allocated as follows:

1. For each class of gain or loss, including short-term capital, long-term capital, Internal Revenue Code Section 1231, and involuntary conversions, all members' gain and loss for the class shall be combined, without netting between the classes, and each class of net gain or loss separately apportioned to each member using the member's apportionment percentage determined under subsection (6) of this
section;

2. Each taxpayer member shall then net its apportioned business gain or loss for all classes, including any apportioned gain and loss from other combined groups, against the taxpayer member's nonapportionable gain and loss for all classes allocated to this state, using the rules of Sections 1231 and 1222 of the Internal Revenue Code, without regard to any of the taxpayer member's gains or losses from the sale or exchange of capital assets, Internal Revenue Code Section 1231 property, and involuntary conversions which are nonapportionable items allocated to another state;

3. Any resulting state source income or loss, if the loss is not subject to the limitations of Section 1211 of the Internal Revenue Code, of a taxpayer member produced by the application of subparagraphs 1. and 2. of this paragraph shall then be applied to all other state source income or loss of that member; and

4. Any resulting state source loss of a member that is subject to the limitations of Section 1211 of the Internal Revenue Code shall be carried forward by that member, and shall be treated as state source short-term capital loss incurred by that member for the year for which the carryover applies; and

(h) Any expense of one (1) member of the unitary group which is directly or indirectly attributable to the nonapportionable or exempt income of another member of the unitary group shall be allocated to that other member as corresponding nonapportionable or exempt expense, as appropriate.

(9) (a) As a filing convenience, and without changing the respective liability of the group members, members of a combined reporting group shall annually designate one (1) taxpayer member of the combined group to file a single
return in the form and manner prescribed by the department, in lieu of filing their own respective returns.

(b) The taxpayer member designated to file the single return shall consent to act as surety with respect to the tax liability of all other taxpayers properly included in the combined report, and shall agree to act as agent on behalf of those taxpayers for the taxable year for matters relating to the combined report. If for any reason the surety is unwilling or unable to perform its responsibilities, tax liability may be assessed against the taxpayer members.

Section 13. KRS 141.205 is amended to read as follows:

(1) As used in this section:

(a) "Intangible property" means franchises, patents, patent applications, trade names, trademarks, service marks, copyrights, trade secrets, and similar types of intangible assets;

(b) "Intangible expenses" includes the following only to the extent that the amounts are allowed as deductions or costs in determining taxable net income before the application of any net operating loss deduction provided under Chapter 1 of the Internal Revenue Code:

1. Expenses, losses, and costs for, related to, or in connection directly or indirectly with the direct or indirect acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property;

2. Losses related to, or incurred in connection directly or indirectly with, factoring transactions or discounting transactions;

3. Royalty, patent, technical, and copyright fees;

4. Licensing fees; and

5. Other similar expenses and costs;

(c) "Intangible interest expense" means only those amounts which are directly or
indirectly allowed as deductions under Section 163 of the Internal Revenue Code for purposes of determining taxable income under that code, to the extent that the amounts are directly or indirectly for, related to, or connected to the direct or indirect acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property;

(d) "Management fees" includes but is not limited to expenses and costs paid for services pertaining to accounts receivable and payable, employee benefit plans, insurance, legal, payroll, data processing, purchasing, tax, financial and securities, accounting, reporting and compliance services or similar services, only to the extent that the amounts are allowed as a deduction or cost in determining taxable net income before application of the net operating loss deduction for the taxable year provided under Chapter 1 of the Internal Revenue Code;

(e) "Affiliated group" has the same meaning as provided in Section 11 of this Act (KRS 141.200);

(f) "Foreign corporation" means a corporation that is organized under the laws of a country other than the United States and that would be a related member if it were a domestic corporation;

(g) "Related member" means a person that, with respect to the entity during all or any portion of the taxable year, is:

1. A person or entity that has, directly or indirectly, at least fifty percent (50%) of the equity ownership interest in the taxpayer, as determined under Section 318 of the Internal Revenue Code;

2. A component member as defined in Section 1563(b) of the Internal Revenue Code;

3. A person to or from whom there is attribution of stock ownership in accordance with Section 1563(e) of the Internal Revenue Code; or
4. A person that, notwithstanding its form of organization, bears the same relationship to the taxpayer as a person described in subparagraphs 1. to 3. of this paragraph;

(h) "Recipient" means a related member or foreign corporation to whom the item of income that corresponds to the intangible interest expense, the intangible expense, or the management fees, is paid;

(i) "Unrelated party" means a person that has no direct, indirect, beneficial or constructive ownership interest in the recipient; and in which the recipient has no direct, indirect, beneficial or constructive ownership interest;

(j) "Disclosure" means that the entity shall provide the following information to the Department of Revenue with its tax return regarding a related party transaction:

1. The name of the recipient;

2. The state or country of domicile of the recipient;

3. The amount paid to the recipient; and

4. A description of the nature of the payment made to the recipient;

(k) "Other related party transaction" means a transaction which:

1. Is undertaken by an entity which was not required to file a consolidated return under Section 11 of this Act[KRS 141.200];

2. Is undertaken by an entity, directly or indirectly, with one (1) or more of its stockholders, members, partners, or affiliated entities; and

3. Is not within the scope of subsections (2) and (3) of this section;

(l) "Related party costs" means intangible expense, intangible interest expense, management fees and any costs or expenses associated with other related party transactions; and

(m) "Entity" means any taxpayer other than a natural person.

(2) An entity subject to the tax imposed by this chapter shall not be allowed to deduct
an intangible expense, an intangible interest expense, or a management fee directly
or indirectly paid, accrued or incurred to, or in connection directly or indirectly
with one (1) or more direct or indirect transactions with one (1) or more related
members or with a foreign corporation as defined in subsection (1) of this section,
or with an entity that would be included in the affiliated group based upon
ownership interest if it were organized as a corporation.

(3) The disallowance of deductions provided by subsection (2) of this section shall not
apply if:

(a) The entity and the recipient are both included in the same consolidated
Kentucky corporation income tax return for the relevant taxable year; or

(b) The entity makes a disclosure, and establishes by a preponderance of the
evidence that:

1. The payment made to the recipient was subject to, in its state or country
of commercial domicile, a net income tax, or a franchise tax measured
by, in whole or in part, net income. If the recipient is a foreign
corporation, the foreign nation shall have in force a comprehensive
income tax treaty with the United States; and

2. The recipient is engaged in substantial business activities separate and
apart from the acquisition, use, licensing, management, ownership, sale,
exchange, or any other disposition of intangible property, or in the
financing of related members, as evidenced by the maintenance of
permanent office space and full-time employees dedicated to the
maintenance and protection of intangible property; and

3. The transaction giving rise to the intangible interest expense, intangible
expense, or management fees between the entity and the recipient was
made at a commercially reasonable rate and at terms comparable to an
arm's-length transaction; or
(c) The entity makes a disclosure, and establishes by preponderance of the evidence that the recipient regularly engages in transactions with one (1) or more unrelated parties on terms identical to that of the subject transaction; or

(d) The entity and the Department of Revenue agree in writing to the application or use of an alternative method of apportionment under KRS 141.120.

(4) An entity subject to the tax imposed by this chapter may deduct expenses or costs associated with an other related party transaction only in an amount equal to the amount which would have resulted if the other related party transaction had been carried out at arm's length. In any dispute between the department and the entity with respect to the amount which would have resulted if the transaction had been carried out at arm's length, the entity shall bear the burden of establishing the amount by a preponderance of the evidence.

(5) Nothing in this section shall be deemed to prohibit an entity from deducting a related party cost in an amount permitted by this section, provided that the entity has incurred related party costs equal to or greater than the amounts permitted by this section.

(6) If it is determined by the department that the amount of a deduction claimed by an entity with respect to a related party cost is greater than the amount permitted by this section, the net income of the entity shall be adjusted to reflect the amount of the related party cost permitted by this section.

(7) For tax periods ending before January 1, 2005, in the case of entities not required to file a consolidated or combined return under subsection (1) of this section that carried on transactions with stockholders or affiliated entities directly or indirectly, the department shall adjust the net income of such entities to an amount that would result if such transactions were carried on at arm's length.

Section 14. KRS 141.206 is amended to read as follows:

(1) Every pass-through entity doing business in this state shall, on or before the
fifteenth day of the fourth month following the close of its annual accounting

period, file a copy of its federal tax return with the form prescribed and furnished

by the department.

(2) (a) Pass-through entities shall calculate net income in the same

manner as in the case of an individual under KRS 141.019 and the

adjustment required under Sections 703(a) and 1363(b) of the Internal

Revenue Code.

(b) Computation of net income under this section and the computation of the

partner's, member's, or shareholder's distributive share shall be computed as

nearly as practicable identical with those required for federal income tax

purposes except to the extent required by differences between this chapter and

the federal income tax law and regulations.

(3) Individuals, estates, trusts, or corporations doing business in this state as a partner,

member, or shareholder in a pass-through entity shall be liable for income tax only

in their individual, fiduciary, or corporate capacities, and no income tax shall be

assessed against the net income of any pass-through entity, except as required:

(a) For S corporations under KRS 141.040; and

(b) For a partnership level audit under Section 57 of this Act.

(4) (a) Every pass-through entity required to file a return under subsection (1) of this

section, except publicly traded partnerships as described in KRS

141.0401(6)(a)18. and (b)14., shall withhold Kentucky income tax on the

distributive share, whether distributed or undistributed, of each:

1. Nonresident individual partner, member, or shareholder; and

2. Corporate partner or member that is doing business in Kentucky only

through its ownership interest in a pass-through entity.

(b) Withholding shall be at the maximum rate provided in KRS 141.020 or

141.040.
(5) (a) Effective for taxable years beginning after December 31, 2018, every pass-through entity required to withhold Kentucky income tax as provided by subsection (4) of this section shall pay estimated tax for the taxable year if:

1. For a nonresident individual partner, member, or shareholder, the estimated tax liability can reasonably be expected to exceed five hundred dollars ($500); or

2. For a corporate partner or member that is doing business in Kentucky only through its ownership interest in a pass-through entity, the estimated tax liability can reasonably be expected to exceed five thousand dollars ($5,000).

(b) The payment of estimated tax shall contain the information and shall be filed as provided in KRS 141.207.

(6) (a) If a pass-through entity demonstrates to the department that a partner, member, or shareholder has filed an appropriate tax return for the prior year with the department, then the pass-through entity shall not be required to withhold on that partner, member, or shareholder for the current year unless the exemption from withholding has been revoked pursuant to paragraph (b) of this subsection.

(b) 1. An exemption from withholding shall be considered revoked if the partner, member, or shareholder does not file and pay all taxes due in a timely manner.

2. An exemption so revoked shall be reinstated only with permission of the department.

3. If a partner, member, or shareholder who has been exempted from withholding does not file a return or pay the tax due, the department may require the pass-through entity to pay to the department the amount that should have been withheld, up to the amount of the partner's,
member's, or shareholder's ownership interest in the entity.

4. The pass-through entity shall be entitled to recover a payment made pursuant to this paragraph from the partner, member, or shareholder on whose behalf the payment was made.

(7) In determining the tax under this chapter, a resident individual, estate, or trust that is a partner, member, or shareholder in a pass-through entity shall take into account the partner's, member's, or shareholder's total distributive share of the pass-through entity's items of income, loss, deduction, and credit.

(8) In determining the tax under this chapter, a nonresident individual, estate, or trust that is a partner, member, or shareholder in a pass-through entity required to file a return under subsection (1) of this section shall take into account:

(a) 1. If the pass-through entity is doing business only in this state, the partner's, member's, or shareholder's total distributive share of the pass-through entity's items of income, loss, and deduction; or

2. If the pass-through entity is doing business both within and without this state, the partner's, member's, or shareholder's distributive share of the pass-through entity's items of income, loss, and deduction multiplied by the apportionment fraction of the pass-through entity as prescribed in subsection (11) of this section; and

(b) The partner's, member's, or shareholder's total distributive share of credits of the pass-through entity.

(9) A corporation that is subject to tax under KRS 141.040 and is a partner or member in a pass-through entity shall take into account the corporation's distributive share of the pass-through entity's items of income, loss, and deduction and:

(a) 1. For taxable years beginning on or after January 1, 2007, but prior to January 1, 2018, shall include the proportionate share of the sales, property, and payroll of the limited liability pass-through entity or
general partnership in computing its own apportionment factor; and

2. For taxable years beginning on or after January 1, 2018, shall include
the proportionate share of the sales of the limited liability pass-through
entity or general partnership in computing its own apportionment factor;
and

(b) Credits from the partnership.

(10) (a) If a pass-through entity is doing business both within and without this state,
the pass-through entity shall compute and furnish to each partner, member, or
shareholder the numerator and denominator of each factor of the
apportionment fraction determined in accordance with subsection (11) of this
section.

(b) For purposes of determining an apportionment fraction under paragraph (a) of
this subsection, if the pass-through entity is:

1. Doing business both within and without this state; and

2. A partner or member in another pass-through entity;
then the pass-through entity shall be deemed to own the pro rata share of the
property owned or leased by the other pass-through entity, and shall also
include its pro rata share of the other pass-through entity's payroll and sales.

(c) The phrases "a partner or member in another pass-through entity" and "doing
business both within and without this state" shall extend to each level of
multiple-tiered pass-through entities.

(d) The attribution to the pass-through entity of the pro rata share of property,
payroll and sales from its role as a partner or member in another pass-through
entity will also apply when determining the pass-through entity's ultimate
apportionment factor for property, payroll and sales as required under
subsection (11) of this section.

(11) (a) For taxable years beginning prior to January 1, 2018, a pass-through entity
doing business within and without the state shall compute an apportionment
fraction, the numerator of which is the property factor, representing twenty-
five percent (25%) of the fraction, plus the payroll factor, representing
twenty-five percent (25%) of the fraction, plus the sales factor, representing
fifty percent (50%) of the fraction, with each factor determined in the same
manner as provided in KRS 141.901, and the denominator of which is four
(4), reduced by the number of factors, if any, having no denominator,
provided that if the sales factor has no denominator, then the denominator
shall be reduced by two (2).

(b) For taxable years beginning on or after January 1, 2018, a pass-through entity
doing business within and without the state shall compute an apportionment
fraction as provided in KRS 141.120.

(12) Resident individuals, estates, or trusts that are partners in a partnership, members of
a limited liability company electing partnership tax treatment for federal income tax
purposes, owners of single member limited liability companies, or shareholders in
an S corporation which does not do business in this state are subject to tax under
KRS 141.020 on federal net income, gain, deduction, or loss passed through the
partnership, limited liability company, or S corporation.

(13) An S corporation election made in accordance with Section 1362 of the Internal
Revenue Code for federal tax purposes is a binding election for Kentucky tax
purposes.

(14) (a) Nonresident individuals shall not be taxable on investment income distributed
by a qualified investment partnership. For purposes of this subsection, a
"qualified investment partnership" means a pass-through entity that, during
the taxable year, holds only investments that produce income that would not
be taxable to a nonresident individual if held or owned individually.

(b) A qualified investment partnership shall be subject to all other provisions
relating to a pass-through entity under this section and shall not be subject to the tax imposed under KRS 141.040 or 141.0401.

(15) (a) 1. A pass-through entity may file a composite income tax return on behalf of electing nonresident individual partners, members, or shareholders.

2. The pass-through entity shall report and pay on the composite income tax return income tax at the highest marginal rate provided in this chapter on any portion of the partners', members', or shareholders' pro rata or distributive shares of income of the pass-through entity from doing business in this state or deriving income from sources within this state. Payments made pursuant to subsection (5) of this section shall be credited against any tax due.

3. The pass-through entity filing a composite return shall still make estimated tax payments if required to do so by subsection (5) of this section, and shall remain subject to any penalty under KRS 141.044 and 141.305 for any underpayment of estimated tax determined under KRS 141.044 or 141.305.

4. The partners', members', or shareholders' pro rata or distributive share of income shall include all items of income or deduction used to compute adjusted gross income on the Kentucky return that is passed through to the partner, member, or shareholder by the pass-through entity, including but not limited to interest, dividend, capital gains and losses, guaranteed payments, and rents.

(b) A nonresident individual partner, member, or shareholder whose only source of income within this state is distributive share income from one (1) or more pass-through entities may elect to be included in a composite return filed pursuant to this section.

(c) A nonresident individual partner, member, or shareholder that has been
included in a composite return may file an individual income tax return and shall receive credit for tax paid on the partner's behalf by the pass-through entity.

(d) A pass-through entity shall deliver to the department a return upon a form prescribed by the department showing the total amounts paid or credited to its electing nonresident individual partners, members, or shareholders, the amount paid in accordance with this subsection, and any other information the department may require. A pass-through entity shall furnish to its nonresident partner, member, or shareholder annually, but not later than the fifteenth day of the fourth month after the end of its taxable year, a record of the amount of tax paid on behalf of the partner, member, or shareholder on a form prescribed by the department.

Section 15. KRS 141.383 is amended to read as follows:

(1) As used in this section:

(a) "Above-the-line production crew" means the same as defined in KRS 148.542;

(b) "Approved company" means the same as defined in KRS 148.542;

(c) "Below-the-line production crew" means the same as defined in KRS 148.542;

(d) "Cabinet" means the same as defined in KRS 148.542;

(e) "Office" means the same as defined in KRS 148.542;

(f) "Qualifying expenditure" means the same as defined in KRS 148.542;

(g) "Qualifying payroll expenditure" means the same as defined in KRS 148.542;

(h) "Secretary" means the same as defined in KRS 148.542; and

(i) "Tax incentive agreement" means the same as defined in KRS 148.542.

(2) (a) There is hereby created a tax credit against the tax imposed under KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in
KRS 141.0205.

(b) The incentive available under paragraph (a) of this section is:

1. A refundable credit for applications approved prior to April 27, 2018; and

2. A nonrefundable and nontransferable credit for applications approved on or after April 27, 2018.

(c) 1. Beginning on April 27, 2018, the total tax incentive approved under KRS 148.544 shall be limited to one hundred million dollars ($100,000,000) for calendar year 2018 and each calendar year thereafter.

2. On April 27, 2018, if applications have been approved during the 2018 calendar year which exceed the amount in subparagraph 1. of this paragraph of this subsection, the Kentucky Film Office shall immediately cease in approving any further applications for tax incentives.

(3) An approved company may receive a refundable tax credit on and after July 1, 2010, but only for applications approved prior to April 27, 2018, if:

(a) The cabinet has received notification from the office that the approved company has satisfied all requirements of KRS 148.542 to 148.546; and

(b) The approved company has provided a detailed cost report and sufficient documentation to the office, which has been forwarded by the office to the cabinet, that:

1. The purchases of qualifying expenditures were made after the execution of the tax incentive agreement; and

2. The approved company has withheld income tax as required by KRS 141.310 on all qualified payroll expenditures.

(4) Interest shall not be allowed or paid on any refundable credits provided under this
section.

(5) The cabinet shall promulgate administrative regulations in accordance with KRS Chapter 13A to administer this section.

(6) On or before September 1, 2010, and on or before each September 1 thereafter, for the immediately preceding fiscal year, the cabinet shall report to the office the names of the approved companies and the amounts of refundable income tax credit claimed.

Section 16. KRS 141.900 is amended to read as follows:

The definitions in this section are the same as the definitions appearing in KRS 141.010 prior to its repeal and reenactment in Section 53 of 2018 Ky. Acts chs. 171 and 207. For taxable years beginning prior to January 1, 2018, as used in this chapter, unless the context requires otherwise:

(1) "Commissioner" means the commissioner of the department;

(2) "Department" means the Department of Revenue;

(3) "Internal Revenue Code" means the Internal Revenue Code in effect on December 31, 2015, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2015, that would otherwise terminate, and as modified by KRS 141.0101;

(4) "Dependent" means those persons defined as dependents in the Internal Revenue Code;

(5) "Fiduciary" means "fiduciary" as defined in Section 7701(a)(6) of the Internal Revenue Code;

(6) "Fiscal year" means "fiscal year" as defined in Section 7701(a)(24) of the Internal Revenue Code;

(7) "Individual" means a natural person;

(8) "Modified gross income" means the greater of:

(a) Adjusted gross income as defined in Section 62 of the Internal Revenue Code
of 1986, including any subsequent amendments in effect on December 31 of the taxable year, and adjusted as follows:

1. Include interest income derived from obligations of sister states and political subdivisions thereof; and

2. Include lump-sum pension distributions taxed under the special transition rules of Pub. L. No. 104-188, sec. 1401(c)(2); or

(b) Adjusted gross income as defined in subsection (10) of this section and adjusted to include lump-sum pension distributions taxed under the special transition rules of Pub. L. No. 104-188, sec. 1401(c)(2);

(9) "Gross income," in the case of taxpayers other than corporations, means "gross income" as defined in Section 61 of the Internal Revenue Code;

(10) "Adjusted gross income," in the case of taxpayers other than corporations, means gross income as defined in subsection (9) of this section minus the deductions allowed individuals by Section 62 of the Internal Revenue Code and as modified by KRS 141.0101 and adjusted as follows, except that deductions shall be limited to amounts allocable to income subject to taxation under the provisions of this chapter, and except that nothing in this chapter shall be construed to permit the same item to be deducted more than once:

(a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky;

(b) Exclude income from supplemental annuities provided by the Railroad Retirement Act of 1937 as amended and which are subject to federal income tax by Public Law 89-699;

(c) Include interest income derived from obligations of sister states and political subdivisions thereof;

(d) Exclude employee pension contributions picked up as provided for in KRS
6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610, and 161.540 upon a ruling by the Internal Revenue Service or the federal courts that these contributions shall not be included as gross income until such time as the contributions are distributed or made available to the employee;

(e) Exclude Social Security and railroad retirement benefits subject to federal income tax;

(f) Include, for taxable years ending before January 1, 1991, all overpayments of federal income tax refunded or credited for taxable years;

(g) Deduct, for taxable years ending before January 1, 1991, federal income tax paid for taxable years ending before January 1, 1990;

(h) Exclude any money received because of a settlement or judgment in a lawsuit brought against a manufacturer or distributor of "Agent Orange" for damages resulting from exposure to Agent Orange by a member or veteran of the Armed Forces of the United States or any dependent of such person who served in Vietnam;

(i) 1. For taxable years ending prior to December 31, 2005, exclude the applicable amount of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans. The "applicable amount" shall be:

   a. Twenty-five percent (25%), but not more than six thousand two hundred fifty dollars ($6,250), for taxable years beginning after December 31, 1994, and before January 1, 1996;

   b. Fifty percent (50%), but not more than twelve thousand five hundred dollars ($12,500), for taxable years beginning after December 31, 1995, and before January 1, 1997;

   c. Seventy-five percent (75%), but not more than eighteen thousand seven hundred fifty dollars ($18,750), for taxable years beginning
after December 31, 1996, and before January 1, 1998; and

d. One hundred percent (100%), but not more than thirty-five thousand dollars ($35,000), for taxable years beginning after December 31, 1997.

2. For taxable years beginning after December 31, 2005, exclude up to forty-one thousand one hundred ten dollars ($41,110) of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans.

3. As used in this paragraph:

a. "Distributions" includes but is not limited to any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of Section 402 of the Internal Revenue Code; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension distribution;

b. "Annuity contract" has the same meaning as set forth in Section 1035 of the Internal Revenue Code; and

c. "Pension plans, profit-sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code;

(j) 1. a. Exclude the portion of the distributive share of a shareholder's net income from an S corporation subject to the franchise tax imposed
under KRS 136.505 or the capital stock tax imposed under KRS 136.300; and

b. Exclude the portion of the distributive share of a shareholder's net income from an S corporation related to a qualified subchapter S subsidiary subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

2. The shareholder's basis of stock held in a S corporation where the S corporation or its qualified subchapter S subsidiary is subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300 shall be the same as the basis for federal income tax purposes;

(k) Exclude, to the extent not already excluded from gross income, any amounts paid for health insurance, or the value of any voucher or similar instrument used to provide health insurance, which constitutes medical care coverage for the taxpayer, the taxpayer's spouse, and dependents, or for any person authorized to be provided excludable coverage by the taxpayer pursuant to the federal Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, or the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, during the taxable year. Any amounts paid by the taxpayer for health insurance that are excluded pursuant to this paragraph shall not be allowed as a deduction in computing the taxpayer's net income under subsection (11) of this section;

(l) Exclude income received for services performed as a precinct worker for election training or for working at election booths in state, county, and local primary, regular, or special elections;

(m) Exclude any amount paid during the taxable year for insurance for long-term care as defined in KRS 304.14-600;
(n) Exclude any capital gains income attributable to property taken by eminent domain;

(o) Exclude any amount received by a producer of tobacco or a tobacco quota owner from the multistate settlement with the tobacco industry, known as the Master Settlement Agreement, signed on November 22, 1998;

(p) Exclude any amount received from the secondary settlement fund, referred to as "Phase II," established by tobacco companies to compensate tobacco farmers and quota owners for anticipated financial losses caused by the national tobacco settlement;

(q) Exclude any amount received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program as a result of a reduction in the quantity of tobacco quota allotted;

(r) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

(s) Exclude state Phase II payments received by a producer of tobacco or a tobacco quota owner;

(t) Exclude all income from all sources for active duty and reserve members and officers of the Armed Forces of the United States or National Guard who are killed in the line of duty, for the year during which the death occurred and the year prior to the year during which the death occurred. For the purposes of this paragraph, "all income from all sources" shall include all federal and state death benefits payable to the estate or any beneficiaries; and

(u) For taxable years beginning on or after January 1, 2010, exclude all military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard, including compensation for state active duty as described in KRS 38.205;
(11) "Net income," in the case of taxpayers other than corporations, means adjusted gross income as defined in subsection (10) of this section, minus:

(a) The deduction allowed by KRS 141.0202 as it existed prior to January 1, 2018;

(b) Any amount paid for vouchers or similar instruments that provide health insurance coverage to employees or their families;

(c) For taxable years beginning on or after January 1, 2010, the amount of domestic production activities deduction calculated at six percent (6%) as allowed in Section 199(a)(2) of the Internal Revenue Code for taxable years beginning before 2010; and

(d) 1. All the deductions allowed individuals by Chapter 1 of the Internal Revenue Code as modified by KRS 141.0101 except:

   a. Any deduction allowed by the Internal Revenue Code for state or foreign taxes measured by gross or net income, including state and local general sales taxes allowed in lieu of state and local income taxes under the provisions of Section 164(b)(5) of the Internal Revenue Code;

   b. Any deduction allowed by the Internal Revenue Code for amounts allowable under KRS 140.090(1)(h) in calculating the value of the distributive shares of the estate of a decedent, unless there is filed with the income return a statement that such deduction has not been claimed under KRS 140.090(1)(h);

   c. The deduction for personal exemptions allowed under Section 151 of the Internal Revenue Code and any other deductions in lieu thereof;

   d. For taxable years beginning on or after January 1, 2010, the domestic production activities deduction allowed under Section
e. Any deduction for amounts paid to any club, organization, or establishment which has been determined by the courts or an agency established by the General Assembly and charged with enforcing the civil rights laws of the Commonwealth, not to afford full and equal membership and full and equal enjoyment of its goods, services, facilities, privileges, advantages, or accommodations to any person because of race, color, religion, national origin, or sex, except nothing shall be construed to deny a deduction for amounts paid to any religious or denominational club, group, or establishment or any organization operated solely for charitable or educational purposes which restricts membership to persons of the same religion or denomination in order to promote the religious principles for which it is established and maintained;

f. Any deduction directly or indirectly allocable to income which is either exempt from taxation or otherwise not taxed under this chapter;

g. The itemized deduction limitation established in 26 U.S.C. sec. 68 shall be determined using the applicable amount from 26 U.S.C. sec. 68 as it existed on December 31, 2006; and

h. A taxpayer may elect to claim the standard deduction allowed by KRS 141.081 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63 and as modified by this section; and

2. Nothing in this chapter shall be construed to permit the same item to be deducted more than once;

(12) "Gross income," in the case of corporations, means "gross income" as defined in
Section 61 of the Internal Revenue Code and as modified by KRS 141.0101 and adjusted as follows:

(a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States;

(b) Exclude all dividend income received after December 31, 1969;

(c) Include interest income derived from obligations of sister states and political subdivisions thereof;

(d) Exclude fifty percent (50%) of gross income derived from any disposal of coal covered by Section 631(c) of the Internal Revenue Code if the corporation does not claim any deduction for percentage depletion, or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract;

(e) Include in the gross income of lessors income tax payments made by lessees to lessors, under the provisions of Section 110 of the Internal Revenue Code, and exclude such payments from the gross income of lessees;

(f) Include the amount calculated under KRS 141.205;

(g) Ignore the provisions of Section 281 of the Internal Revenue Code in computing gross income;

(h) Exclude income from "safe harbor leases" (Section 168(f)(8) of the Internal Revenue Code);

(i) Exclude any amount received by a producer of tobacco or a tobacco quota owner from the multistate settlement with the tobacco industry, known as the Master Settlement Agreement, signed on November 22, 1998;

(j) Exclude any amount received from the secondary settlement fund, referred to as "Phase II," established by tobacco companies to compensate tobacco farmers and quota owners for anticipated financial losses caused by
the national tobacco settlement;

(j) Exclude any amount received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program as a result of a reduction in the quantity of tobacco quota allotted;

(k) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

(l) For taxable years beginning after December 31, 2004, and before January 1, 2007, exclude the distributive share income or loss received from a corporation defined in subsection (24)(b) of this section whose income has been subject to the tax imposed by KRS 141.040. The exclusion provided in this paragraph shall also apply to a taxable year that begins prior to January 1, 2005, if the tax imposed by KRS 141.040 is paid on the distributive share income by a corporation defined in subparagraphs 2. to 8. of subsection (24)(b) of this section with a return filed for a period of less than twelve (12) months that begins on or after January 1, 2005, and ends on or before December 31, 2005. This paragraph shall not be used to delay payment of the tax imposed by KRS 141.040; and

(m) Exclude state Phase II payments received by a producer of tobacco or a tobacco quota owner;

(13) "Net income," in the case of corporations, means "gross income" as defined in subsection (12) of this section minus:

(a) The deduction allowed by KRS 141.0202 as it existed prior to January 1, 2018;

(b) Any amount paid for vouchers or similar instruments that provide health insurance coverage to employees or their families;

(c) For taxable years beginning on or after January 1, 2010, the amount of domestic production activities deduction calculated at six percent (6%) as
allowed in Section 199(a)(2) of the Internal Revenue Code for taxable years beginning before 2010; and

(d) All the deductions from gross income allowed corporations by Chapter 1 of the Internal Revenue Code and as modified by KRS 141.0101, except:

1. Any deduction for a state tax which is computed, in whole or in part, by reference to gross or net income and which is paid or accrued to any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or to any foreign country or political subdivision thereof;

2. The deductions contained in Sections 243, 244, 245, and 247 of the Internal Revenue Code;

3. The provisions of Section 281 of the Internal Revenue Code shall be ignored in computing net income;

4. Any deduction directly or indirectly allocable to income which is either exempt from taxation or otherwise not taxed under the provisions of this chapter, and nothing in this chapter shall be construed to permit the same item to be deducted more than once;

5. Exclude expenses related to "safe harbor leases" (Section 168(f)(8) of the Internal Revenue Code);

6. Any deduction for amounts paid to any club, organization, or establishment which has been determined by the courts or an agency established by the General Assembly and charged with enforcing the civil rights laws of the Commonwealth, not to afford full and equal membership and full and equal enjoyment of its goods, services, facilities, privileges, advantages, or accommodations to any person because of race, color, religion, national origin, or sex, except nothing shall be construed to deny a deduction for amounts paid to any religious
or denominational club, group, or establishment or any organization
operated solely for charitable or educational purposes which restricts
membership to persons of the same religion or denomination in order to
promote the religious principles for which it is established and
maintained;

7. Any deduction prohibited by KRS 141.205;

8. Any dividends-paid deduction of any captive real estate investment
trust; and

9. For taxable years beginning on or after January 1, 2010, the domestic
production activities deduction allowed under Section 199 of the
Internal Revenue Code;

(14) (a) "Taxable net income," in the case of corporations that are taxable in this state,
means "net income" as defined in subsection (13) of this section;

(b) "Taxable net income," in the case of corporations that are taxable in this state
and taxable in another state, means "net income" as defined in subsection (13)
of this section and as allocated and apportioned under KRS 141.901. A
corporation is taxable in another state if, in any state other than Kentucky, the
corporation is required to file a return for or pay a net income tax, franchise
tax measured by net income, franchise tax for the privilege of doing business,
or corporate stock tax;

(c) "Taxable net income," in the case of homeowners' associations as defined in
Section 528(c) of the Internal Revenue Code, means "taxable income" as
defined in Section 528(d) of the Internal Revenue Code. Notwithstanding the
provisions of subsection (3) of this section, the Internal Revenue Code
sections referred to in this paragraph shall be those code sections in effect for
the applicable tax year; and

(d) "Taxable net income," in the case of a corporation that meets the requirements
established under Section 856 of the Internal Revenue Code to be a real estate investment trust, means "real estate investment trust taxable income" as defined in Section 857(b)(2) of the Internal Revenue Code, except that a captive real estate investment trust shall not be allowed any deduction for dividends paid;

(15) "Person" means "person" as defined in Section 7701(a)(1) of the Internal Revenue Code;

(16) "Taxable year" means the calendar year or fiscal year ending during such calendar year, upon the basis of which net income is computed, and in the case of a return made for a fractional part of a year under the provisions of this chapter or under regulations prescribed by the commissioner, "taxable year" means the period for which the return is made;

(17) "Resident" means an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than one hundred eighty-three (183) days of the taxable year in this state;

(18) "Nonresident" means any individual not a resident of this state;

(19) "Employer" means "employer" as defined in Section 3401(d) of the Internal Revenue Code;

(20) "Employee" means "employee" as defined in Section 3401(c) of the Internal Revenue Code;

(21) "Number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under KRS 141.325, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero (0);

(22) "Wages" means "wages" as defined in Section 3401(a) of the Internal Revenue Code and includes other income subject to withholding as provided in Section
3401(f) and Section 3402(k), (o), (p), (q), and (s) of the Internal Revenue Code;

(23) "Payroll period" means "payroll period" as defined in Section 3401(b) of the Internal Revenue Code;

(24) (a) For taxable years beginning before January 1, 2005, and after December 31, 2006, "corporation" means "corporation" as defined in Section 7701(a)(3) of the Internal Revenue Code; and

(b) For taxable years beginning after December 31, 2004, and before January 1, 2007, "corporations" means:

1. "Corporations" as defined in Section 7701(a)(3) of the Internal Revenue Code;

2. S corporations as defined in Section 1361(a) of the Internal Revenue Code;

3. A foreign limited liability company as defined in KRS 275.015;

4. A limited liability company as defined in KRS 275.015;

5. A professional limited liability company as defined in KRS 275.015;

6. A foreign limited partnership as defined in KRS 362.2-102(9);

7. A limited partnership as defined in KRS 362.2-102(14);

8. A limited liability partnership as defined in KRS 362.155(7) or in 362.1-101(7) or (8);

9. A real estate investment trust as defined in Section 856 of the Internal Revenue Code;

10. A regulated investment company as defined in Section 851 of the Internal Revenue Code;

11. A real estate mortgage investment conduit as defined in Section 860D of the Internal Revenue Code;

12. A financial asset securitization investment trust as defined in Section 860L of the Internal Revenue Code; and
13. Other similar entities created with limited liability for their partners, members, or shareholders.

For purposes of this paragraph, "corporation" shall not include any publicly traded partnership as defined by Section 7704(b) of the Internal Revenue Code that is treated as a partnership for federal tax purposes under Section 7704(c) of the Internal Revenue Code or its publicly traded partnership affiliates. As used in this paragraph, "publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership;

(25) "Doing business in this state" includes but is not limited to:

(a) Being organized under the laws of this state;

(b) Having a commercial domicile in this state;

(c) Owning or leasing property in this state;

(d) Having one (1) or more individuals performing services in this state;

(e) Maintaining an interest in a pass-through entity doing business in this state;

(f) Deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single-member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes; or

(g) Directing activities at Kentucky customers for the purpose of selling them goods or services.

Nothing in this subsection shall be interpreted in a manner that goes beyond the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272;
(26) "Pass-through entity" means any partnership, S corporation, limited liability company, limited liability partnership, limited partnership, or similar entity recognized by the laws of this state that is not taxed for federal purposes at the entity level, but instead passes to each partner, member, shareholder, or owner their proportionate share of income, deductions, gains, losses, credits, and any other similar attributes;

(27) "S corporation" means "S corporation" as defined in Section 1361(a) of the Internal Revenue Code;

(28) "Limited liability pass-through entity" means any pass-through entity that affords any of its partners, members, shareholders, or owners, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity; and

(29) "Captive real estate investment trust" means a real estate investment trust as defined in Section 856 of the Internal Revenue Code that meets the following requirements:

(a) 1. The shares or other ownership interests of the real estate investment trust are not regularly traded on an established securities market; or

2. The real estate investment trust does not have enough shareholders or owners to be required to register with the Securities and Exchange Commission; and

(b) 1. The maximum amount of stock or other ownership interest that is owned or constructively owned by a corporation equals or exceeds:

a. Twenty-five percent (25%), if the corporation does not occupy property owned, constructively owned, or controlled by the real estate investment trust; or

b. Ten percent (10%), if the corporation occupies property owned, constructively owned, or controlled by the real estate investment trust.
The total ownership interest of a corporation shall be determined by aggregating all interests owned or constructively owned by a corporation;

2. For the purposes of this paragraph:
   a. "Corporation" means a corporation taxable under KRS 141.040, and includes an affiliated group as defined in KRS 141.200, that is required to file a consolidated return pursuant to the provisions of KRS 141.200; and
   b. "Owned or constructively owned" means owning shares or having an ownership interest in the real estate investment trust, or owning an interest in an entity that owns shares or has an ownership interest in the real estate investment trust. Constructive ownership shall be determined by looking across multiple layers of a multilayer pass-through structure; and
   c. The real estate investment trust is not owned by another real estate investment trust.

Section 17. KRS 141.985 is amended to read as follows:

(1) Except for the addition to tax required when an underpayment of estimated tax occurs under KRS 141.044 and 141.305, any tax imposed by this chapter, whether assessed by the department, or the taxpayer, or any installment or portion of the tax is not paid on or before the date prescribed for its payment, there shall be collected, as a part of the tax, interest upon the unpaid amount at the tax interest rate as defined in KRS 131.010(6) from the date prescribed for its payment until payment is actually made to the department.

(2) Interest shall be assessed, collected, and paid in the same manner as if it were a deficiency.

(3) For purposes of this section, any addition to tax provided in Section 9 of this Act
and KRS 141.305 shall be considered a penalty.

⇒ Section 18. KRS 154.60-040 is amended to read as follows:

(1) As used in this section:

(a) 1. "Agricultural assets" means:

   a. Agricultural land which has been appraised by an individual certified by the Real Estate Appraisers Board created under KRS 324A.015; and

   b. Buildings, facilities, machinery, equipment, agricultural products, or horticultural products, if:

      i. Owned by the same selling farmer owning the agricultural land sold to a beginning farmer;

      ii. Purchased at the same time and in the same transaction with the agricultural land; and

      iii. Purchased with the intent to be used on the purchased agricultural land.

2. "Agricultural assets" does not mean:

   a. A personal residence or any other residential structures; and

   b. Any agricultural assets that have been previously included in an approved application for the Kentucky selling farmer tax credit;

(b) "Agricultural land" means:

1. Any land located entirely in Kentucky that is zoned or permitted for farming, if the jurisdiction where the land is located has enacted an ordinance for zoning or permitting; and

2. a. Is a tract of land of at least ten (10) contiguous acres in area for a farming operation for agricultural products; or

   b. Is a tract of land of at least five (5) contiguous acres in area for a farming operation for aquaculture or horticultural products;
owned by the selling farmer prior to the sale;

(c) "Agricultural products" means:

1. Livestock or livestock products;
2. Poultry or poultry products;
3. Milk or milk products; or
4. Field crops and other crops, including timber if approved by the authority;

(d) "Aquaculture" means the farming of fish, crustaceans, mollusks, aquatic plants, algae, or other similar organisms;

(e) "Farm product" means aquaculture, agricultural products, or horticultural products;

(f) 1. "Farming operation" means the management and operation of agricultural assets for the purpose of pursuing a profitable commercial business venture to produce agricultural products, horticultural products, or both for sale.

2. "Farming operation" does not mean any:
   a. Hobby farm, as determined by the Internal Revenue Service;
   b. Nonprofit venture;
   c. Farm used primarily for storing agricultural products or horticultural products; or
   d. Farm used to grow or raise agricultural products or horticultural products primarily for use by the immediate family members or owners of the agricultural assets;

(g) "Horticultural products" means orchards, fruits, vegetables, nuts, flowers, or ornamental plants; and

(h) "Immediate family member" means any of the following in relation to any owner or spouse of the owner of the agricultural assets:
1. Parent or grandparent;
2. Children or their spouses; or
3. Siblings or their spouses.

(2) Any incentive offered to an eligible company under the selling farmer tax credit program shall be negotiated by Cabinet for Economic Development officials and shall be subject to approval by the authority.

(3) The purpose of the selling farmer tax credit program is to promote the continued use of agricultural land in Kentucky for farming purposes by granting a tax credit to a selling farmer who agrees to sell agricultural assets to a beginning farmer.

(4) Selling farmers wanting to sell agricultural assets may be eligible for a tax credit up to five percent (5%) of the selling price of qualifying agricultural assets, subject to:

(a) A twenty-five thousand dollar ($25,000) cap for each taxable year of the selling farmer;

(b) A one hundred thousand dollar ($100,000) lifetime cap for each selling farmer; and

(c) A proration by the authority based on the overall cap shared between the small business tax credit program and the selling farmer tax credit program cap of three million dollars ($3,000,000) under KRS 154.60-020.

(5) The tax credit allowed in subsection (4) of this section may be claimed under Section 19 of this Act.

(6) In order to be eligible to receive approval for a tax credit, a selling farmer shall have, at a minimum:

(a) 1. Be registered with the Kentucky Secretary of State; and

b. Be in good standing with the Kentucky Secretary of State; or

2. If not required to be registered with the Kentucky Secretary of State,
be a resident of Kentucky;

(b) Prior to a sale of agricultural assets, be a small business with fifty (50) or fewer full-time employees and be the sole legal owner of agricultural assets sold to a beginning farmer;

(c) Not be a farm equipment dealer, livestock dealer, or similar entity primarily engaged in the business of selling agricultural assets for profit and not engaged in farming as a primary business activity;

(d) Not be a bank or any other similar lending or financial institution;

(e) Not be:

1. An owner, partner, member, shareholder, or trustee;

2. A spouse of an owner, partner, member, shareholder, or trustee;

3. An immediate family member of any of the owners, partners, members, shareholders, or trustees;

of the beginning farmer to whom the selling farmer is seeking to sell agricultural assets;

(f) 1. Demonstrate management and operation of real and personal property for the production of a farm product;

2. Execute and effectuate a purchase contract to sell agricultural land with a beginning farmer for an amount evidenced by an appraisal; and

(g) Sell, convey, and transfer ownership of related agricultural assets to a beginning farmer.

(7) In order for the selling farmer to qualify for the tax credit, a beginning farmer shall, at a minimum:

(a) 1. a. Be registered with the Kentucky Secretary of State; and

   b. Be in good standing with the Kentucky Secretary of State; or
2. If not required to be registered with the Kentucky Secretary of State, 
be a resident of Kentucky;

(b) Possess all licenses, registrations, and experience needed to legally operate 
a farming operation within the jurisdiction for the agricultural land 
purchased from a selling farmer;

(c) Not previously have held an ownership interest in agricultural land used for 
a farming operation for a period exceeding ten (10) years prior to entering 
into an agreement to purchase agricultural assets from a selling farmer;

(d) Not have an ownership interest in any of the agricultural assets included in 
the transaction with the selling farmer; and

(e) Provide a majority of the management, and materially participate in the 
operation of a for-profit farming operation located in Kentucky and 
purchased from a selling farmer, with the intent to continue a for-profit 
farming operation on the purchased agricultural land for a minimum of 
five (5) years after the sale date.

(8)\[(2)\] The selling farmer shall submit an application after consummation of the sale, 
transfer of title, and conveyance of agricultural assets together 
with all information necessary for the authority to determine eligibility for the tax 
credit.

(9)\[(3)\] An application for the selling farmer tax credit shall 
contain, at a minimum, information about the:

(a) Selling farmer and purchasing beginning farmer eligibility;

(b) Purchase contract and closing statement;

(c) Documentation, such as a deed, title conveyance for the transfer of assets, 
including verification of Kentucky residency; and

(d) Any other information the authority may require to determine eligibility for 
the credit.
(10) For each approved application, the authority shall transmit to the Department of Revenue sufficient information about the selling farmer to ensure compliance with this section and Section 19 of this Act, including the amount of approved tax credit allowed to the selling farmer.

(11) (4) (a) The maximum amount of the farmer small business tax credit for an approved selling farmer in each calendar year shall not exceed twenty-five thousand dollars ($25,000) and shall be prorated based on factors determined by the authority.

(b) The maximum amount of credit an individual may claim over a lifetime shall not exceed one hundred thousand dollars ($100,000).

(c) The credit shall be claimed on the tax return for the year during which the credit was approved. Unused credits may be carried forward for up to five (5) years.

(5) Beginning January 1, 2020, the authority may approve selling farmer [farmer small business] tax credits [for selling farmers].

SECTION 19. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) The selling farmers tax credit permitted by Section 18 of this Act:

(a) Shall be nonrefundable and nontransferable; and

(b) May be claimed against the taxes imposed in KRS 141.020 or 141.040 and 141.0401, with the ordering of the credit as provided in Section 20 of this Act.

(2) (a) The maximum amount of credit that may be claimed by a selling farmer in each taxable year is limited to:

1. No more than the total amount of credit approved by the Kentucky Economic Development Finance Authority;

2. Twenty-five thousand dollars ($25,000) in any taxable year; and
3. **No more than one hundred thousand dollars ($100,000) total tax credit over the lifetime of the selling farmer.**

(b) The credit shall be first claimed on the tax return for the taxable year during which the credit was approved.

(c) Any unused credit in a taxable year may be carried forward for up to five taxable years and, if not utilized within the five (5) year period, shall be lost.

(3) *In order for the General Assembly to evaluate the fulfillment of the purpose stated in Section 18 of this Act, the department shall provide the following information, on a cumulative basis, for each selling farmer, for each taxable year:*

(a) The location, by county, of the agricultural assets sold to a beginning farmer and approved for a tax credit under Section 18 of this Act;

(b) The total amount of tax credit approved by the Kentucky Economic Development Finance Authority for each selling farmer;

(c) The amount of tax credit claimed for each selling farmer in each taxable year; and

(d) 1. In the case of all taxpayers other than corporations, based on ranges of adjusted gross income of no larger than five thousand dollars ($5,000) for the taxable year, the total amount of tax credits claimed and the number of returns claiming a tax credit for each adjusted gross income range; and

2. In the case of all corporations, based on ranges of net income no larger than fifty thousand dollars ($50,000) for the taxable year, the total amount of tax credit claimed and the number of returns claiming a tax credit for each net income range.

(4) *The report required by subsection (3) of this section shall be submitted to the*
Interim Joint Committee on Appropriations and Revenue beginning no later than November 1, 2021, and no later than each November 1 thereafter, as long as the credit is claimed on any return processed by the department.

Section 20. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of the credits shall be determined as follows:

(1) The nonrefundable business incentive credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) The limited liability entity tax credit permitted by KRS 141.0401;

(b) The economic development credits computed under KRS 141.347, 141.381, 141.384, Section 19 of this Act, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-207, and 154.12-2088;

(c) The qualified farming operation credit permitted by KRS 141.412;

(d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);

(e) The health insurance credit permitted by KRS 141.062;

(f) The tax paid to other states credit permitted by KRS 141.070;

(g) The credit for hiring the unemployed permitted by KRS 141.065;

(h) The recycling or composting equipment credit permitted by KRS 141.390;

(i) The tax credit for cash contributions in investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;

(j) The research facilities credit permitted by KRS 141.395;

(k) The employer High School Equivalency Diploma program incentive credit permitted under KRS 151B.402;

(l) The voluntary environmental remediation credit permitted by KRS 141.418;

(m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
(n) The clean coal incentive credit permitted by KRS 141.428;
(o) The ethanol credit permitted by KRS 141.4242;
(p) The cellulosic ethanol credit permitted by KRS 141.4244;
(q) The energy efficiency credits permitted by KRS 141.436;
(r) The railroad maintenance and improvement credit permitted by KRS 141.385;
(s) The Endow Kentucky credit permitted by KRS 141.438;
(t) The New Markets Development Program credit permitted by KRS 141.434;
(u) The distilled spirits credit permitted by KRS 141.389;
(v) The angel investor credit permitted by KRS 141.396;
(w) The film industry credit permitted by KRS 141.383 for applications approved on or after April 27, 2018; and
(x) The inventory credit permitted by KRS 141.408; and

(y) The renewable chemical production credit permitted by Section 25 of this Act.

(2) After the application of the nonrefundable credits in subsection (1) of this section, the nonrefundable personal tax credits against the tax imposed by KRS 141.020 shall be taken in the following order:
(a) The individual credits permitted by KRS 141.020(3);
(b) The credit permitted by KRS 141.066;
(c) The tuition credit permitted by KRS 141.069;
(d) The household and dependent care credit permitted by KRS 141.067; and
(e) The income gap credit permitted by KRS 141.066.

(3) After the application of the nonrefundable credits provided for in subsection (2) of this section, the refundable credits against the tax imposed by KRS 141.020 shall be taken in the following order:
(a) The individual withholding tax credit permitted by KRS 141.350;
(b) The individual estimated tax payment credit permitted by KRS 141.305;
(c) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
(d) The film industry tax credit permitted by KRS 141.383 for applications approved prior to April 27, 2018.

(4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax imposed by KRS 141.040.

(5) The following nonrefundable credits shall be applied against the sum of the tax imposed by KRS 141.040 after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by KRS 141.0401 in the following order:

(a) The economic development credits computed under KRS 141.347, 141.381, 141.384, Section 19 of this Act, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-207, and 154.12-2088;
(b) The qualified farming operation credit permitted by KRS 141.412;
(c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
(d) The health insurance credit permitted by KRS 141.062;
(e) The unemployment credit permitted by KRS 141.065;
(f) The recycling or composting equipment credit permitted by KRS 141.390;
(g) The coal conversion credit permitted by KRS 141.041;
(h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods ending prior to January 1, 2008;
(i) The tax credit for cash contributions to investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
(j) The research facilities credit permitted by KRS 141.395;
(k) The employer High School Equivalency Diploma program incentive credit permitted by KRS 151B.402;
(l) The voluntary environmental remediation credit permitted by KRS 141.418;
(m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
(n) The clean coal incentive credit permitted by KRS 141.428;
(o) The ethanol credit permitted by KRS 141.4242;
(p) The cellulosic ethanol credit permitted by KRS 141.4244;
(q) The energy efficiency credits permitted by KRS 141.436;
(r) The ENERGY STAR home or ENERGY STAR manufactured home credit permitted by KRS 141.437;
(s) The railroad maintenance and improvement credit permitted by KRS 141.385;
(t) The railroad expansion credit permitted by KRS 141.386;
(u) The Endow Kentucky credit permitted by KRS 141.438;
(v) The New Markets Development Program credit permitted by KRS 141.434;
(w) The distilled spirits credit permitted by KRS 141.389;
(x) The film industry credit permitted by KRS 141.383 for applications approved on or after April 27, 2018;[and]
(y) The inventory credit permitted by KRS 141.408; and

(z) The renewable chemical production credit permitted by Section 25 of this Act.

(6) After the application of the nonrefundable credits in subsection (5) of this section, the refundable credits shall be taken in the following order:
(a) The corporation estimated tax payment credit permitted by KRS 141.044;
(b) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
(c) The film industry tax credit permitted by KRS 141.383 for applications approved prior to April 27, 2018.

Section 21. KRS 131.190 is amended to read as follows:
(1) No present or former commissioner or employee of the department, present or former member of a county board of assessment appeals, present or former property
valuation administrator or employee, present or former secretary or employee of the
Finance and Administration Cabinet, former secretary or employee of the Revenue
Cabinet, or any other person, shall intentionally and without authorization inspect
or divulge any information acquired by him of the affairs of any person, or
information regarding the tax schedules, returns, or reports required to be filed with
the department or other proper officer, or any information produced by a hearing or
investigation, insofar as the information may have to do with the affairs of the
person's business.

(2) The prohibition established by subsection (1) of this section shall not extend to:

(a) Information required in prosecutions for making false reports or returns of
property for taxation, or any other infraction of the tax laws;

(b) Any matter properly entered upon any assessment record, or in any way made
a matter of public record;

(c) Furnishing any taxpayer or his properly authorized agent with information
respecting his own return;

(d) Testimony provided by the commissioner or any employee of the department
in any court, or the introduction as evidence of returns or reports filed with
the department, in an action for violation of state or federal tax laws or in any
action challenging state or federal tax laws;

(e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
energy resources assessed under KRS 132.820, or owners of surface land
under which the unmined minerals lie, factual information about the owner's
property derived from third-party returns filed for that owner's property, under
the provisions of KRS 132.820, that is used to determine the owner's
assessment. This information shall be provided to the owner on a confidential
basis, and the owner shall be subject to the penalties provided in KRS
131.990(2). The third-party filer shall be given prior notice of any disclosure
of information to the owner that was provided by the third-party filer;

(f) Providing to a third-party purchaser pursuant to an order entered in a foreclosure action filed in a court of competent jurisdiction, factual information related to the owner or lessee of coal, oil, gas reserves, or any other mineral resources assessed under KRS 132.820. The department may promulgate an administrative regulation establishing a fee schedule for the provision of the information described in this paragraph. Any fee imposed shall not exceed the greater of the actual cost of providing the information or ten dollars ($10);

(g) Providing information to a licensing agency, the Transportation Cabinet, or the Kentucky Supreme Court under KRS 131.1817;

(h) Statistics of gasoline and special fuels gallonage reported to the department under KRS 138.210 to 138.448;

(i) Providing any utility gross receipts license tax return information that is necessary to administer the provisions of KRS 160.613 to 160.617 to applicable school districts on a confidential basis;

(j) Providing documents, data, or other information to a third party pursuant to an order issued by a court of competent jurisdiction; or

(k) Providing information to the Legislative Research Commission under:

1. KRS 139.519 for purposes of the sales and use tax refund on building materials used for disaster recovery;

2. KRS 141.436 for purposes of the energy efficiency products credits;

3. KRS 141.437 for purposes of the ENERGY STAR home and the ENERGY STAR manufactured home credits;

4. KRS 148.544 for purposes of the film industry incentives;

5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization tax credits and the job assessment fees;
6. KRS 141.068 for purposes of the Kentucky investment fund;
7. KRS 141.396 for purposes of the angel investor tax credit;
8. KRS 141.389 for purposes of the distilled spirits credit;
9. KRS 141.408 for purposes of the inventory credit;[and]
10. KRS 141.390 for purposes of the recycling and composting credit.

11. **Section 19 of this Act for purposes of the selling farmer tax credit; and**
12. **Section 25 of this Act for purposes of the renewable chemical production credit.**

(3) The commissioner shall make available any information for official use only and on a confidential basis to the proper officer, agency, board or commission of this state, any Kentucky county, any Kentucky city, any other state, or the federal government, under reciprocal agreements whereby the department shall receive similar or useful information in return.

(4) Access to and inspection of information received from the Internal Revenue Service is for department use only, and is restricted to tax administration purposes. Information received from the Internal Revenue Service shall not be made available to any other agency of state government, or any county, city, or other state, and shall not be inspected intentionally and without authorization by any present secretary or employee of the Finance and Administration Cabinet, commissioner or employee of the department, or any other person.

(5) Statistics of crude oil as reported to the Department of Revenue under the crude oil excise tax requirements of KRS Chapter 137 and statistics of natural gas production as reported to the Department of Revenue under the natural resources severance tax requirements of KRS Chapter 143A may be made public by the department by release to the Energy and Environment Cabinet, Department for Natural Resources.

(6) Notwithstanding any provision of law to the contrary, beginning with mine-map submissions for the 1989 tax year, the department may make public or divulge only
those portions of mine maps submitted by taxpayers to the department pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-out parcel areas. These electronic maps shall not be relied upon to determine actual boundaries of mined-out parcel areas. Property boundaries contained in mine maps required under KRS Chapters 350 and 352 shall not be construed to constitute land surveying or boundary surveys as defined by KRS 322.010 and any administrative regulations promulgated thereto.

Section 22. KRS 154.60-005 is amended to read as follows:

This subchapter shall be known as the small business tax credit and selling farmer tax credit programs.

Section 23. KRS 154.60-020 is amended to read as follows:

(1) The authority shall develop a Small Business Development Credit Program in consultation with the Office of Entrepreneurship to assist new or existing small businesses operating in the Commonwealth. The nonrefundable credit shall be allowed against the taxes imposed by KRS 141.020 or 141.040, and 141.0401. The ordering of credits shall be as provided in KRS 141.0205.

(2) The authority shall determine the terms, conditions, and requirements for application for the credit, in consultation with the Office of Entrepreneurship, subject to the provisions of subsection (3) of this section. The application shall contain identification information about the number of eligible positions created and filled, a calculation of the base employment of the small business, verification of investment of five thousand dollars ($5,000) or more in qualifying equipment or technology, and other information the authority may specify to determine eligibility for the credit.

(3) (a) The maximum amount of credits that may be committed in each fiscal year by the authority and shared between the small business tax credit program and the selling farmer tax credit program shall be capped
at three million dollars ($3,000,000).

(b) In order to be eligible to receive final approval for a credit, a small business shall, within the twenty-four (24) month period immediately preceding the application submission date:

1. Create and fill one (1) or more eligible positions over the base employment; and
2. Invest five thousand dollars ($5,000) or more in qualifying equipment or technology.

(c) Each eligible position that is created and filled shall be maintained for twelve (12) months. If a full-time employee filling a newly created eligible position ceases to be employed by the small business for any reason, that employee shall be replaced within forty-five (45) days in order for the eligible position to maintain its eligible status, in addition to meeting all other applicable requirements.

(d) The small business shall submit all information necessary for the authority to determine credit eligibility for each year, and the amount of credit for which the small business is eligible.

(e) The maximum amount of credit for each small business for each year shall not exceed twenty-five thousand dollars ($25,000).

(f) The credit shall be claimed on the tax return for the year during which the credit was approved. Unused credits may be carried forward for up to five (5) years.

SECTION 24. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO READ AS FOLLOWS:

(1) (a) The department shall create and administer the renewable chemical production program by promulgating administrative regulations under KRS Chapter 13A and authorizing tax credits for that production.
(b) The department may consult with the chemical engineering departments of any university to create and administer the renewable chemical production program that may best serve this Commonwealth.

(c) The department shall coordinate with the Department of Revenue related to awarding tax credits while remaining within the annual biodiesel, renewable diesel, and renewable chemical tax credit cap provided in Section 26 of this Act.

(2) To be eligible for receiving the renewable chemical production tax credit under Section 25 of this Act, a business shall:

(a) Be physically located in this state;

(b) Operate for profit;

(c) Organize, expand, or locate in this state on or after July 1, 2020;

(d) 1. Create new jobs and retain those jobs for at least four (4) years; or

2. Invest a substantial amount of new capital in the Commonwealth and maintain that capital for at least four (4) years;

(e) Certify to the department:

1. That the business:

   a. Has not applied for and will not receive economic development incentives under KRS Chapter 154 for the jobs created or capital investment made under the renewable chemical production program; and

   b. Is in compliance with all agreements entered into under the renewable chemical production program or other programs administered by the department; and

2. The date that the business first qualified as an eligible business;

(f) Not provide professional services, health care services, medical treatments, or engage in retail operations; and
(g) Not relocate operations from another area of the state or reduce operations in another area of the state while seeking this incentive. To determine whether a project meets the requirement under this paragraph, the department shall:

1. Consider a project that does not create new jobs or invest a substantial amount of new capital a relocation or reduction in operations; and

2. Require sufficient data from the business related to jobs created and the amount of substantial capital investment before the business applies for this incentive and for four (4) years following the approval of this incentive to ensure that new jobs or substantial capital investment have occurred and remain productive in this state;

(3) (a) Before being approved for the tax credit permitted by Section 25 of this Act, an eligible business shall enter into an agreement with the department for the successful completion of all requirements of the program.

(b) As part of the agreement, the eligible business shall agree to:

1. Collect and provide all information required by the department, allowing the department and the Department of Revenue to maintain the annual tax credit cap and to fulfill each of the reporting and compliance obligations under this section and Section 25 of this Act; and

2. Agree to allow information about the production of renewable chemicals and the related tax credit to be shared with the Interim Joint Committee on Appropriations and Revenue.

(c) The business shall not receive a tax credit for renewable chemicals produced before the date the business first qualified as an eligible business.

(4) (a) The department may impose a nonrefundable compliance cost fee of five hundred dollars ($500), collected by the department at the time a business
applies for participation in the program.

(b) An eligible business shall fulfill all the requirements of the program and the agreement before receiving a tax credit or entering into a subsequent agreement under this section.

(c) The department may decline to enter into a subsequent agreement under this section or award a tax credit if an agreement is not successfully fulfilled.

(5) (a) After the production of renewable chemicals by an eligible business, the business shall apply, in the manner prescribed by the department, for the renewable chemicals tax credit. The application shall include the following information:

1. A description of the renewable chemicals produced in this state;
2. The amount or volume of renewable chemicals produced;
3. The costs associated with the production of the renewable chemicals;
4. The amount of gross receipts generated by the sale of the renewable chemicals; and
5. Any other information required by the department in order to establish and verify eligibility under the program.

(b) The department may accept applications on a continuous basis or may establish, by administrative regulation, an annual application deadline.

(6) Upon establishing that all requirements of the program and the agreement have been fulfilled, the department shall certify the amount of preliminary tax credit for the applicant to the Department of Revenue.

(7) (a) The department shall work with the Department of Revenue to provide all information necessary to ensure compliance with KRS Chapter 141 by the successful tax credit applicant.

(b) On or before December 31, 2020, and on or before each December 31
thereafter, the department shall submit to the Department of Revenue all
information received from each eligible business related to the renewable
chemical tax credit.

(c) When the Department of Revenue receives the information provided under
paragraph (b) of this subsection, the Department of Revenue shall consider
the renewable chemical tax credit applications together with the total
amount of approved credit for all biodiesel producers, biodiesel blenders,
and renewable diesel producers required in Section 27 of this Act.

(8) The renewable chemical production program shall sunset on December 31, 2024.

(9) (a) Failure to fulfill any requirement of the program or any of the terms and
obligations of an agreement entered into under this section by an eligible
business shall:

1. Result in the rescission of the tax credit permitted by Section 25 of this
Act by the department; and

2. Subject the eligible business to the repayment of all tax credits
claimed.

(b) Upon the rescission of any tax credit, the department shall report to the
Department of Revenue, within thirty (30) days, all information necessary
by the Department of Revenue to ensure compliance with KRS Chapter 141.

SECTION 25. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO
READ AS FOLLOWS:

(1) (a) An eligible business that:

1. Has entered into an agreement under subsection (3) of Section 24 of
this Act;

2. Receives certification from the Department of Agriculture of the
preliminary tax credit under subsection (6) of Section 24 of this Act;

and
3. Receives authorization from the department regarding the amount of
tax credit that is allowed;

may claim the renewable chemical production tax credit in an amount
equal to the amount authorized by the department as provided in Section 27
of this Act.

(b) For taxable years beginning on or after January 1, 2021, the renewable
chemical production tax credit shall be nonrefundable, nontransferable,
and allowed against taxes imposed by KRS 141.020 or 141.040 and
141.0401, with the ordering of the credits as provided in Section 20 of this
Act.

(c) 1. Any amount of credit that a taxpayer is unable to utilize during a
taxable year may be carried forward for use in a succeeding taxable
year for a period not to exceed three (3) taxable years.

2. Any amount of credit not used within the three (3) taxable years shall
be lost.

3. No amount of credit may be carried back to a prior taxable year by
any taxpayer.

(2) If the eligible business is a pass-through entity, the eligible business may apply
the credit against the limited liability entity tax imposed by KRS 141.0401, and
shall pass the credit through to its members, partners, or shareholders in the
same proportion as the distributive share of income or loss is passed through.

(3) If the Department of Agriculture rescinds any tax credit under subsection (9) of
Section 24 of this Act, the repayment of any tax credit by the taxpayer shall be:

(a) Considered a tax payment due and payable to the Kentucky State Treasurer;

and

(b) Collected by the department in the same manner as failure to pay the tax
shown due or required to be shown due with the filing of that return.
(4) (a) In order for the General Assembly to evaluate the renewable chemical tax credit program, the department, in cooperation with the Department of Agriculture, shall submit to the Interim Joint Committee on Appropriations and Revenue a cumulative report describing the activities of the program by taxable year.

(b) The report shall include:

1. The aggregate number of pounds, by each type of renewable chemicals produced in this state, for all successful tax credit applicants under the program;

2. The aggregate gross receipts from sales, by each type of renewable chemicals produced in this state, for all successful tax credit applicants under the program;

3. The number of employees located in this state of all successful tax credit applicants during the calendar year immediately preceding the calendar year for which the successful applicants first applied for a tax credit under the program;

4. The number of employees located in this state of all successful tax credit applicants during each calendar year that the tax credit is claimed;

5. The number of tax credit certificates and aggregate amount of tax credits awarded under the program for each calendar year; and

6. For each eligible business issued a renewable chemical production tax credit during each taxable year:
   a. The county within which the eligible business is producing the renewable chemical;
   b. The amount of the tax credit claimed by the eligible business;
   c. The manner in which the eligible business first qualified as an
eligible business, whether by organizing, expanding, or locating
in this state;

d. The amount of renewable chemical production tax credit
claimed during each taxable year; and

e. Any repayment of incentives by the business, if the business does
not meet the requirements of the agreement.

Section 26. KRS 141.422 is amended to read as follows:

As used in KRS 141.422 to 141.425:

(1) "Annual biodiesel and renewable diesel tax credit cap" means:

(a) For calendar years beginning prior to January 1, 2008, one million five
hundred thousand dollars ($1,500,000);

(b) For the calendar year beginning on January 1, 2008, five million dollars
($5,000,000);[and]

(c) For calendar years beginning on or after January 1, 2009, but before January
1, 2021, ten million dollars ($10,000,000);

(2) "Annual biodiesel, renewable diesel, and renewable chemical tax credit cap"
means, for calendar years beginning on or after January 1, 2021, ten million
dollars ($10,000,000);

(3) "Annual cellulosic ethanol tax credit cap" means five million dollars ($5,000,000),
unless the annual cellulosic ethanol tax credit cap is modified pursuant to KRS
141.4248, in which case the cap established by KRS 141.4248 shall be the annual
cellulosic ethanol tax credit cap for that year. Any adjustments to the annual
cellulosic ethanol tax credit cap made pursuant to KRS 141.4248 shall be made on
an annual basis and shall not carry forward to subsequent years;

(4) "Annual ethanol tax credit cap" means five million dollars ($5,000,000),
unless the annual credit cap is modified pursuant to KRS 141.4248, in which case
the cap established by KRS 141.4248 shall be the annual ethanol tax credit cap for
that year. Any adjustments to the annual ethanol tax credit cap made pursuant to KRS 141.4248 shall be made on an annual basis and shall not carry forward to subsequent years;

(5) "Biodiesel" means a renewable, biodegradeable, mono alkyl ester combustible liquid that is derived from agriculture crops, agriculture plant oils, agriculture residues, animal fats, or waste products that meets current American Society for Testing and Materials specification D6751 for biodiesel fuel (B100) blend stock distillate fuels;

(6) "Biodiesel producer" means an entity that manufactures biodiesel at a location in this Commonwealth;

(7) "Cellulosic ethanol" means ethyl alcohol for use as motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol that is produced from cellulosic biomass materials of any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, including:

(a) Plant wastes from industrial processes such as sawdust and paper pulp;
(b) Energy crops grown specifically for fuel production such as switchgrass; or
(c) Agricultural plant residues such as corn stover, rice hulls, sugarcane, and cereal straws;

(8) "Cellulosic ethanol producer" means an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth;

(9) "Blended biodiesel" means a blend of biodiesel with petroleum diesel so that the percentage of biodiesel in the blend is at least two percent (2%) (B2 or greater);

(10) "Ethanol" means ethyl alcohol produced from corn, soybeans, or wheat for use as a motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol;

(11) "Ethanol-based tax credits" means the cellulosic ethanol tax credit provided for in KRS 141.4244 and the ethanol tax credit provided for in KRS 141.4242;
"Ethanol producer" means an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth;

"Renewable diesel" means a renewable, biodegradable, non-ester combustible liquid that:

(a) Is derived from biomass resources as defined in KRS 152.715; and

(b) Meets the current American Society for Testing and Materials Specification D396 for fuel oils intended for use in various types of fuel-oil-burning equipment; D975 for diesel fuel oils suitable for various types of diesel fuel engines; or D1655 for aviation turbine fuels; and

"Renewable diesel producer" means an entity that manufactures renewable diesel at a location in this Commonwealth.

Section 27. KRS 141.423 is amended to read as follows:

(1) (a) A biodiesel producer, biodiesel blender, or renewable diesel producer shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 in an amount certified by the department under subsection (4) of this section.

(b) The credit rate shall be:

1. One dollar ($1) per biodiesel gallon produced by a biodiesel producer;

2. One dollar ($1) per gallon of biodiesel used in the blending process by a biodiesel blender and

3. One dollar ($1) per gallon of renewable diesel produced by a renewable diesel producer;

unless the total amount of approved credit for all biodiesel producers, biodiesel blenders, and renewable diesel producers exceeds the annual biodiesel and renewable diesel tax credit cap for calendar years beginning prior to January 1, 2021, or the annual biodiesel, renewable diesel, and...
renewable chemical tax credit cap for calendar years beginning on or after January 1, 2021.

(c) For calendar years beginning prior to January 1, 2021, if the total amount of approved credit for all biodiesel producers, biodiesel blenders, and renewable diesel producers exceeds the annual biodiesel and renewable diesel tax credit cap, the department shall determine the amount of credit each biodiesel producer, biodiesel blender, and renewable diesel producer receives by multiplying the annual biodiesel and renewable diesel tax credit cap by a fraction, the numerator of which is the amount of approved credit for the biodiesel producer, biodiesel blender, and renewable diesel producer and the denominator of which is the total approved credit for all biodiesel producers, biodiesel blenders, and renewable diesel producers.

(d) For calendar years beginning on or after January 1, 2021, if the total amount of approved credit for all biodiesel producers, biodiesel blenders, renewable diesel producers, and renewable chemical producers exceeds the annual biodiesel, renewable diesel, and renewable chemical tax credit cap, the department shall determine the amount of credit each biodiesel producer, biodiesel blender, renewable diesel producer, and renewable chemical producer receives by multiplying the annual biodiesel, renewable diesel, and renewable chemical tax credit cap by a fraction, the numerator of which is the amount of approved credit for each producer and the denominator of which is the total approved credit for all producers.

(e) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205.

(2) Re-blending of blended biodiesel shall not qualify for the credit provided under this
section.

(3) The credit allowed in subsection (1) of this section shall not be carried forward to a return for any other period.

(4) (a) Each biodiesel producer, biodiesel blender, and renewable diesel producer eligible for the credit provided under subsection (1) of this section shall file a tax credit claim for biodiesel gallons produced or blended in this state or for renewable diesel produced in this state on forms prescribed by the department by the fifteenth day of the first month following the close of the preceding calendar year.

(b) The department shall determine the amount of the approved credit based on the amount of biodiesel produced, biodiesel blended, renewable diesel produced, or renewable chemical produced in this state during the preceding calendar year and issue a credit certificate to the biodiesel producer, biodiesel blender, renewable diesel producer, or renewable chemical producer by the fifteenth day of the fourth month following the close of the calendar year.

(5) In the case of a biodiesel producer, biodiesel blender, renewable diesel producer, or renewable chemical producer that has a fiscal year end for purposes of computing the tax imposed by KRS 141.020, 141.040, and 141.0401, the amount of approved credit shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

Section 28. KRS 141.0101 is amended to read as follows:

(1) (a) The provisions of subsections (2) to (11) of this section shall apply to taxable years beginning before January 1, 1994.

(b) The provisions of subsections (12) to (15) of this section shall apply to taxable years beginning after December 31, 1993.

(c) The provisions of subsection (16) of this section apply to property placed in service after September 10, 2001.
(2) For property placed in service prior to January 1, 1990, in lieu of the depreciation and expense deductions allowed under Internal Revenue Code Sections 168 and 179, a deduction for a reasonable allowance for depreciation, exhaustion, wear and tear, and obsolescence of property used in a trade or business shall be allowed and computed as set out in subsections (3) to (11) of this section. For property placed in service after December 31, 1989, the depreciation and expense deductions allowed under Sections 168 and 179 of the Internal Revenue Code shall be allowed.

(3) Effective August 1, 1985, "reasonable allowance" as used in subsection (2) of this section shall mean depreciation computed in accordance with Section 167 of the Internal Revenue Code and related regulations in effect on December 31, 1980, for all property placed in service on or after January 1, 1981, except as provided in subsections (6) to (8) of this section.

(4) Depreciation of property placed in service prior to January 1, 1981, shall be computed under Section 167 of the Internal Revenue Code, and the method elected thereunder at the time the property was first placed in service or as changed with the approval of the Commissioner of Internal Revenue Service or as required by changes in federal regulations.

(5) Taxpayers other than corporations shall be allowed to deduct as depreciation on recovery property placed in service before August 1, 1985, an amount calculated under Section 168 of the Internal Revenue Code subject to the provisions of subsections (6) and (8) of this section. Corporations with a taxable year beginning on or after July 1, 1984, and before August 1, 1985, shall calculate a deduction for depreciation on recovery property placed in service prior to August 1, 1985, using either of the following alternative methods:

(a) Dividing the total of the deductions allowed under Internal Revenue Code Section 168 by one and four tenths (1.4); and

(b) Calculating the deduction that would be allowed or allowable under the
provisions of Section 167 of the Internal Revenue Code.

(6) Recovery property placed in service on or after January 1, 1981, and before August 1, 1985, and subject to transition under subsection (8) of this section, shall be subject to depreciation under Section 167 of the Internal Revenue Code, restricted to the straight line method therein provided over the remaining useful life of such assets.

(7) Depreciation of property placed in service on or after August 1, 1985, shall be computed under Section 167 of the Internal Revenue Code.

(8) Transition from Section 168 of the Internal Revenue Code, Accelerated Cost Recovery System (ACRS) depreciation, to the depreciation allowed or allowable under this section shall be reported in the first taxable year beginning on or after August 1, 1985. To implement the transition, the following adjustments shall be made:

(a) Taxpayers other than corporations shall use the adjusted Kentucky basis for property placed in service on or after January 1, 1981. "Adjusted Kentucky basis" means the basis used for determining depreciation under Section 168 of the Internal Revenue Code less the allowed or allowable depreciation and adjustment for election to expense an asset (Section 179 of the Internal Revenue Code);

(b) Corporations shall adjust the federal unadjusted basis by increasing such basis by the ACRS depreciation not allowed as a deduction in determining Kentucky net income for tax years beginning after June 30, 1984, less allowed or allowable ACRS depreciation for federal income tax purposes. Corporations will not be permitted to adjust the basis by the ACRS depreciation not allowed for Kentucky income tax purposes in tax years beginning on or before June 30, 1984.

(9) A taxpayer may elect to treat the cost of property placed in service on or before July
31, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in effect on December 31, 1981, except that the aggregate cost which may be expensed for corporations shall not exceed five thousand dollars ($5,000). A taxpayer may elect to treat the cost of property placed in service on or after August 1, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in effect on December 31, 1980. Computations, limitations, definitions, exceptions, and other provisions of Section 179 of the Internal Revenue Code and related regulations shall be construed to govern the computation of the allowable deduction.

(10) Upon the sale, exchange, or disposition of any depreciable property placed in service on or after January 1, 1981, capital gains or losses and the amount of ordinary income determined under the provisions of the Internal Revenue Code shall be computed for Kentucky income tax purposes as follows:

(a) Compute the Kentucky unadjusted basis which is the cost of the asset reduced by any basis adjustment made by the taxpayer under Section 48(q)(1) of the Internal Revenue Code and any expense allowed and utilized under Section 179 of the Internal Revenue Code (First Year Expense) in determining Kentucky net income in prior years, and

(b) Compute the adjusted basis by subtracting the depreciation allowed or allowable for Kentucky income tax purposes from the unadjusted basis, except corporations will not be permitted to adjust the basis of assets by the ACRS depreciation not allowed for Kentucky income tax purposes in the tax years beginning on or before June 30, 1984, and

(c) Compute the gain or loss by subtracting the adjusted basis from the value received from the disposition of the depreciable property, and

(d) Compute the recapture of depreciation required under Sections 1245 through 1256 of the Internal Revenue Code and related regulations, and
(e) Unless otherwise provided in this subsection the provisions of the Internal Revenue Code and related regulations governing the determination of capital gains or losses shall apply for Kentucky income tax purposes.

(11) Unless otherwise provided by this chapter, the basis of property placed in service prior to January 1, 1990, for purposes of Kentucky income tax shall be the basis, adjusted or unadjusted, required to be used under Section 167 of the Internal Revenue Code in effect on December 31, 1980.

(12) As used in this subsection to subsection (14) of this section:

(a) "Transition property" means any property placed in service before the first day of the first taxable year beginning after December 31, 1993, and owned by the taxpayer on the first day of the first taxable year beginning after December 31, 1993.

(b) "Adjusted Kentucky basis" means the amount computed in accordance with the provisions of paragraph (b) of subsection (10) of this section for transition property.

(c) "Adjusted federal basis" means the original cost, or, in the case of Section 338 property, the adjusted grossed-up basis of transition property less:

1. Any basis adjustments required by the Internal Revenue Code for credits; and

2. The total accumulated depreciation and election to expense deductions allowed or allowable for federal income tax purposes.

(d) "Section 338 property" means property to which an adjusted grossed-up basis has been allocated pursuant to a valid election made by a purchasing corporation under the provisions of Section 338 of the Internal Revenue Code.

(e) "Transition amount" means the net difference between the adjusted Kentucky basis and the adjusted federal basis of all transition property determined as of the first day of the first taxable year beginning after December 31, 1993.
(13) For taxable years beginning after December 31, 1993, the amounts of depreciation
and election to expense deductions, allowed or allowable, the basis of assets,
adjusted or unadjusted, and the gain or loss from the sale or other disposition of
assets shall be the same for Kentucky income tax purposes as determined under
Chapter 1 of the Internal Revenue Code.

(14) For taxable years beginning after December 31, 1993, the transition amount
computed in accordance with the provisions of paragraph (e) of subsection (12) of
this section shall be reported by the taxpayer as follows:

(a) In the first taxable year beginning after December 31, 1993, and the eleven
(11) succeeding taxable years, the taxpayer shall include in gross income one-
twelfth (1/12) of the transition amount if:

1. The adjusted federal basis of transition property exceeds the adjusted
Kentucky basis of transition property;

2. The transition amount exceeds five million dollars ($5,000,000);

3. The transition amount includes property for which an election was made
under Section 338 of the Internal Revenue Code; and

4. The taxpayer elects the provisions of this paragraph with the filing of an
amended income tax return for the first taxable year beginning after
December 31, 1993.

(b) In the first taxable year beginning after December 31, 1993 and the three (3)
succeeding taxable years, if the transition amount exceeds one hundred
thousand dollars ($100,000), or if the transition amount does not exceed one
hundred thousand dollars ($100,000) and the taxpayer elects the provision of
this paragraph with the filing of the income tax return for the first taxable year
beginning after December 31, 1993, the taxpayer shall:

1. Deduct from gross income twenty-five percent (25%) of the transition
amount if the adjusted Kentucky basis of transition property exceeds the
adjusted federal basis of transition property; or

2. Add to gross income twenty-five percent (25%) of the transition amount if the adjusted federal basis of transition property exceeds the adjusted Kentucky basis of transition property.

(c) In the first taxable year beginning after December 31, 1993, if the transition amount does not exceed one hundred thousand dollars ($100,000) and the taxpayer does not elect the provisions of paragraph (b) of this subsection, the taxpayer shall:

1. Deduct from gross income the total transition amount if the adjusted Kentucky basis of transition property exceeds the adjusted federal basis of transition property; or

2. Add to gross income the total transition amount if the adjusted federal basis of transition property exceeds the adjusted Kentucky basis of transition property.

(15) Notwithstanding any other provision of this section to the contrary, any qualified farming operation, as defined in KRS 141.410, shall be allowed to compute the depreciation deduction for new buildings and equipment purchased to enable participation in a networking project, as defined in KRS 141.410, on an accelerated basis at two (2) times the rate that would otherwise be permitted under the provisions of this section. The accumulated depreciation allowed under this subsection shall not exceed the taxpayer's basis in such property.

(16) (a) For property placed in service after September 10, 2001, only the depreciation deduction allowed under Section 168 of the Internal Revenue Code in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed.

(b) For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction allowed under Section 179 of the Internal
Revenue Code in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed.

(c) For property placed in service on or after January 1, 2020, only the expense deduction allowed under Section 179 of the Internal Revenue Code in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, shall be allowed, except that the phase-out provisions of Section 179 of the Internal Revenue Code, limiting the qualifying investment in property, shall not apply.

Section 29. KRS 224.50-868 is amended to read as follows:

(1) As used in this section:

(a) "Motor vehicle" means every vehicle intended primarily for use and operation on the public highways that is self-propelled, including a low-speed motor vehicle as defined in KRS 186.010;

(b) "Semitrailer" means any vehicle:

1. Designed:
   a. As temporary living quarters for recreation, camping, or travel;
      or
   b. For carrying persons or property;

2. Designed for being drawn by a motor vehicle; and

3. Constructed that:
   a. Some part of its weight; or
   b. Some part of its load;

   rests upon or is carried by another vehicle; and

(c) "Trailer" means any vehicle:

1. Designed:
   a. As temporary living quarters for recreation, camping, or travel;
      or
b. For carrying persons or property;

2. Designed for being drawn by a motor vehicle; and

3. Constructed that:

   a. No part of its weight; and

   b. No part of its load;

   rests upon or is carried by another vehicle.

(2) (a) 1. Prior to July 1, 2018, a person purchasing a new motor vehicle tire in Kentucky shall pay to the retailer a one dollar ($1) fee at the time of the purchase of that tire. The fee shall not be subject to the Kentucky sales tax.

2. Beginning July 1, 2018, but prior to July 1, 2020, a fee is hereby imposed upon a retailer at the rate of two dollars ($2) for each new motor vehicle tire sold in Kentucky. The fee shall be subject to the Kentucky sales tax.

3. Beginning July 1, 2020, but prior to July 1, 2024, a fee is hereby imposed upon a retailer at the rate of two dollars ($2) for each new motor vehicle, trailer, or semitrailer tire sold in Kentucky. The fee shall be subject to the Kentucky sales tax.

4. A retailer may pass the fee imposed by this paragraph on to the purchaser of the new tire.

   (b) 1. A new tire is a tire that has never been placed on a motor vehicle, trailer, or semitrailer wheel rim.

   2. A new tire, but it is not a tire placed on a motor vehicle, trailer, or semitrailer prior to its original retail sale or a recapped tire.

   (e) The term "motor vehicle" as used in this section shall mean "motor vehicle" as defined in KRS 138.450.

(3) (2) When a retailer sells a new motor vehicle tire in Kentucky to replace another
tire, the tire that is replaced becomes a waste tire subject to the waste tire program. The retailer shall encourage the purchaser of the new tire to leave the waste tire with the retailer or meet the following requirements:
(a) Dispose of the waste tire in accordance with KRS 224.50-856(1);
(b) Deliver the waste tire to a person registered in accordance with the waste tire program; or
(c) Reuse the waste tire for its original intended purpose or an agricultural purpose.

(4) (a) A retailer shall report to the Department of Revenue on or before the twentieth day of each month the number of new motor vehicle tires sold during the preceding month and the number of waste tires received from customers that month.
(b) The report shall be filed on forms and contain information as the Department of Revenue may require.
(c) The retailer shall be allowed to retain an amount equal to five percent (5%) of the fees due, provided the amount due is not delinquent at the time of payment.

(5) A retailer shall:
(a) Accept from the purchaser of a new tire, if offered, for each new motor vehicle tire sold, a waste tire of similar size and type; and
(b) Post notice at the place where retail sales are made that state law requires:
   1. The retailer to accept, if offered, a waste tire for each new motor vehicle tire sold and that a person purchasing a new motor vehicle tire to replace another tire shall comply with subsection (2) of this section; and
   2. The two dollar ($2) new tire fee is used by the state to oversee the management of waste tires, including cleaning up abandoned waste tire piles and preventing illegal dumping of waste tires.
A retailer shall comply with the requirements of the recordkeeping system for waste tires established by KRS 224.50-874.

A retailer shall transfer waste tires only to a person who presents a letter from the cabinet approving the registration issued under KRS 224.50-858 or a copy of a solid waste disposal facility permit issued by the cabinet, unless the retailer is delivering the waste tires to a destination outside Kentucky and the waste tires will remain in the retailer's possession until they reach that destination.

The cabinet shall, in conjunction with the Waste Tire Working Group, develop the informational fact sheet to be made publicly available on the cabinet's Web site and available in print upon request. The fact sheet shall identify ways to properly dispose of the waste tire and present information on the problems caused by improper waste tire disposal.

Section 30. KRS 224.50-855 is amended to read as follows:

(1) The Waste Tire Working Group is hereby established and shall be attached to the cabinet for administrative purposes and staff support.

(2) The Waste Tire Working Group shall have the following eight (8) members:

(a) The director of the Division of Waste Management or his or her designee who shall be an ex officio member and also serve as chair;

(b) The manager of the Recycling and Local Assistance Branch within the Division of Waste Management or his or her designee who shall be an ex officio member;

(c) One (1) representative of the Kentucky Department of Agriculture, to be selected by the Commissioner of Agriculture and appointed by the Governor for an initial term of two (2) years and who may be reappointed;

(d) Two (2) representatives of the Solid Waste Coordinators of Kentucky selected by the Solid Waste Coordinators of Kentucky and appointed by the Governor for an initial term of three (3) years and who may be reappointed;
(e) One (1) county judge/executive appointed by the Governor from a list of three (3) nominees submitted by the Kentucky County Judge/Executive Association for an initial term of three (3) years and who may be reappointed;

(f) One (1) mayor of a Kentucky city appointed by the Governor from a list of three (3) nominees submitted by the Kentucky League of Cities; and

(g) One (1) representative of private industry engaged in the business of retail tire sales appointed by the Governor for an initial term of three (3) years and who may be reappointed.

(3) The members of the Waste Tire Working Group identified in paragraphs (c), (d), (e), (f), and (g) of subsection (2) of this section shall receive travel-related expenses but no salary as compensation.

(4) The first meeting of the Waste Tire Working Group shall be no later than August 15, 2011. The working group shall meet at least twice a year or more frequently at the call of the chair.

(5) The Waste Tire Working Group shall:

(a) Provide advice and input to the cabinet regarding:

1. The administration and implementation of alternative methods for controlling the local accumulation of waste tires;

2. Developing the concept of a core fee for waste tires;

3. Improving the manifest system that tracks tires from point of sale to point of disposal;

4. Developing ways to assist local governments with direct grants for waste tire disposal; and

5. Developing an informational fact sheet on proper waste tire disposal under KRS 224.50-868(3)(2) and (8)(7) to be made available on the cabinet's Web site and available in print upon request;

(b) Serve as an advisory body to the cabinet in the development of a formula that
the cabinet will use to apportion the money in the waste tire trust fund
established by KRS 224.50-880 for crumb rubber grants, tire amnesties, and
tire-derived fuel, and to return a portion of the waste tire funds to local
governments during Commonwealth Cleanup Week for waste tire disposal;
and
(c) Provide advice and input to the cabinet on the data development and
preparation of the waste tire report mandated under KRS 224.50-872.

Section 31. KRS 224.60-130 is amended to read as follows:

(1) The Energy and Environment Cabinet, Department for Environmental Protection,
Division of Waste Management, shall:

(a) Establish by administrative regulation the policy, guidelines, and procedures
to administer the financial responsibility and petroleum storage tank accounts
of the petroleum storage tank environmental assurance fund. In adopting
administrative regulations to carry out this section, the division may
distinguish between types, classes, and ages of petroleum storage tanks. The
division may establish a range of amounts to be paid from the fund, or may
base payments on methods such as pay for performance, task order, or firm
fixed pricing, which are designed to provide incentives for contractors to
more tightly control corrective action costs, and shall establish criteria to be
met by persons who contract to perform corrective action to be eligible for
reimbursement from the fund. The criteria may include the certification of
individuals, partnerships, and companies. Criteria shall be established to
certify laboratories that contract to perform analytical testing related to the
underground storage tank program. Owners and operators shall have all
required analytical testing performed by a certified laboratory to be eligible
for fund participation. Persons who contract with petroleum storage tank
owners or operators shall not be paid more than the amount authorized by the
division for reimbursement from the fund for the performance of corrective action. At a minimum, the division shall promulgate administrative regulations that will insure an unobligated balance in the fund adequate to meet financial assurance requirements and corrective action requirements of KRS 224.60-135(2) and (4). If the unobligated balance in the fund is not adequate to meet the requirements of this paragraph, the division shall obligate funds necessary to meet these requirements;

(b) Establish by administrative regulation the criteria to be met to be eligible to participate in the financial responsibility and petroleum storage tank accounts and to receive reimbursement from these accounts. The division may establish eligibility criteria for the petroleum storage tank account based upon the financial ability of the petroleum storage tank owner or operator. Owners or operators seeking coverage under the petroleum storage tank account shall file for eligibility and for financial assistance with the division. To ensure cost effectiveness, the division shall promulgate administrative regulations specifying the circumstances under which prior approval of corrective action costs shall be required for those costs to be eligible for reimbursement from the fund. In promulgating administrative regulations to carry out this section, the division may distinguish between types, classes, and ages of petroleum storage tanks and the degree of compliance of the facility with any administrative regulations of the cabinet promulgated pursuant to KRS 224.60-105 or applicable federal regulations;

(c) Establish a financial responsibility account within the fund which may be used by petroleum storage tank owners and operators to demonstrate financial responsibility as required by administrative regulations of the cabinet or the federal regulations applicable to petroleum storage tanks, consistent with the intent of the General Assembly as set forth in KRS 224.60-120(5). The
account shall receive four-tenths of one cent ($0.004) from the one and four-tenths cent ($0.014) paid on each gallon of gasoline and special fuels received in this state pursuant to KRS 224.60-145. To be eligible to use this account to demonstrate compliance with financial responsibility requirements of the cabinet or federal regulations, or to receive reimbursement from this account for taking corrective action and for compensating third parties for bodily injury and property damage, the petroleum storage tank owner or operator shall meet the eligibility requirements established by administrative regulation promulgated by the division;

(d) Establish a small operator assistance account within the fund which may be used by the division to make or participate in the making of loans, to purchase or participate in the purchase of the loans, which purchase may be from eligible lenders, or to insure loans made by eligible lenders;

(e) Establish a petroleum storage tank account within the fund to be used to pay the costs of corrective action due to a release from a petroleum storage tank not eligible for reimbursement from the financial responsibility account. Reimbursements of corrective action projects performed under the petroleum storage tank account shall be carried out on or before July 15, 2028. Any corrective action costs incurred after this date shall not be eligible for reimbursement under the petroleum storage tank account. The account shall receive one cent ($0.01) from the one and four-tenths cent ($0.014) paid on each gallon of gasoline and special fuels received in this state pursuant to KRS 224.60-145. This account shall not be used to compensate third parties for bodily injury and property damage. Within three (3) months after July 15, 2004, the division shall develop a plan to address the payment of claims and completion of corrective action at facilities eligible for reimbursement from this account. The division shall establish a ranking system to be used for the
distribution of amounts from this account for the purpose of corrective action.

In promulgating administrative regulations to carry out this section, the division shall consider the financial ability of the petroleum storage tank owner or operator to perform corrective action and the extent of damage caused by a release into the environment from a petroleum storage tank;

(f) Hear complaints brought before the division regarding the payment of claims from the fund in accordance with KRS 224.10-410 to 224.10-470;

(g) Establish and maintain necessary offices within this state, appoint employees and agents as necessary, and prescribe their duties and compensation;

(h) Employ, in accordance with the procedures found in KRS 45A.690 to 45A.725 for awarding personal service contracts, a qualified actuary to perform actuarial studies, as directed by the division, for determining an appropriate reserve in the financial responsibility account and the petroleum storage tank account sufficient to satisfy the obligations in each account for all eligible facilities and to satisfy future liabilities and expenses necessary to operate each account. The division shall, by administrative regulation, set the entry level for participation in the fund;

(i) Authorize expenditures from the fund to carry out the purpose of KRS 224.60-105 to 224.60-160, including reasonable costs of administering the fund, the procurement of legal services, and the procurement of analytical testing services when necessary to confirm the accuracy of analytical testing results obtained by a petroleum storage tank owner or operator. The expenditures shall be paid from the appropriate account;

(j) Establish a small operators' tank removal account within the fund to reimburse the reasonable cost of tank system removal for small owners and operators. The account shall not be used when an owner or operator is removing the tank with the intention of replacing or upgrading the tank. In
promulgating administrative regulations to carry out this paragraph, the
division may distinguish among owners and operators based on income and
types and classes of tanks. The division shall not place a limit on the number
of tanks that an owner or operator has in order to be eligible to participate in
the program and receive reimbursement under this paragraph;

(k) Establish by administrative regulation the policy, guidelines, and procedures
to perform financial audits of any petroleum storage tank owner or operator
receiving reimbursement from the fund or any entity contracting or
subcontracting to provide corrective action services for facilities eligible for
fund reimbursement. Financial audits shall be limited to those files, records,
computer records, receipts, and other documents related to corrective action
performed at a facility where the costs of corrective action have been
reimbursed by the fund. Files, records, computer records, receipts, and other
documents related to corrective action reimbursed by the fund shall be subject
to a financial audit for a period of three (3) years after the date of final
reimbursement from the fund. Results of the audits shall be protected from
disclosure as allowed by KRS 61.878(1)(c). Financial auditing services may
be contracted for or personnel may be employed as needed to implement the
requirements of this paragraph;

(l) Be authorized to enter and inspect any facility intending to seek
reimbursement for the cost of corrective action to determine the
reasonableness and necessity of the cost of corrective action. The division
may collect soil or water samples or require storage tank owners or operators
to split samples with the division for analytical testing. Refusal to allow entry
and inspection of a facility or refusal to allow the division to collect or split
samples shall make the facility ineligible for fund participation;

(m) Have inspectors on site at all tank system removals. Failure to comply with
this provision shall make the facility ineligible for fund participation. A petroleum storage tank owner or operator may request through certified mail that the division schedule an inspector to be present at an upcoming tank removal. If the request is made at least two (2) weeks before the time for the removal and an inspector fails to be present at the time scheduled, the tank removal may proceed without making the facility ineligible for fund participation unless the owner is notified by the division no later than ten (10) days prior to the proposed date that an inspector is not available on the proposed date, in which event a representative of the division shall contact the operator and schedule a new date. If no inspector is present at the rescheduled date, the removal may then proceed without penalty; and

(n) Establish that the deadline for submission of final reimbursement requests under the petroleum storage tank account is two (2) years after receipt of a no further action letter.

(2) The division may advise the cabinet on the promulgation of administrative regulations concerning petroleum storage tanks.

(3) The division may sue and be sued in its own name.

(4) The division may transfer funds from the petroleum storage tank account to the small operator tank removal account as needed to satisfy the obligations, future liabilities, and expenses necessary to operate that account. The division may transfer funds to the financial responsibility account as needed to maintain within that account sufficient funds to demonstrate financial responsibility and to ensure payment of claims as provided in subsection (1)(c) of this section.

Section 32. KRS 224.60-142 is amended to read as follows:

(1) To be eligible to participate in the fund, the owner of any petroleum storage tank containing motor fuels installed and placed in operation after July 15, 2004, shall register the petroleum storage tank with the cabinet as required by KRS 224.60-105
prior to applying for participation in the financial responsibility account.

(2) The owner of any petroleum storage tank containing motor fuels currently existing, or removed from the ground after January 1, 1974, shall register the petroleum storage tank containing motor fuels with the cabinet prior to applying to the fund, and shall register the petroleum storage tank containing motor fuels by July 15, 2021. Owners or operators may submit affidavits and applications relevant to current petroleum storage tank accounts through July 15, 2025.

Section 33. KRS 224.60-145 is amended to read as follows:

(1) Except as provided in subsection (2) of this section, there is established a petroleum environmental assurance fee to be paid by dealers on each gallon of gasoline and special fuels received in this state.

(2) All deductions detailed in KRS 138.240(2) and all credits detailed in KRS 138.358 are exempt from the fee. If a dealer has on file, pursuant to KRS Chapter 138, a statement supporting a claimed exemption, an additional statement shall not be required for claiming exemption from the fee.

(3) The fee shall be reported and paid to the Department of Revenue at the same time and in the same manner as is required for the reporting and payment of the gasoline and special fuels taxes as provided by law.

(4) The petroleum environmental assurance fee shall be set at one and four-tenths cent ($0.014) for each gallon. Four-tenths of a cent ($0.004) per gallon shall be deposited in the financial responsibility account and one cent ($0.01) shall be deposited in the petroleum storage tank account.

(5) Within thirty (30) days of the close of fiscal year 2001-2002 and each fiscal year thereafter, the state budget director shall review the balance of each account to determine if a surplus exists. "Surplus" means funds in excess of the amounts necessary to satisfy the obligations in each account for all eligible facilities, to satisfy future liabilities and expenses necessary to operate each account, and to
maintain an appropriate reserve in the financial responsibility account to
demonstrate financial responsibility and compensate for third-party claims. The
state budget director shall report the determination to the Interim Joint Committee
on Appropriations and Revenue. After a determination that a surplus exists, the
surplus shall be transferred to a restricted account and retained until appropriated
by the General Assembly.

(6) All provisions of law related to the Department of Revenue's administration and
enforcement of the gasoline and special fuels tax and all other powers generally
conveyed to the Department of Revenue by the Kentucky Revised Statutes for the
assessment and collection of taxes shall apply with regard to the fee levied by KRS
224.60-105 to 224.60-160.

(7) The Department of Revenue shall refund the fee imposed by KRS 224.60-145(1) to
any person who paid the fee provided they are entitled to a refund of motor fuel tax
under KRS 138.344 to KRS 138.355 and to any person who paid the fee on
transactions exempted under KRS 224.60-145(2).

(8) Notwithstanding any other provisions of KRS 65.180, 65.182, 68.600 to 68.606,
139.470, 183.165, 224.60-115, 224.60-130, 224.60-137, 224.60-140, 224.60-142,
and this section to the contrary, the small operator assistance account and small
operator tank removal account established under KRS 224.60-130 shall continue in
effect until July 15, 2025, and thereafter until all eligible claims related to
tanks registered by that date are resolved, and sufficient money shall be allocated to
and maintained in that account to assure prompt payment of all eligible claims, and
to provide for removal of tanks for eligible owners and operators as directed by this
chapter.

Section 34. KRS 139.010 is amended to read as follows:

As used in this chapter, unless the context otherwise provides:

(1) (a) "Admissions" means the fees paid for:
1. The right of entrance to a display, program, sporting event, music concert, performance, play, show, movie, exhibit, fair, or other entertainment or amusement event or venue; and

2. The privilege of using facilities or participating in an event or activity, including but not limited to:
   a. Bowling centers;
   b. Skating rinks;
   c. Health spas;
   d. Swimming pools;
   e. Tennis courts;
   f. Weight training facilities;
   g. Fitness and recreational sports centers; and
   h. Golf courses, both public and private; regardless of whether the fee paid is per use or in any other form, including but not limited to an initiation fee, monthly fee, membership fee, or combination thereof.

(b) "Admissions" does not include:

1. Any fee paid to enter or participate in a fishing tournament; or
2. Any fee paid for the use of a boat ramp for the purpose of allowing boats to be launched into or hauled out from the water;

(2) "Advertising and promotional direct mail" means direct mail the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a product, person, business, or organization. As used in this definition, "product" means tangible personal property, an item transferred electronically, or a service;

(3) "Business" includes any activity engaged in by any person or caused to be engaged in by that person with the object of gain, benefit, or advantage, either direct or
indirect;

(4) "Commonwealth" means the Commonwealth of Kentucky;

(5) "Department" means the Department of Revenue;

(6) (a) "Digital audio-visual works" means a series of related images which, when shown in succession, impart an impression of motion, with accompanying sounds, if any.

(b) "Digital audio-visual works" includes movies, motion pictures, musical videos, news and entertainment programs, and live events.

(c) "Digital audio-visual works" shall not include video greeting cards, video games, and electronic games;

(7) (a) "Digital audio works" means works that result from the fixation of a series of musical, spoken, or other sounds.

(b) "Digital audio works" includes ringtones, recorded or live songs, music, readings of books or other written materials, speeches, or other sound recordings.

(c) "Digital audio works" shall not include audio greeting cards sent by electronic mail;

(8) (a) "Digital books" means works that are generally recognized in the ordinary and usual sense as books, including any literary work expressed in words, numbers, or other verbal or numerical symbols or indicia if the literary work is generally recognized in the ordinary or usual sense as a book.

(b) "Digital books" shall not include digital audio-visual works, digital audio works, periodicals, magazines, newspapers, or other news or information products, chat rooms, or Web logs;

(9) (a) "Digital code" means a code which provides a purchaser with a right to obtain one (1) or more types of digital property. A "digital code" may be obtained by any means, including electronic mail messaging or by tangible means,
regardless of the code's designation as a song code, video code, or book code.

(b) "Digital code" shall not include a code that represents:

1. A stored monetary value that is deducted from a total as it is used by the purchaser; or

2. A redeemable card, gift card, or gift certificate that entitles the holder to select specific types of digital property;

(10) (a) "Digital property" means any of the following which is transferred electronically:

1. Digital audio works;

2. Digital books;

3. Finished artwork;

4. Digital photographs;

5. Periodicals;

6. Newspapers;

7. Magazines;

8. Video greeting cards;

9. Audio greeting cards;

10. Video games;

11. Electronic games; or

12. Any digital code related to this property.

(b) "Digital property" shall not include digital audio-visual works or satellite radio programming;

(11) (a) "Direct mail" means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipient.

(b) "Direct mail" includes tangible personal property supplied directly or
indirectly by the purchaser to the direct mail retailer for inclusion in the
package containing the printed material.

c) "Direct mail" does not include multiple items of printed material delivered to
a single address;

(12) "Directly used in the manufacturing or industrial processing process" means the
process [within a plant facility] that commences with the movement of raw
materials from storage into a continuous, unbroken, integrated process and ends
when the finished product is packaged and ready for sale;

(13) (a) "Extended warranty services" means services provided through a service
contract agreement between the contract provider and the purchaser where the
purchaser agrees to pay compensation for the contract and the provider agrees
to repair, replace, support, or maintain tangible personal property or digital
property according to the terms of the contract if:

1. The service contract agreement is sold or purchased on or after July 1,
   2018; and

2. The tangible personal property or digital property for which the service
   contract agreement is provided is subject to tax under this chapter or
   under KRS 138.460.

(b) "Extended warranty services" does not include the sale of a service contract
agreement for tangible personal property to be used by a small telephone
utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in
KRS 65.7621 to deliver communications services as defined in KRS 136.602
or broadband as defined in KRS 278.5461;

(14) (a) "Finished artwork" means final art that is used for actual reproduction by
photomechanical or other processes or for display purposes.

(b) "Finished artwork" includes:

1. Assemblies;
2. Charts;
3. Designs;
4. Drawings;
5. Graphs;
6. Illustrative materials;
7. Lettering;
8. Mechanicals;
9. Paintings; and
10. Paste-ups;

(15) (a) "Gross receipts" and "sales price" mean the total amount or consideration, including cash, credit, property, and services, for which tangible personal property, digital property, or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for any of the following:
1. The retailer's cost of the tangible personal property, digital property, or services sold;
2. The cost of the materials used, labor or service cost, interest, losses, all costs of transportation to the retailer, all taxes imposed on the retailer, or any other expense of the retailer;
3. Charges by the retailer for any services necessary to complete the sale;
4. Delivery charges, which are defined as charges by the retailer for the preparation and delivery to a location designated by the purchaser including transportation, shipping, postage, handling, crating, and packing;
5. Any amount for which credit is given to the purchaser by the retailer, other than credit for tangible personal property or digital property traded when the tangible personal property or digital property traded is of like
kind and character to the property purchased and the property traded is
held by the retailer for resale; and

6. The amount charged for labor or services rendered in installing or
applying the tangible personal property, digital property, or service sold.

(b) "Gross receipts" and "sales price" shall include consideration received by the
retailer from a third party if:

1. The retailer actually receives consideration from a third party and the
consideration is directly related to a price reduction or discount on the
sale to the purchaser;

2. The retailer has an obligation to pass the price reduction or discount
through to the purchaser;

3. The amount of consideration attributable to the sale is fixed and
determinable by the retailer at the time of the sale of the item to the
purchaser; and

4. One (1) of the following criteria is met:

   a. The purchaser presents a coupon, certificate, or other
documentation to the retailer to claim a price reduction or discount
where the coupon, certificate, or documentation is authorized,
distributed, or granted by a third party with the understanding that
the third party will reimburse any seller to whom the coupon,
certificate, or documentation is presented;

   b. The price reduction or discount is identified as a third-party price
reduction or discount on the invoice received by the purchaser or
on a coupon, certificate, or other documentation presented by the
purchaser; or

   c. The purchaser identifies himself or herself to the retailer as a
member of a group or organization entitled to a price reduction or
discount. A "preferred customer" card that is available to any
patron does not constitute membership in such a group.

(c) "Gross receipts" and "sales price" shall not include:

1. Discounts, including cash, term, or coupons that are not reimbursed by a
   third party and that are allowed by a retailer and taken by a purchaser on
   a sale;

2. Interest, financing, and carrying charges from credit extended on the
   sale of tangible personal property, digital property, or services, if the
   amount is separately stated on the invoice, bill of sale, or similar
document given to the purchaser; or

3. Any taxes legally imposed directly on the purchaser that are separately
   stated on the invoice, bill of sale, or similar document given to the
   purchaser.

(d) As used in this subsection, "third party" means a person other than the
purchaser;

(16) "In this state" or "in the state" means within the exterior limits of the
Commonwealth and includes all territory within these limits owned by or ceded to
the United States of America;

(17) "Industrial processing" includes:

(a) Refining;

(b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;

(c) Mining, quarrying, fabricating, and industrial assembling;

(d) The processing and packaging of raw materials, in-process materials, and
finished products; and

(e) The processing and packaging of farm and dairy products for sale;

(18) (a) "Lease or rental" means any transfer of possession or control of tangible
personal property for a fixed or indeterminate term for consideration. A lease
or rental shall include future options to:

1. Purchase the property; or
2. Extend the terms of the agreement and agreements covering trailers where the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property as defined in 26 U.S.C. sec. 7701(h)(1).

(b) "Lease or rental" shall not include:

1. A transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;
2. A transfer of possession or control of property under an agreement that requires the transfer of title upon completion of the required payments and payment of an option price that does not exceed the greater of one hundred dollars ($100) or one percent (1%) of the total required payments; or
3. Providing tangible personal property and an operator for the tangible personal property for a fixed or indeterminate period of time. To qualify for this exclusion, the operator must be necessary for the equipment to perform as designed, and the operator must do more than maintain, inspect, or setup the tangible personal property.

(c) This definition shall apply regardless of the classification of a transaction under generally accepted accounting principles, the Internal Revenue Code, or other provisions of federal, state, or local law;

(19) (a) "Machinery for new and expanded industry" means machinery:
1. Directly used in the manufacturing or industrial processing process of:
   a. Tangible personal property at a plant facility;
   b. Distilled spirits or wine at a plant facility or on the premises of a
distiller, rectifier, winery, or small farm winery licensed under KRS 243.030 that includes a retail establishment on the premises; or

c. Malt beverages at a plant facility or on the premises of a brewer or microbrewery licensed under KRS 243.040 that includes a retail establishment;

2. Which is incorporated for the first time into:

a. A plant facility established in this state; or

b. Licensed premises located in this state; and

3. Which does not replace machinery in the plant facility or licensed premises unless that machinery purchased to replace existing machinery:

a. Increases the consumption of recycled materials at the plant facility by not less than ten percent (10%);

b. Performs different functions;

c. Is used to manufacture a different product; or

d. Has a greater productive capacity, as measured in units of production, than the machinery being replaced.

(b) "Machinery for new and expanded industry" does not include repair, replacement, or spare parts of any kind, regardless of whether the purchase of repair, replacement, or spare parts is required by the manufacturer or seller as a condition of sale or as a condition of warranty;

(20) "Manufacturing" means any process through which material having little or no commercial value for its intended use before processing has appreciable commercial value for its intended use after processing by the machinery;

(21) "Marketplace" means any physical or electronic means through which one (1) or more retailers may advertise and sell tangible personal property, digital property, or
services, or lease tangible personal property or digital property, such as a catalog, Internet Web site, or television or radio broadcast, regardless of whether the tangible personal property, digital property, or retailer is physically present in this state;

(22) (a) "Marketplace provider" means a person, including any affiliate of the person, that facilitates a retail sale by satisfying subparagraphs 1. and 2. of this paragraph as follows:

1. The person directly or indirectly:

   a. Lists, makes available, or advertises tangible personal property, digital property, or services for sale by a marketplace retailer in a marketplace owned, operated, or controlled by the person;

   b. Facilitates the sale of a marketplace retailer's product through a marketplace by transmitting or otherwise communicating an offer or acceptance of a retail sale of tangible personal property, digital property, or services between a marketplace retailer and a purchaser in a forum including a shop, store, booth, catalog, Internet site, or similar forum;

   c. Owns, rents, licenses, makes available, or operates any electronic or physical infrastructure or any property, process, method, copyright, trademark, or patent that connects marketplace retailers to purchasers for the purpose of making retail sales of tangible personal property, digital property, or services;

   d. Provides a marketplace for making retail sales of tangible personal property, digital property, or services, or otherwise facilitates retail sales of tangible personal property, digital property, or services, regardless of ownership or control of the tangible personal property, digital property, or services, that are the subject of the
retail sale;

e. Provides software development or research and development activities related to any activity described in this subparagraph, if the software development or research and development activities are directly related to the physical or electronic marketplace provided by a marketplace provider;

f. Provides or offers fulfillment or storage services for a marketplace retailer;

g. Sets prices for a marketplace retailer's sale of tangible personal property, digital property, or services;

h. Provides or offers customer service to a marketplace retailer or a marketplace retailer's customers, or accepts or assists with taking orders, returns, or exchanges of tangible personal property, digital property, or services sold by a marketplace retailer; or

i. Brands or otherwise identifies sales as those of the marketplace provider; and

2. The person directly or indirectly:

a. Collects the sales price or purchase price of a retail sale of tangible personal property, digital property, or services;

b. Provides payment processing services for a retail sale of tangible personal property, digital property, or services;

c. Charges, collects, or otherwise receives selling fees, listing fees, referral fees, closing fees, fees for inserting or making available tangible personal property, digital property, or services on a marketplace, or receives other consideration from the facilitation of a retail sale of tangible personal property, digital property, or services, regardless of ownership or control of the tangible
personal property, digital property, or services that are the subject of the retail sale;

d. Through terms and conditions, agreements, or arrangements with a third party, collects payment in connection with a retail sale of tangible personal property, digital property, or services from a purchaser and transmits that payment to the marketplace retailer, regardless of whether the person collecting and transmitting the payment receives compensation or other consideration in exchange for the service; or

provide a virtual currency that purchasers are allowed or required to use to purchase tangible personal property, digital property, or services.

(b) "Marketplace provider" includes but is not limited to a person that satisfies the requirements of this subsection through the ownership, operation, or control of a digital distribution service, digital distribution platform, online portal, or application store;

(23) "Marketplace retailer" means a seller that makes retail sales through any marketplace owned, operated, or controlled by a marketplace provider;

(24) (a) "Occasional sale" includes:

1. A sale of tangible personal property or digital property not held or used by a seller in the course of an activity for which he or she is required to hold a seller's permit, provided such sale is not one (1) of a series of sales sufficient in number, scope, and character to constitute an activity requiring the holding of a seller's permit. In the case of the sale of the entire, or a substantial portion of the nonretail assets of the seller, the number of previous sales of similar assets shall be disregarded in determining whether or not the current sale or sales shall qualify as an
occasional sale; or

2. Any transfer of all or substantially all the tangible personal property or digital property held or used by a person in the course of such an activity when after such transfer the real or ultimate ownership of such property is substantially similar to that which existed before such transfer.

(b) For the purposes of this subsection, stockholders, bondholders, partners, or other persons holding an interest in a corporation or other entity are regarded as having the "real or ultimate ownership" of the tangible personal property or digital property of such corporation or other entity;

(25) (a) "Other direct mail" means any direct mail that is not advertising and promotional direct mail, regardless of whether advertising and promotional direct mail is included in the same mailing.

(b) "Other direct mail" includes but is not limited to:

1. Transactional direct mail that contains personal information specific to the addressee, including but not limited to invoices, bills, statements of account, and payroll advices;

2. Any legally required mailings, including but not limited to privacy notices, tax reports, and stockholder reports; and

3. Other nonpromotional direct mail delivered to existing or former shareholders, customers, employees, or agents, including but not limited to newsletters and informational pieces.

(c) "Other direct mail" does not include the development of billing information or the provision of any data processing service that is more than incidental to the production of printed material;

(26) "Person" includes any individual, firm, copartnership, joint venture, association, social club, fraternal organization, corporation, estate, trust, business trust, receiver,
trustee, syndicate, cooperative, assignee, governmental unit or agency, or any other
group or combination acting as a unit;

(27) "Permanent," as the term applies to digital property, means perpetual or for an
indefinite or unspecified length of time;

(28) "Plant facility" means a single location that is exclusively dedicated to
manufacturing or industrial processing activities. A location shall be deemed to be
exclusively dedicated to manufacturing or industrial processing activities even if
retail sales are made there, provided that the retail sales are incidental to the
manufacturing or industrial processing activities occurring at the location. The term
"plant facility" shall not include any restaurant, grocery store, shopping center, or
other retail establishment;

(29) (a) "Prewritten computer software" means:

1. Computer software, including prewritten upgrades, that are not designed
   and developed by the author or other creator to the specifications of a
   specific purchaser;

2. Software designed and developed by the author or other creator to the
   specifications of a specific purchaser when it is sold to a person other
   than the original purchaser; or

3. Any portion of prewritten computer software that is modified or
   enhanced in any manner, where the modification or enhancement is
   designed and developed to the specifications of a specific purchaser,
   unless there is a reasonable, separately stated charge on an invoice or
   other statement of the price to the purchaser for the modification or
   enhancement.

(b) When a person modifies or enhances computer software of which the person
is not the author or creator, the person shall be deemed to be the author or
creator only of the modifications or enhancements the person actually made.
(c) The combining of two (2) or more prewritten computer software programs or portions thereof does not cause the combination to be other than prewritten computer software;

(30) (a) "Purchase" means any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means whatsoever, of:

1. Tangible personal property;
2. An extended warranty service;
3. Digital property transferred electronically; or
4. Services included in KRS 139.200;

for a consideration.

(b) "Purchase" includes:

1. When performed outside this state or when the customer gives a resale certificate, the producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing, or imprinting;
2. A transaction whereby the possession of tangible personal property or digital property is transferred but the seller retains the title as security for the payment of the price; and
3. A transfer for a consideration of the title or possession of tangible personal property or digital property which has been produced, fabricated, or printed to the special order of the customer, or of any publication;

(31) "Recycled materials" means materials which have been recovered or diverted from the solid waste stream and reused or returned to use in the form of raw materials or products;
(32) "Recycling purposes" means those activities undertaken in which materials that would otherwise become solid waste are collected, separated, or processed in order to be reused or returned to use in the form of raw materials or products;

(33) "Remote retailer" means a retailer with no physical presence in this state;

(34) (a) "Repair, replacement, or spare parts" means any tangible personal property used to maintain, restore, mend, or repair machinery or equipment.

(b) "Repair, replacement, or spare parts" does not include machine oils, grease, or industrial tools;

(35) (a) "Retailer" means:

1. Every person engaged in the business of making retail sales of tangible personal property, digital property, or furnishing any services in a retail sale included in KRS 139.200;

2. Every person engaged in the business of making sales at auction of tangible personal property or digital property owned by the person or others for storage, use or other consumption, except as provided in paragraph (c) of this subsection;

3. Every person making more than two (2) retail sales of tangible personal property, digital property, or services included in KRS 139.200 during any twelve (12) month period, including sales made in the capacity of assignee for the benefit of creditors, or receiver or trustee in bankruptcy;

4. Any person conducting a race meeting under the provision of KRS Chapter 230, with respect to horses which are claimed during the meeting.

(b) When the department determines that it is necessary for the efficient administration of this chapter to regard any salesmen, representatives, peddlers, or canvassers as the agents of the dealers, distributors, supervisors or employers under whom they operate or from whom they obtain the tangible
personal property, digital property, or services sold by them, irrespective of whether they are making sales on their own behalf or on behalf of the dealers, distributors, supervisors or employers, the department may so regard them and may regard the dealers, distributors, supervisors or employers as retailers for purposes of this chapter.

(c) 1. Any person making sales at a charitable auction for a qualifying entity shall not be a retailer for purposes of the sales made at the charitable auction if:
   a. The qualifying entity, not the person making sales at the auction, is sponsoring the auction;
   b. The purchaser of tangible personal property at the auction directly pays the qualifying entity sponsoring the auction for the property and not the person making the sales at the auction; and
   c. The qualifying entity, not the person making sales at the auction, is responsible for the collection, control, and disbursement of the auction proceeds.

2. If the conditions set forth in subparagraph 1. of this paragraph are met, the qualifying entity sponsoring the auction shall be the retailer for purposes of the sales made at the charitable auction.

3. For purposes of this paragraph, "qualifying entity" means a resident:
   a. Church;
   b. School;
   c. Civic club; or
   d. Any other nonprofit charitable, religious, or educational organization;

(36) "Retail sale" means any sale, lease, or rental for any purpose other than resale, sublease, or subrent;
(37) (a) "Ringtones" means digitized sound files that are downloaded onto a device and that may be used to alert the customer with respect to a communication.

(b) "Ringtones" shall not include ringback tones or other digital files that are not stored on the purchaser's communications device;

(38) (a) "Sale" means:

1. The furnishing of any services included in KRS 139.200;

2. Any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means whatsoever, of:

   a. Tangible personal property; or

   b. Digital property transferred electronically;

for a consideration.

(b) "Sale" includes but is not limited to:

1. The producing, fabricating, processing, printing, or imprinting of tangible personal property or digital property for a consideration for purchasers who furnish, either directly or indirectly, the materials used in the producing, fabricating, processing, printing, or imprinting;

2. A transaction whereby the possession of tangible personal property or digital property is transferred, but the seller retains the title as security for the payment of the price; and

3. A transfer for a consideration of the title or possession of tangible personal property or digital property which has been produced, fabricated, or printed to the special order of the purchaser.

(c) This definition shall apply regardless of the classification of a transaction under generally accepted accounting principles, the Internal Revenue Code, or other provisions of federal, state, or local law;

(39) "Seller" includes every person engaged in the business of selling tangible personal
property, digital property, or services of a kind, the gross receipts from the retail
sale of which are required to be included in the measure of the sales tax, and every
person engaged in making sales for resale;

(40) (a) "Storage" includes any keeping or retention in this state for any purpose
except sale in the regular course of business or subsequent use solely outside
this state of tangible personal property or digital property purchased from a
retailer.

(b) "Storage" does not include the keeping, retaining, or exercising any right or
power over tangible personal property for the purpose of subsequently
transporting it outside the state for use thereafter solely outside the state, or
for the purpose of being processed, fabricated, or manufactured into, attached
to, or incorporated into, other tangible personal property to be transported
outside the state and thereafter used solely outside the state;

(41) "Tangible personal property" means personal property which may be seen,
weighed, measured, felt, or touched, or which is in any other manner perceptible to
the senses and includes natural, artificial, and mixed gas, electricity, water, steam,
and prewritten computer software;

(42) "Taxpayer" means any person liable for tax under this chapter;

(43) "Transferred electronically" means accessed or obtained by the purchaser by means
other than tangible storage media; and

(44) (a) "Use" includes the exercise of:

1. Any right or power over tangible personal property or digital property
   incident to the ownership of that property, or by any transaction in
   which possession is given, or by any transaction involving digital
   property where the right of access is granted; or

2. Any right or power to benefit from extended warranty services.

(b) "Use" does not include the keeping, retaining, or exercising any right or
power over tangible personal property or digital property for the purpose of:

1. Selling tangible personal property or digital property in the regular course of business; or

2. Subsequently transporting tangible personal property outside the state for use thereafter solely outside the state, or for the purpose of being processed, fabricated, or manufactured into, attached to, or incorporated into, other tangible personal property to be transported outside the state and thereafter used solely outside the state.

Section 35. KRS 139.470 is amended to read as follows:

There are excluded from the computation of the amount of taxes imposed by this chapter:

(1) Gross receipts from the sale of, and the storage, use, or other consumption in this state of, tangible personal property or digital property which this state is prohibited from taxing under the Constitution or laws of the United States, or under the Constitution of this state;

(2) Gross receipts from sales of, and the storage, use, or other consumption in this state of:

(a) Nonreturnable and returnable containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container; and

(b) Returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling;

As used in this section the term "returnable containers" means containers of a kind customarily returned by the buyer of the contents for reuse. All other containers are "nonreturnable containers";

(3) Gross receipts from occasional sales of tangible personal property or digital property and the storage, use, or other consumption in this state of tangible personal property or digital property, the transfer of which to the purchaser is an occasional
sale;

(4) Gross receipts from sales of tangible personal property to a common carrier,
shipped by the retailer via the purchasing carrier under a bill of lading, whether the
freight is paid in advance or the shipment is made freight charges collect, to a point
outside this state and the property is actually transported to the out-of-state
destination for use by the carrier in the conduct of its business as a common carrier;

(5) Gross receipts from sales of tangible personal property sold through coin-operated
bulk vending machines, if the sale amounts to fifty cents ($0.50) or less, if the
retailer is primarily engaged in making the sales and maintains records satisfactory
to the department. As used in this subsection, "bulk vending machine" means a
vending machine containing unsorted merchandise which, upon insertion of a coin,
dispenses the same in approximately equal portions, at random and without
selection by the customer;

(6) Gross receipts from sales to any cabinet, department, bureau, commission, board, or
other statutory or constitutional agency of the state and gross receipts from sales to
counties, cities, or special districts as defined in KRS 65.005. This exemption shall
apply only to purchases of tangible personal property, digital property, or services
for use solely in the government function. A purchaser not qualifying as a
governmental agency or unit shall not be entitled to the exemption even though the
purchaser may be the recipient of public funds or grants;

(7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky
residents for use in heating, water heating, cooking, lighting, and other
residential uses. As used in this subsection, "fuel" shall include but not be
limited to natural gas, electricity, fuel oil, bottled gas, coal, coke, and wood.
Determinations of eligibility for the exemption shall be made by the
department;

(b) In making the determinations of eligibility, the department shall exempt from
taxation all gross receipts derived from sales:

1. Classified as "residential" by a utility company as defined by applicable tariffs filed with and accepted by the Public Service Commission;
2. Classified as "residential" by a municipally owned electric distributor which purchases its power at wholesale from the Tennessee Valley Authority;
3. Classified as "residential" by the governing body of a municipally owned electric distributor which does not purchase its power from the Tennessee Valley Authority, if the "residential" classification is reasonably consistent with the definitions of "residential" contained in tariff filings accepted and approved by the Public Service Commission with respect to utilities which are subject to Public Service Commission regulation.

If the service is classified as residential, use other than for "residential" purposes by the customer shall not negate the exemption;

(c) The exemption shall not apply if charges for sewer service, water, and fuel are billed to an owner or operator of a multi-unit residential rental facility or mobile home and recreational vehicle park other than residential classification; and

(d) The exemption shall apply also to residential property which may be held by legal or equitable title, by the entireties, jointly, in common, as a condominium, or indirectly by the stock ownership or membership representing the owner's or member's proprietary interest in a corporation owning a fee or a leasehold initially in excess of ninety-eight (98) years;

(8) Gross receipts from sales to an out-of-state agency, organization, or institution exempt from sales and use tax in its state of residence when that agency, organization, or institution gives proof of its tax-exempt status to the retailer and
the retailer maintains a file of the proof;

(9) (a) Gross receipts derived from the sale of the following tangible personal property, **as provided in paragraph (b) of this subsection**, to a manufacturer or industrial processor if the property is to be directly used in the manufacturing or industrial processing process of:

1. Tangible personal property at a plant facility;

2. **Distilled spirits or wine at a plant facility or on the premises of a distiller, rectifier, winery, or small farm winery licensed under KRS 243.030 that includes a retail establishment on the premises; or**

3. **Malt beverages at a plant facility or on the premises of a brewer or microbrewery licensed under KRS 243.040 that includes a retail establishment;**

and which will be for sale.

(b) **The following tangible personal property shall qualify for exemption under this subsection:**

1. Materials which enter into and become an ingredient or component part of the manufactured product;

2. Other tangible personal property which is directly used in the manufacturing or industrial processing process, if the property has a useful life of less than one (1) year. Specifically these items are categorized as follows:

   a. Materials. This refers to the raw materials which become an ingredient or component part of supplies or industrial tools exempt under subdivisions b. and c. below;

   b. Supplies. This category includes supplies such as lubricating and compounding oils, grease, machine waste, abrasives, chemicals, solvents, fluxes, anodes, filtering materials, fire brick, catalysts,
dyes, refrigerants, and explosives. The supplies indicated above
need not come in direct contact with a manufactured product to be
exempt. "Supplies" does not include repair, replacement, or spare
parts of any kind; and

c. Industrial tools. This group is limited to hand tools such as jigs,
dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns
and to tools attached to a machine such as molds, grinding balls,
grinding wheels, dies, bits, and cutting blades. Normally, for
industrial tools to be considered directly used in the manufacturing
or industrial processing process, they shall come into direct
contact with the product being manufactured or processed; and

3. Materials and supplies that are not reusable in the same manufacturing
or industrial processing process at the completion of a single
manufacturing or processing cycle. A single manufacturing cycle shall
be considered to be the period elapsing from the time the raw materials
enter into the manufacturing process until the finished product emerges
at the end of the manufacturing process.

\[(a)\] The property described in paragraph \[(b)\] of this subsection shall be
regarded as having been purchased for resale.

\[(d)\] For purposes of this subsection, a manufacturer or industrial processor
includes an individual or business entity that performs only part of the
manufacturing or industrial processing activity, and the person or business
entity need not take title to tangible personal property that is incorporated
into, or becomes the product of, the activity.

\[(e)\] The exemption provided in this subsection does not include repair,
replacement, or spare parts;

(10) Any water use fee paid or passed through to the Kentucky River Authority by
facilities using water from the Kentucky River basin to the Kentucky River Authority in accordance with KRS 151.700 to 151.730 and administrative regulations promulgated by the authority;

(11) Gross receipts from the sale of newspaper inserts or catalogs purchased for storage, use, or other consumption outside this state and delivered by the retailer's own vehicle to a location outside this state, or delivered to the United States Postal Service, a common carrier, or a contract carrier for delivery outside this state, regardless of whether the carrier is selected by the purchaser or retailer or an agent or representative of the purchaser or retailer, or whether the F.O.B. is retailer's shipping point or purchaser's destination.

(a) As used in this subsection:

1. "Catalogs" means tangible personal property that is printed to the special order of the purchaser and composed substantially of information regarding goods and services offered for sale; and

2. "Newspaper inserts" means printed materials that are placed in or distributed with a newspaper of general circulation.

(b) The retailer shall be responsible for establishing that delivery was made to a non-Kentucky location through shipping documents or other credible evidence as determined by the department;

(12) Gross receipts from the sale of water used in the raising of equine as a business;

(13) Gross receipts from the sale of metal retail fixtures manufactured in this state and purchased for storage, use, or other consumption outside this state and delivered by the retailer's own vehicle to a location outside this state, or delivered to the United States Postal Service, a common carrier, or a contract carrier for delivery outside this state, regardless of whether the carrier is selected by the purchaser or retailer or an agent or representative of the purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or the purchaser's destination.
(a) As used in this subsection, "metal retail fixtures" means check stands and belt and nonbelted checkout counters, whether made in bulk or pursuant to specific purchaser specifications, that are to be used directly by the purchaser or to be distributed by the purchaser.

(b) The retailer shall be responsible for establishing that delivery was made to a non-Kentucky location through shipping documents or other credible evidence as determined by the department;

(14) Gross receipts from the sale of unenriched or enriched uranium purchased for ultimate storage, use, or other consumption outside this state and delivered to a common carrier in this state for delivery outside this state, regardless of whether the carrier is selected by the purchaser or retailer, or is an agent or representative of the purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or purchaser's destination;

(15) Amounts received from a tobacco buydown. As used in this subsection, "buydown" means an agreement whereby an amount, whether paid in money, credit, or otherwise, is received by a retailer from a manufacturer or wholesaler based upon the quantity and unit price of tobacco products sold at retail that requires the retailer to reduce the selling price of the product to the purchaser without the use of a manufacturer's or wholesaler's coupon or redemption certificate;

(16) Gross receipts from the sale of tangible personal property or digital property returned by a purchaser when the full sales price is refunded either in cash or credit. This exclusion shall not apply if the purchaser, in order to obtain the refund, is required to purchase other tangible personal property or digital property at a price greater than the amount charged for the property that is returned;

(17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS Chapter 138;

(18) The amount of any tax imposed by the United States upon or with respect to retail
sales, whether imposed on the retailer or the consumer, not including any
manufacturer's excise or import duty;

(19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which is:

(a) Sold to a Kentucky resident, registered for use on the public highways, and
upon which any applicable tax levied by KRS 138.460 has been paid; or
(b) Sold to a nonresident of Kentucky if the nonresident registers the motor
vehicle in a state that:

1. Allows residents of Kentucky to purchase motor vehicles without
payment of that state's sales tax at the time of sale; or
2. Allows residents of Kentucky to remove the vehicle from that state
within a specific period for subsequent registration and use in Kentucky
without payment of that state's sales tax;

(20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and trailer as defined in KRS 189.010(17);

(21) Gross receipts from the collection of:

(a) Any fee or charge levied by a local government pursuant to KRS 65.760;
(b) The charge imposed by KRS 65.7629(3);
(c) The fee imposed by KRS 65.7634; and
(d) The service charge imposed by KRS 65.7636;

(22) Gross receipts derived from charges for labor or services to apply, install, repair, or maintain tangible personal property directly used in manufacturing or industrial processing process of:

(a) **Tangible personal property at a plant facility:**

(b) **Distilled spirits or wine at a plant facility or on the premises of a distiller, rectifier, winery, or small farm winery licensed under KRS 243.030; or**

(c) **Malt beverages at a plant facility or on the premises of a brewer or**
microbrewery licensed under KRS 243.040[, and]

that is not otherwise exempt under subsection (9) of this section or KRS 139.480(10), if the charges for labor or services are separately stated on the invoice, bill of sale, or similar document given to purchaser;

(23) (a) For persons selling services included in KRS 139.200(2)(g) to (q) prior to January 1, 2019, gross receipts derived from the sale of those services if the gross receipts were less than six thousand dollars ($6,000) during calendar year 2018. When gross receipts from these services exceed six thousand dollars ($6,000) in a calendar year:

1. All gross receipts over six thousand dollars ($6,000) are taxable in that calendar year; and

2. All gross receipts are subject to tax in subsequent calendar years.

(b) The exemption provided in this subsection shall not apply to a person also engaged in the business of selling tangible personal property, digital property, or services included in KRS 139.200(2)(a) to (f); and

(24) (a) For persons that first begin making sales of services included in KRS 139.200(2)(g) to (q) on or after January 1, 2019, gross receipts derived from the sale of those services if the gross receipts are less than six thousand dollars ($6,000) within the first calendar year of operation. When gross receipts from these services exceed six thousand dollars ($6,000) in a calendar year:

1. All gross receipts over six thousand dollars ($6,000) are taxable in that calendar year; and

2. All gross receipts are subject to tax in subsequent calendar years.

(b) The exemption provided in this subsection shall not apply to a person that is also engaged in the business of selling tangible personal property, digital property, or services included in KRS 139.200(2)(a) to (f).
Section 36. KRS 189A.050 is amended to read as follows:

(1) All persons convicted of violation of KRS 189A.010(1)(a), (b), (c), (d), or (e) shall be sentenced to pay a service fee of **four hundred twenty-five dollars ($425)**,[three hundred seventy-five dollars ($375)], which shall be in addition to all other penalties authorized by law.

(2) The fee shall be imposed in all cases but shall be subject to the provisions of KRS 534.020 and KRS 534.060.

(3) The first fifty dollars ($50) of each service fee imposed by this section shall be paid into the general fund, **the second fifty dollars ($50) of each service fee imposed by this section shall be paid to the ignition interlock administration fund established in Section 38 of this Act**, and the remainder of the revenue collected from the service fee imposed by this section shall be utilized as follows:

(a) Twelve percent (12%) of the amount collected shall be transferred to the Department of Kentucky State Police forensic laboratory for the acquisition, maintenance, testing, and calibration of alcohol concentration testing instruments and the training of laboratory personnel to perform these tasks;

(b) Twenty percent (20%) of the service fee collected pursuant to this section shall be allocated to the Department of Public Advocacy;

(c) One percent (1%) shall be transferred to the Prosecutor's Advisory Council for training of prosecutors for the prosecution of persons charged with violations of this chapter and for obtaining expert witnesses in cases involving the prosecution of persons charged with violations of this chapter or any other offense in which driving under the influence is a factor in the commission of the offense charged;

(d) Sixteen percent (16%) of the amount collected shall be transferred as follows:

1. Fifty percent (50%) shall be credited to the traumatic brain injury trust
fund established under KRS 211.476; and

2. Fifty percent (50%) shall be credited to the Cabinet for Health and Family Services, Department for Behavioral Health, Developmental and Intellectual Disabilities, for the purposes of providing direct services to individuals with brain injuries that may include long-term supportive services and training and consultation to professionals working with individuals with brain injuries. As funding becomes available under this subparagraph, the cabinet may promulgate administrative regulations pursuant to KRS Chapter 13A to implement the services permitted by this subparagraph;

(e) Any amount specified by a specific statute shall be transferred as provided in that statute;

(f) Forty-six percent (46%) of the amount collected shall be transferred to be utilized to fund enforcement of this chapter and for the support of jails, recordkeeping, treatment, and educational programs authorized by this chapter and by the Department of Public Advocacy; and

(g) The remainder of the amount collected shall be transferred to the general fund.

(4) The amounts specified in subsection (3)(a), (b), (c), and (d) of this section shall be placed in trust and agency accounts that shall not lapse.

Section 37. KRS 189A.350 (Effective July 1, 2020) is amended to read as follows:

(1) (a) The Transportation Cabinet shall:

1. Issue ignition interlock license application forms and other forms necessary for the implementation of ignition interlock licenses;

2. Create a uniform ignition interlock certificate of installation to be provided to a defendant by an ignition interlock provider upon
installation of an ignition interlock device;
3. Create an ignition interlock license. The ignition interlock license may be a regular driver's or operator's license with an ignition interlock restriction printed on the license;
4. Require a person issued an ignition interlock license to maintain motor vehicle insurance for the duration of his or her ignition interlock license;
5. Certify ignition interlock devices approved for use in the Commonwealth;
6. Publish and periodically update on the Transportation Cabinet Web site a list of contact information, including a link to the Web site of each certified ignition interlock device provider, with the entity appearing first on the list changing on a statistically random basis each time a unique visitor visits the list of the approved ignition interlock installers and the approved servicing and monitoring entities;
7. Monitor the ignition interlock device service locations of providers and create a random or designated selection process to require a provider to provide ignition interlock device services in any area of the Commonwealth which the Transportation Cabinet determines is underserved by providers; and
8. Except as provided in paragraph (b) of this subsection, promulgate administrative regulations to carry out the provisions of this section.

(b) The Transportation Cabinet shall not create any ignition interlock license or device violations in administrative regulations. The sole ignition interlock license or device violations are established in this chapter.

(2) No model of ignition interlock device shall be certified for use in the Commonwealth unless it meets or exceeds standards promulgated by the Transportation Cabinet pursuant to this section.
In bidding for a contract with the Transportation Cabinet to provide ignition interlock devices and servicing or monitoring or both, the ignition interlock device provider shall take into account that some defendants will not be able to pay the full amount of the fees established pursuant to KRS 189A.340(7)(a).

Any contract between the cabinet and an ignition interlock device provider shall include the following:

(a) A requirement that the provider accept reduced payments as a full payment for all purposes from persons determined to be at or below two hundred percent (200%) of the federal poverty guidelines by the Transportation Cabinet as provided by KRS 189A.340(7)(c);

(b) A requirement that no unit of state or local government and no public officer or employee shall be liable for the cost of purchasing or installing the ignition interlock device or associated costs;

(c) A requirement that the provider agree to a price for the cost of leasing or purchasing an ignition interlock device and any associated servicing or monitoring fees during the duration of the contract. This price shall not be increased but may be reduced during the duration of the contract;

(d) Requirements and standards for the servicing, inspection, and monitoring of the ignition interlock device;

(e) Provisions for training for service center technicians and clients;

(f) A requirement that the provider electronically transmit reports on driving activity within seven (7) days of servicing an ignition interlock device to the Transportation Cabinet, prosecuting attorney, and defendant;

(g) Requirements for a transition plan for the ignition interlock device provider before the provider leaves the state to ensure that continuous monitoring is achieved and to provide a minimum forty-five (45) day notice to the cabinet of any material change to the design of the ignition interlock device, or any
changes to the provider's installation, servicing, or monitoring capabilities;

(h) A requirement that, before beginning work, the ignition interlock device provider have and maintain insurance as approved by the cabinet, including provider's public liability and property damage insurance, in an amount determined by the cabinet, that covers the cost of defects or problems with product design, materials, workmanship during manufacture, calibration, installation, device removal, or any use thereof;

(i) A provision requiring that an ignition interlock provider agree to hold harmless and indemnify any unit of state or local government, public officer, or employee from all claims, demands, and actions, as a result of damage or injury to persons or property which may arise, directly or indirectly, out of any action or omission by the ignition interlock provider relating to the installation, service, repair, use, or removal of an ignition interlock device;

(j) A requirement that a warning label to be affixed to each ignition interlock device upon installation. The label shall contain a warning that any person who tampers with, circumvents, or otherwise misuse the device commits a violation of law under KRS 189A.345;

(k) A requirement that a provider will remove an ignition interlock device without cost, if the device is found to be defective;

(l) A requirement that a provider have at least one (1) ignition interlock device service location in each Transportation Cabinet highway district; and

(m) A requirement that a provider accept assignments to provide ignition interlock device services in areas of the Commonwealth which the Transportation Cabinet determines are underserved by providers in accordance with subsection (1) of this section.

(5) (a) The Transportation Cabinet may require ignition interlock device providers to pay the following fees:
1. An application fee not to exceed five hundred dollars ($500);

2. An annual renewal fee not to exceed two hundred dollars ($200);

3. An annual service inspection fee not to exceed one hundred dollars ($100); or

4. A revisit fee for a failed inspection not to exceed one hundred fifty dollars ($150).

(b) Any fees collected pursuant to this subsection shall be paid to the ignition interlock administration fund established in Section 38 of this Act.

SECTION 38. A NEW SECTION OF KRS CHAPTER 189A IS CREATED TO READ AS follows:

(1) The ignition interlock administration fund is created as a restricted fund. The restricted fund shall consist of funds deposited pursuant to Sections 36 and 37 of this Act. The Transportation Cabinet shall administer the fund.

(2) The funds deposited pursuant to:

(a) Section 36 of this Act shall be appropriated to the Department of Vehicle Regulation; and

(b) Section 37 of this Act shall be appropriated to the Office of Highway Safety; for administrative costs associated with ignition interlock pursuant to this chapter.

(3) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of the fiscal year shall not lapse but shall be carried forward into the succeeding fiscal year to be used for the purposes set forth in subsection (2) of this section.

(4) Any interest earned on moneys in the fund shall become a part of the fund and shall not lapse.

Section 39. KRS 138.146 is amended to read as follows:

(1) The cigarette tax shall be due when any licensed wholesaler or unclassified acquirer takes possession within this state of untax-paid cigarettes.
(2) (a) The cigarette tax shall be paid by the purchase of stamps by a resident wholesaler within forty-eight (48) hours after the wholesaler receives the cigarettes.

(b) A stamp shall be affixed to each package of an aggregate denomination not less than the amount of the cigarette tax on the package.

(c) The affixed stamp shall be prima facie evidence of payment of the cigarette tax.

(d) Unless stamps have been previously affixed, they shall be affixed by each resident wholesaler prior to the delivery of any cigarettes to a retail location or any person in this state.

(e) The evidence of cigarette tax payment shall be affixed to each individual package of cigarettes by a nonresident wholesaler prior to the introduction or importation of the cigarettes into the territorial limits of this state.

(f) The evidence of cigarette tax payment shall be affixed by an unclassified acquirer within twenty-four (24) hours after the cigarettes are received by the unclassified acquirer.

(3) (a) The department shall by regulation prescribe the form of cigarette tax evidence, the method and manner of the sale and distribution of cigarette tax evidence, and the method and manner that tax evidence shall be affixed to the cigarettes.

(b) All cigarette tax evidence prescribed by the department shall be designed and furnished in a fashion to permit identification of the person that affixed the cigarette tax evidence to the particular package of cigarettes, by means of numerical rolls or other mark on the cigarette tax evidence.

(c) The department shall maintain for at least three (3) years information identifying the person that affixed the cigarette tax evidence to each package of cigarettes. This information shall not be kept confidential or exempt from
disclosure to the public through open records.

(4) (a) Units of cigarette tax evidence shall be sold at their face value, but the department shall allow as compensation to any licensed wholesaler an amount of tax evidence equal to thirty cents ($0.30) face value for each three dollars ($3) of tax evidence purchased at face value and attributable to the tax assessed in KRS 138.140(1)(a). No compensation shall be allowed for tax evidence purchased at face value attributable to the surtaxes imposed in KRS 138.140(1)(b) or (c).

(b) The department shall have the power to withhold compensation as provided in paragraph (a) of this subsection from any licensed wholesaler for failure to abide by any provisions of KRS 138.130 to 138.205 or any administrative regulations promulgated thereunder. Any refund or credit for unused cigarette tax evidence shall be reduced by the amount allowed as compensation at the time of purchase.

(5) (a) Payment for units of cigarette tax evidence shall be made at the time the units are sold, unless the licensed wholesaler:

1. Has filed with the department a bond, issued by a corporation authorized to do surety business in Kentucky, in an amount equal to or greater than the amount of payment for the units of cigarette tax evidence purchased, plus all penalties, interest, and collection fees applicable to that amount, should the taxpayer default on the payment; and

2. Has registered and agrees to make the payment of tax to the department electronically.

(b) Except as provided in paragraph (c) of this subsection, if the licensed wholesaler qualifies under paragraph (a) of this subsection, the licensed wholesaler shall have ten (10) days from the date of purchase to remit
payment of cigarette tax, without the assessment of civil penalties under
KRS 131.180 or interest under KRS 131.183 during the ten (10) day period.

(c) 1. The ten (10) day payment period under paragraph (b) of this
subsection shall not apply to the payment for units of cigarette tax
evidence during the last ten (10) days of the month of June during
each fiscal year.

2. All payments for units of cigarette tax evidence made under paragraph
(b) of this subsection during the month of June shall be made the
earlier of:

a. The ten (10) day period; or

b. June 25.

(d) If the licensed wholesaler does not make the payment of cigarette tax within
the ten (10) day period, or within the period of time under paragraph (c) of
this subsection, the department shall:

1. Revoke the license required under KRS 138.195;

2. Issue a demand for payment in an amount equal to the cigarette tax
evidence purchased, plus all penalties, interest, and collection fees
applicable to that amount; and

3. Require immediate payment of the bond.

(6) (a) The bond required under subsection (5) of this section shall be on a form
and with a surety approved by the department.

(b) The licensed wholesaler shall be named as the principal obligor and the
department shall be named as the obligee within the bond.

(c) The bond shall be conditioned upon the payment by the licensed wholesaler
of all cigarette tax imposed by the Commonwealth.

(d) The provisions of KRS 131.110 shall not apply to the demand for payment
required under paragraph (c)2. of subsection (5) of this section.
(7) (a) No tax evidence may be affixed, or used in any way, by any person other than
the person purchasing the evidence from the department.
(b) Tax evidence may not be transferred or negotiated, and may not, by any
scheme or device, be given, bartered, sold, traded, or loaned to any other
person.
(c) Unaffixed tax evidence may be returned to the department for credit or refund
for any reason satisfactory to the department.

(8) [(6)] (a) In the event any retailer receives into his possession cigarettes to which
evidence of Kentucky tax payment is not properly affixed, the retailer shall,
within twenty-four (24) hours, notify the department of the receipt.
(b) The notification to the department shall be in writing, stating the name of the
person from whom the cigarettes were received and the quantity of those
cigarettes.
(c) The written notice may be:
   1. Given to any field agent of the department; or
   2. Directed to the commissioner of the Department of Revenue, Frankfort,
      Kentucky.
(d) If the notice is given by means of the United States mail, it shall be sent by
certified mail.
(e) Any such cigarettes shall be retained by the retailer, and not sold, for a period
of fifteen (15) days after giving the notice provided in this subsection.
(f) The retailer may, at his option, pay the tax due on those cigarettes according
to administrative regulations prescribed by the department, and proceed to sell
those cigarettes after the payment.

(9) [(7)] (a) Cigarettes stamped with the cigarette tax evidence of another state shall
at no time be commingled with cigarettes on which the Kentucky cigarette tax
evidence has been affixed.
(b) Any licensed wholesaler, licensed sub-jobber, or licensed vending machine operator may hold cigarettes stamped with the tax evidence of another state for any period of time, subsection (2) of this section notwithstanding.

Section 40. KRS 139.495 is amended to read as follows:

(1) The taxes imposed by this chapter shall apply to:

(a) Resident, nonprofit educational, charitable, or religious institutions which have qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; and

(b) Any resident, single member limited liability company that is:

1. Wholly owned and controlled by a resident or nonresident, nonprofit educational, charitable, or religious institution which has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; and

2. Disregarded as an entity separate from the resident or nonresident, nonprofit educational, charitable, or religious institution for federal income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2; as provided in this section.

(2) Tax does not apply to:

(a) Sales of tangible personal property, digital property, or services to these institutions or limited liability companies described in subsection (1) of this section, provided the tangible personal property, digital property, or service is to be used solely in this state within the educational, charitable, or religious function;

2. Sales of food to students in school cafeterias or lunchrooms;

3. Sales by school bookstores of textbooks, workbooks, and other course materials;

4. Sales by nonprofit, school sponsored clubs and organizations, provided
such sales do not include tickets for athletic events;

5. Sales of admissions, including the sales of admissions to a golf course when the admission is the result of a fundraising event, by nonprofit educational, charitable, or religious institutions described in subsection (1) of this section. All other sales of admissions to a golf course by these institutions are not exempt from tax under this section; or

6. a. Fundraising event sales made by nonprofit educational, charitable, or religious institutions and limited liability companies described in subsection (1) of this section.

b. For the purposes of this subparagraph, "fundraising event sales" does not include sales related to the operation of a retail business, including but not limited to thrift stores, bookstores, surplus property auctions, recycle and reuse stores, or any ongoing operations in competition with for-profit retailers.

(b) The exemptions provided in subparagraphs 5. and 6. of paragraph (a) of this subsection shall not apply to sales generated by or arising at a tourism development project approved under KRS 148.851 to 148.860.

(3) An institution shall be entitled to a refund equal to twenty-five percent (25%) of the tax collected on its sale of donated goods if the refund is used exclusively as reimbursement for capital construction costs of additional retail locations in this state, provided the institution:

(a) Routinely sells donated items;

(b) Provides job training and employment to individuals with workplace disadvantages and disabilities;

(c) Spends at least seventy-five percent (75%) of its annual revenue on job training, job placement, or other related community services;

(d) Submits a refund application to the department within sixty (60) days after the
new retail location opens for business; and

(e) Provides records of capital construction costs for the new retail location and any other information the department deems necessary to process the refund.

The maximum refund allowed for any location shall not exceed one million dollars ($1,000,000). As used in this subsection, "capital construction cost" means the cost of construction of any new facilities or the purchase and renovation of any existing facilities, but does not include the cost of real property other than real property designated as a brownfield site as defined in KRS 65.680(4).

(4) Notwithstanding any other provision of law to the contrary, refunds under subsection (3) of this section shall be made directly to the institution. Interest shall not be allowed or paid on the refund. The department may examine any refund within four (4) years from the date the refund application is received. Any overpayment shall be subject to the interest provisions of KRS 131.183 and the penalty provisions of KRS 131.180.

(5) All other sales made by nonprofit educational, charitable, or religious institutions or limited liability companies described in subsection (1) of this section are taxable and the tax may be passed on to the purchaser as provided in KRS 139.210.

Section 41. KRS 139.498 is amended to read as follows:

(1) (a) For nonprofit civic, governmental, or other nonprofit organizations, except as described in KRS 139.495 and 139.497, the taxes imposed by this chapter do not apply to:

1. The sale of admissions, including the sales of admissions to a golf course when the admission is the result of a fundraising event. All other sales of admissions to a golf course by these organizations are not exempt from tax under this section; or

2. a. Fundraising event sales.

b. For the purposes of this paragraph, "fundraising event sales" does
not include sales related to the operation of a retail business, including but not limited to thrift stores, bookstores, surplus property auctions, recycle and reuse stores, or any ongoing operations in competition with for-profit retailers. 

(b) The exemption provided in subparagraph 1. of paragraph (a) of this subsection shall not apply to the sale of admissions to a public facility that qualifies for a sales tax rebate under KRS 139.533.

(2) All other sales made by organizations referred to in subsection (1) of this section are taxable.

Section 42. KRS 139.200 is amended to read as follows:

A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross receipts derived from:

(1) Retail sales of:

(a) Tangible personal property, regardless of the method of delivery, made within this Commonwealth; and

(b) Digital property regardless of whether:

1. The purchaser has the right to permanently use the property;

2. The purchaser's right to access or retain the property is not permanent;

or

3. The purchaser's right of use is conditioned upon continued payment; and

(2) The furnishing of the following:

(a) The rental of any room or rooms, lodgings, campsites, or accommodations furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds, recreational vehicle parks, or any other place in which rooms, lodgings, campsites, or accommodations are regularly furnished to transients for a consideration. The tax shall not apply to rooms, lodgings, campsites, or accommodations supplied for a continuous period of thirty (30) days or more
to a person;

(b) Sewer services;

(c) The sale of admissions, except:

1. Admissions to racetracks taxed under KRS 138.480;

2. Admissions to historical sites exempt under KRS 139.482;

3. Admissions taxed under KRS 229.031;

4. Admissions that are charged by nonprofit educational, charitable, or religious institutions and for which an exemption is provided under KRS 139.495; and

5. Admissions that are charged by nonprofit civic, governmental, or other nonprofit organizations and for which an exemption is provided under KRS 139.498;

(d) Prepaid calling service and prepaid wireless calling service;

(e) Intrastate, interstate, and international communications services as defined in KRS 139.195, except the furnishing of pay telephone service as defined in KRS 139.195;

(f) Distribution, transmission, or transportation services for natural gas that is for storage, use, or other consumption in this state, excluding those services furnished:

1. For natural gas that is classified as residential use as provided in KRS 139.470(7); or

2. To a seller or reseller of natural gas;

(g) Landscaping services, including but not limited to:

1. Lawn care and maintenance services;

2. Tree trimming, pruning, or removal services;

3. Landscape design and installation services;

4. Landscape care and maintenance services; and
5. Snow plowing or removal services;

(h) Janitorial services, including but not limited to residential and commercial cleaning services, and carpet, upholstery, and window cleaning services;

(i) Small animal veterinary services, excluding veterinary services for equine, cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and cervids;

(j) Pet care services, including but not limited to grooming and boarding services, pet sitting services, and pet obedience training services;

(k) Industrial laundry services, including but not limited to industrial uniform supply services, protective apparel supply services, and industrial mat and rug supply services;

(l) Non-coin-operated laundry and dry cleaning services;

(m) Linen supply services, including but not limited to table and bed linen supply services and nonindustrial uniform supply services;

(n) Indoor skin tanning services, including but not limited to tanning booth or tanning bed services and spray tanning services;

(o) Non-medical diet and weight reducing services;

(p) Limousine services, if a driver is provided; and

(q) Extended warranty services.

Section 43. KRS 45A.077 is amended to read as follows:

(1) A public-private partnership delivery method may be utilized as provided in this section and administrative regulations promulgated thereunder. State contracts using this method shall be awarded by competitive negotiation.

(2) A contracting body utilizing a public-private partnership shall continue to be responsible for oversight of any function that is delegated to or otherwise performed by a private partner.

(3) On or before December 31, 2016, the secretary of the Finance and Administration
Cabinet shall promulgate administrative regulations setting forth criteria to be used in determining when a public-private partnership is to be used for a particular project. The administrative regulations shall reflect the intent of the General Assembly to promote and encourage the use of public-private partnerships in the Commonwealth. The secretary shall consult with design-builders, construction managers, contractors, design professionals including engineers and architects, and other appropriate professionals during the development of these administrative regulations.

(4) A request for proposal for a project utilizing a public-private partnership shall include at a minimum:

(a) The parameters of the proposed public-private partnership agreement;
(b) The duties and responsibilities to be performed by the private partner or partners;
(c) The methods of oversight to be employed by the contracting body;
(d) The duties and responsibilities that are to be performed by the contracting body and any other partners to the contract;
(e) The evaluation factors and the relative weight of each to be used in the scoring of awards;
(f) Plans for financing and operating the qualifying project and the revenues, service payments, bond financings, and appropriations of public funds needed for the qualifying project;
(g) Comprehensive documentation of the experience, capabilities, capitalization and financial condition, and other relevant qualifications of the private entity;
(h) The ability of a private partner or partners to quickly respond to the needs presented in the request for proposal, and the importance of economic development opportunities represented by the qualifying project. In evaluating proposals, preference shall be given to a plan that includes the
involvement of small businesses as subcontractors, to the extent that small businesses can provide services in a competitive manner, unless any preference interferes with the qualification for federal or other funds; and

(i) Other information required by the contracting body or the cabinet to evaluate the proposals submitted by respondents and the overall proposed public-private partnership.

(5) A private entity desiring to be a private partner shall demonstrate to the satisfaction of the contracting body or the cabinet that it is capable of performing any duty, responsibility, or function it may be authorized or directed to perform as part of the public-private partnership agreement.

(6) When a request for proposal for a project utilizing a public-private partnership is issued for a capital project, the contracting body shall transmit a copy of the request for proposal to the Capital Projects and Bond Oversight Committee staff, clearly identifying to the staff that a public-private partnership is being utilized. The contracting body shall submit the final contract to the Capital Projects and Bond Oversight Committee under KRS 45.763 before work may be begun on the project.

(7) A request for proposal or other solicitation may be canceled, or all proposals may be rejected, if it is determined in writing that the action is taken in the best interest of the Commonwealth and approved by the purchasing officer.

(8) (a) Beginning July 1, 2022[2020], in the case of any public-private partnership for a capital project with an aggregate value of twenty-five million dollars ($25,000,000) or more, the project shall be authorized by the General Assembly, by inclusion in the branch budget bill or by any other means specified by the General Assembly, explicitly identifying and authorizing the utilization of a public-private partnership delivery method for the applicable capital project. The authorization of a capital project required by this subsection is in addition to any other statutorily required authorization for a
capital project.

(b) The provisions of this subsection shall not apply to any public-private partnership project made public through a request for proposal or a public notice of an unsolicited proposal issued prior to July 1, 2022.

(9) Any corporation as described by KRS 45.750(2)(c), or as created under the Kentucky Revised Statutes as a governmental agency and instrumentality of the Commonwealth, that manages its capital construction program shall:

(a) Adhere to the administrative regulations promulgated under this section when utilizing a public-private partnership for financing capital projects;

(b) Report to legislative committees as specified in this section; and

(c) Submit public-private partnership agreements issued by it to the General Assembly for authorization as provided in subsection (8) of this section.

(10) (a) The governing body of a postsecondary institution that manages its capital construction program under KRS 164A.580 shall report to the Capital Projects and Bond Oversight Committee staff as specified in this section.

(b) Any provision of a public-private partnership agreement issued by a postsecondary institution which provides for a lease by or to the postsecondary institution shall be valid and enforceable if approved by the governing board of the institution.

(11) (a) A person or business may submit an unsolicited proposal to a governmental body, which may receive the unsolicited proposal.

(b) Within ninety (90) days of receiving an unsolicited proposal, a governmental body may elect to consider further action on the proposal, at which point the governmental body shall provide public notice of the proposal. Discussion of the project shall not be deemed a solicitation of the project or its concepts after public notice is given. The public notice shall:

1. Provide specific information regarding the proposed nature, timing, and
scope of the unsolicited proposal, except that trade secrets, financial
records, or other records of the person or business making the proposal
shall not be posted unless otherwise agreed to by the governmental body
and the person or business; and

2. Provide for a notice period for the submission of competing proposals as
follows:
   a. Unsolicited proposals valued below five million dollars
      ($5,000,000) shall be posted for thirty (30) days;
   b. Unsolicited proposals valued between five million dollars
      ($5,000,000) and twenty-five million dollars ($25,000,000) shall
      be posted for sixty (60) days; and
   c. Unsolicited proposals valued over twenty-five million dollars
      ($25,000,000) shall be posted for ninety (90) days.

(c) Upon the end of the notice period provided under paragraph (b)2. of this
subsection, the governmental body may consider the unsolicited proposal and
any competing proposals received. If the governmental body determines it is
in the best interest of the Commonwealth to implement some or all of the
concepts contained within the unsolicited proposal or competing proposals
received by it, the governmental body may begin an open, competitive
procurement process to do so pursuant to this chapter.

(d) An unsolicited proposal shall be deemed rejected if no written response is
received from the governmental body within ninety (90) days of submission,
during which time the governmental body has not taken any action on the
proposal under paragraph (b) of this subsection.

Section 44.  KRS 132.285 is amended to read as follows:

(1) (a) Except as provided in subsection (3) of this section, any city may by
ordinance elect to use the annual county assessment for property situated
within the city as a basis of ad valorem tax levies ordered or approved by the legislative body of the city.

(b) Any city making the election provided in paragraph (a) of this subsection shall notify the department and property valuation administrator prior to the next succeeding assessment to be used for city levies. In such event the assessment finally determined for county tax purposes shall serve as a basis of all city levies for the fiscal year commencing on or after the county assessment date.

(c) Each city which elects to use the county assessment shall annually appropriate and pay each fiscal year to the office of the property valuation administrator for deputy and other authorized personnel allowance, supplies, maps and equipment, and other authorized expenses of the office one-half of one cent ($0.005) for each one hundred dollars ($100) of assessment, except that sums paid shall not be:

1. Less than two hundred fifty dollars ($250); or
2. More than:
   a. Forty thousand dollars ($40,000) in a city having an assessment subject to city tax of less than two billion dollars ($2,000,000,000);
   b. Fifty thousand dollars ($50,000) in a city having an assessment subject to city tax of two billion dollars ($2,000,000,000) or more, but less than three billion dollars ($3,000,000,000); 
   c. Sixty thousand dollars ($60,000) in a city having an assessment subject to city tax of three billion dollars ($3,000,000,000) but less than six billion dollars ($6,000,000,000); or
   d. One hundred thousand dollars ($100,000) in a city having an assessment subject to city tax of six billion dollars ($6,000,000,000) but less than six billion dollars ($6,000,000,000).
(6,000,000,000) or more.

(d) This allowance shall be based on the assessment as of the previous January 1.

(e) Each property valuation administrator shall file a claim with the city for the county assessment, which shall include the recapitulation submitted to the city pursuant to KRS 133.040(2).

(f) The city shall order payment in an amount not to exceed the appropriation authorized by this section.

(g) The property valuation administrator shall be required to account for all moneys paid to his or her office by the city and any funds unexpended by the close of each fiscal year shall carry over to the next fiscal year.

(h) Notwithstanding any statutory provisions to the contrary, the assessment dates for the city shall conform to the corresponding dates for the county, and the city may by ordinance establish additional financial and tax procedures that will enable it effectively to adopt the county assessment.

(i) The legislative body of any city adopting the county assessment may fix the time for levying the city tax rate, due and delinquency dates for taxes, and any other dates that will enable it effectively to adopt the county assessment, notwithstanding any statutory provisions to the contrary.

(j) Any such city may, by ordinance, abolish any office connected with city assessment and equalization.

(k) Any city which elects to use the county assessment shall have access to the assessment records as soon as completed and may obtain a copy of that portion of the records which represents the assessment of property within the city by additional payment of the cost thereof.

(l) Once any city elects to use the county assessment, that action cannot be revoked without notice to the department and the property valuation administrator six (6) months prior to the next date as of which property is
assessed for state and county taxes.

(2) In the event any omitted property is assessed by the property valuation administrator as provided by KRS 132.310, the assessment shall be considered as part of the assessment adopted by the city according to subsection (1) of this section.

(3) For purposes of the levy and collection of ad valorem taxes on motor vehicles, cities shall use the assessment required to be made pursuant to KRS 132.487(5).

(4) Notwithstanding the provisions of subsection (1) of this section, each city which elects to use the county assessment for ad valorem taxes levied for 1996 or subsequent years, and which used the county assessment for ad valorem taxes levied for 1995, shall appropriate and pay to the office of the property valuation administrator for the purposes set out in subsection (1) of this section an amount equal to the amount paid to the office of the property valuation administrator in 1995, or the amount required by the provisions of subsection (1) of this section, whichever is greater.

Section 45. KRS 132.590 is amended to read as follows:

(1) The compensation of the property valuation administrator shall be based on the schedule contained in subsection (2) of this section as modified by subsection (3) of this section. The compensation of the property valuation administrator shall be calculated by the Department of Revenue annually. Should a property valuation administrator for any reason vacate the office in any year during his term of office, he shall be paid only for the calendar days actually served during the year.

(2) The salary schedule for property valuation administrators provides for nine (9) levels of salary based upon the population of the county in the prior year as determined by the United States Department of Commerce, Bureau of the Census annual estimates. To implement the salary schedule, the department shall, by November 1 of each year, certify for each county the population group applicable to
each county based on the most recent estimates of the United States Department of
Commerce, Bureau of the Census. The salary schedule provides four (4) steps for
yearly increments within each population group. Property valuation administrators
shall be paid according to the first step within their population group for the first
year or portion thereof they serve in office. Thereafter, each property valuation
administrator, on January 1 of each subsequent year, shall be advanced
automatically to the next step in the salary schedule until the maximum salary
figure for the population group is reached. If the county population as certified by
the department increases to a new group level, the property valuation
administrator's salary shall be computed from the new group level at the beginning
of the next year. A change in group level shall have no effect on the annual change
in step. Prior to assuming office, any person who has previously served as a
property valuation administrator must certify to the Department of Revenue the
total number of years, not to exceed four (4) years, that the person has previously
served in the office. The department shall place the person in the proper step based
upon a formula of one (1) incremental step per full calendar year of service:

**SALARY SCHEDULE**

<table>
<thead>
<tr>
<th>County Population by Group</th>
<th>Steps and Salary for Property Valuation Administrators</th>
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<tbody>
<tr>
<td></td>
<td>Step 1</td>
</tr>
<tr>
<td>Group I</td>
<td></td>
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<tr>
<td>0-4,999</td>
<td>$45,387</td>
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<tr>
<td>Group II</td>
<td></td>
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<tr>
<td>5,000-9,999</td>
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<td>Group III</td>
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<td>10,000-19,999</td>
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<td>Group IV</td>
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<td>20,000-29,999</td>
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For calendar year 2000, the salary schedule in subsection (2) of this section shall be increased by the amount of increase in the annual consumer price index as published by the United States Department of Commerce for the year ended December 31, 1999. This salary adjustment shall take effect on July 14, 2000, and shall not be retroactive to the preceding January 1.

For each calendar year beginning after December 31, 2000, upon publication of the annual consumer price index by the United States Department of Commerce, the annual rate of salary for the property valuation administrator shall be determined by applying the increase in the consumer price index to the salary in effect for the previous year. This salary determination shall be retroactive to the preceding January 1.

In addition to the step increases based on service in office, each property valuation administrator shall be paid an annual incentive of six hundred eighty-seven dollars and sixty-seven cents ($687.67) per calendar year for each forty (40) hour training unit successfully completed based on continuing service in that office and, except as provided in this subsection, completion of at least forty (40) hours of approved training in each subsequent calendar year.
year. If a property valuation administrator fails without good cause, as determined by the commissioner of the Kentucky Department of Revenue, to obtain the minimum amount of approved training in any year, the officer shall lose all training incentives previously accumulated. No property valuation administrator shall receive more than one (1) training unit per calendar year nor more than four (4) incentive payments per calendar year. Each property valuation administrator shall be allowed to carry forward up to forty (40) hours of training credit into the following calendar year for the purpose of satisfying the minimum amount of training for that year. This amount shall be increased by the consumer price index adjustments prescribed in paragraphs (a) and (b) of this subsection. Each training unit shall be approved and certified by the Kentucky Department of Revenue. Each unit shall be available to property valuation administrators in each office based on continuing service in that office. The Kentucky Department of Revenue shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish guidelines for the approval and certification of training units.

(4) Notwithstanding any provision contained in this section, no property valuation administrator holding office on July 14, 2000, shall receive any reduction in salary or reduction in adjustment to salary otherwise allowable by the statutes in force on July 14, 2000.

(5) Deputy property valuation administrators and other authorized personnel may be advanced one (1) step in grade upon completion of twelve (12) months' continuous service. The Department of Revenue may make grade classification changes corresponding to any approved for department employees in comparable positions, so long as the changes do not violate the integrity of the classification system. Subject to availability of funds, the department may extend cost-of-living increases approved for department employees to deputy property valuation administrators and
other authorized personnel, by advancement in grade.

(6) Beginning with the 1990-1992 biennium, the Department of Revenue shall prepare a biennial budget request for the staffing of property valuation administrators' offices. An equitable allocation of employee positions to each property valuation administrator's office in the state shall be made on the basis of comparative assessment work units. Assessment work units shall be determined from the most current objective information available from the United States Bureau of the Census and other similar sources of unbiased information. Beginning with the 1996-1998 biennium, assessment work units shall be based on parcel count per employee. The total sum allowed by the state to any property valuation administrator's office as compensation for deputies, other authorized personnel, and for other authorized expenditures shall not exceed the amount fixed by the Department of Revenue. However, each property valuation administrator's office shall be allowed as a minimum such funds that are required to meet the federal minimum wage requirements for two (2) full-time deputies.

(7) Beginning with the 1990-1992 biennium each property valuation administrator shall submit by June 1 of each year for the following fiscal year to the Department of Revenue a budget request for his office which shall be based upon the number of employee positions allocated to his office under subsection (6) of this section and upon the county and city funds available to his office and show the amount to be expended for deputy and other authorized personnel including employer's share of FICA and state retirement, and other authorized expenses of the office. The Department of Revenue shall return to each property valuation administrator, no later than July 1, an approved budget for the fiscal year.

(8) Each property valuation administrator may appoint any persons approved by the Department of Revenue to assist him in the discharge of his duties. Each deputy shall be more than twenty-one (21) years of age and may be removed at the
pleasure of the property valuation administrator. The salaries of deputies and other authorized personnel shall be fixed by the property valuation administrator in accordance with the grade classification system established by the Department of Revenue and shall be subject to the approval of the Department of Revenue. The Personnel Cabinet shall provide advice and technical assistance to the Department of Revenue in the revision and updating of the personnel classification system, which shall be equitable in all respects to the personnel classification systems maintained for other state employees. Any deputy property valuation administrator employed or promoted to a higher position may be examined by the Department of Revenue in accordance with standards of the Personnel Cabinet, for the position to which he is being appointed or promoted. No state funds available to any property valuation administrator's office as compensation for deputies and other authorized personnel or for other authorized expenditures shall be paid without authorization of the Department of Revenue prior to the employment by the property valuation administrator of deputies or other authorized personnel or the incurring of other authorized expenditures.

(9) Each county fiscal court shall annually appropriate and pay each fiscal year to the office of the property valuation administrator as its cost for use of the assessment, as required by KRS 132.280, an amount determined as follows:

<table>
<thead>
<tr>
<th>Assessment Subject to</th>
<th>County Tax of:</th>
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<tbody>
<tr>
<td>At Least</td>
<td>But Less Than</td>
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each $100 over $100,000,000.

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<th>Assessed Value of Property Subject to County Tax of:</th>
<th>At Least</th>
<th>But Less Than</th>
<th>Limit</th>
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This allowance shall be based on the assessment as of the previous January 1 and shall be used for deputy and other personnel allowance, supplies, maps and equipment, travel allowance for the property valuation administrator and his deputies and other authorized personnel, and other authorized expenses of the office.

Annually, after appropriation by the county of funds required of it by subsection (9) of this section, and no later than August 1, the property valuation administrator
shall file a claim with the county for that amount of the appropriation specified in
his approved budget for compensation of deputies and assistants, including
employer's shares of FICA and state retirement, for the fiscal year. The amount so
requested shall be paid by the county into the State Treasury by September 1, or
paid to the property valuation administrator and be submitted to the State Treasury
by September 1. These funds shall be expended by the Department of Revenue only
for compensation of approved deputies and assistants and the employer's share of
FICA and state retirement in the appropriating county. Any funds paid into the
State Treasury in accordance with this provision but unexpended by the close of the
fiscal year for which they were appropriated shall be returned to the county from
which they were received.

(12) After submission to the State Treasury or to the property valuation administrator of
the county funds budgeted for personnel compensation under subsection (11) of this
section, the fiscal court shall pay the remainder of the county appropriation to the
office of the property valuation administrator on a quarterly basis. Four (4) equal
payments shall be made on or before September 1, December 1, March 1, and June
1 respectively. Any unexpended county funds at the close of each fiscal year shall
be retained by the property valuation administrator, except as provided in KRS
132.601(2). During county election years the property valuation administrator shall
not expend in excess of forty percent (40%) of the allowances available to his office
from county funds during the first five (5) months of the fiscal year in which the
general election is held.

(13) The provisions of this section shall apply to urban-county governments and
consolidated local governments. In an urban-county government and a consolidated
local government, all the rights and obligations conferred on fiscal courts or
consolidated local governments by the provisions of this section shall be exercised
by the urban-county government or consolidated local government.
(14) When an urban-county form of government is established through merger of existing city and county governments as provided in KRS Chapter 67A or when a consolidated local government is established through merger of existing city and county governments as provided by KRS Chapter 67C, the annual county assessment shall be presumed to have been adopted as if the city had exercised the option to adopt as provided in KRS 132.285[, and the annual amount to be appropriated to the property valuation administrator’s office shall be the combined amount that is required of the county under this section and that required of the city under KRS 132.285, except that the total shall not exceed one hundred thousand dollars ($100,000) for any urban-county government or consolidated local government with an assessment subject to countywide tax of less than five billion dollars ($5,000,000,000), one hundred seventy-five thousand dollars ($175,000) for an urban-county government or consolidated local government with an assessment subject to countywide tax between five billion dollars ($5,000,000,000) and seven billion five hundred million dollars ($7,500,000,000), and two hundred fifty thousand dollars ($250,000) for an urban-county government or consolidated local government with an assessment subject to countywide tax in excess of seven billion five hundred million dollars ($7,500,000,000)]. For purposes of this subsection, the amount to be considered as the assessment for purposes of KRS 132.285 shall be the amount subject to taxation for full urban services.

(15) Notwithstanding the provisions of subsection (9) of this section, the amount appropriated and paid by each county fiscal court to the office of the property valuation administrator for 1996 and subsequent years shall be equal to the amount paid to the office of the property valuation administrator for 1995, or the amount required by the provisions of subsections (9) and (10) of this section, whichever is greater.

SECTION 46. A NEW SECTION OF KRS CHAPTER 143 IS CREATED TO
READ AS FOLLOWS:

(1) A taxpayer engaged in severing or processing coal within this Commonwealth that has paid the tax imposed under KRS 143.020 may apply for a refund equal to the amount of tax paid under KRS 143.020 if the coal is transported directly to a market outside of North America.

(2) To apply for the refund allowed under subsection (1) of this section the taxpayer shall file an application for refund with the department and submit all information and documentation necessary to substantiate that the tax was paid upon the coal which was transported directly to a market outside of North America.

(3) The refund process allowed under subsection (1) of this section is available beginning on or after August 1, 2020, but before July 1, 2022, and limited during any calendar year to the export of a combined total of ten million (10,000,000) tons of coal subject to the tax imposed under KRS 143.020 and exported through United States coal export terminals to markets outside of North America.

Section 47. KRS 103.200 is amended to read as follows:

As used in KRS 103.200 to 103.285:

(1) "Building" or "industrial building" means any land and building or buildings (including office space related and subordinate to any of the facilities enumerated below), any facility or other improvement thereon, and all real and personal properties, including operating equipment and machinery deemed necessary in connection therewith, whether or not now in existence, which shall be suitable for the following or any combination thereof:

(a) Any activity, business, or industry for the manufacturing, processing or assembling of any commercial product, including agricultural, mining, or manufactured products and solar-generated electricity, together with storage, warehousing, and distribution facilities in respect thereof;
(b) Any undertaking involving the construction, reconstruction, and use of airports, mass commuting facilities, ship canals, ports or port facilities, docks or wharf facilities or harbor facilities, off-street parking facilities or of railroads, monorails, or tramways, railway or airline terminals, cable television, mass communication facilities, and related facilities;

(c) Any buildings, structures, and facilities, including the site thereof and machinery, equipment, and furnishings suitable for use as health-care or related facilities, including without limitation hospitals, clinics, nursing homes, research facilities, extended or long-term care facilities, including housing for the aged or the infirm and all buildings, structures, and facilities deemed necessary or useful in connection therewith;

(d) Any nonprofit educational institution in any manner related to or in furtherance of the educational purposes of such institution, including but not limited to classroom, laboratory, housing, administrative, physical educational, and medical research and treatment facilities;

(e) Any facilities for any recreation or amusement park, public park, or theme park, including specifically facilities for the use of nonprofit entities in making recreational and cultural benefits available to the public;

(f) Any facilities involving manufacturing and service industries which process raw agricultural products, including timber, provide value-added functions, or supply ingredients used for production of basic agricultural crops and products;

(g) Any facilities incident to the development of industrial sites, including land costs and the costs of site improvements thereon, such as grading, streets, drainage, storm and sanitary sewers, and other facilities and structures incidental to the use of such site or sites for industrial use;

(h) Any facilities for the furnishing of water, if available on reasonable demand to
members of the general public;

(i) Any facilities for the extraction, production, grading, separating, washing, drying, preparing, sorting, loading, and distribution of mineral resources, together with related facilities;

(j) Any convention or trade show facilities, together with all related and subordinate facilities necessary to the development and proper utilization thereof;

(k) Any facilities designed and constructed to be used as hotels and/or motels, together with all related and subordinate facilities necessary to the operation thereof, including site preparation and similar facilities;

(l) Any activity designed for the preservation of residential neighborhoods, provided that such activity receives approval of the heritage division and insures the preservation of not fewer than four (4) family units;

(m) Any activity designed for the preservation of commercial or residential buildings which are on the National Register of Historic Places or within an area designated as a national historic district or approved by the heritage division;

(n) Any activity, including new construction, designed for revitalization or redevelopment of downtown business districts as designated by the issuer; and

(o) Any use by an entity recognized by the Internal Revenue Service as an organization described in 26 U.S.C. sec. 501(c)(3) in any manner related to or in the furtherance of that entity's exempt purposes where the use would also qualify for federally tax-exempt financing under the rules applicable to a qualified 501(c)(3) bond as defined in 26 U.S.C. sec. 145.

(2) "Bonds" or "negotiable bonds" means bonds, notes, variable rate bonds, commercial paper bonds, bond anticipation notes, or any other obligations for the
payment of money issued by a city, county, or other authority pursuant to KRS 103.210 to 103.285.

(3) "Substantiating documentation" means an independent finding, study, report, or assessment of the economic and financial impact of a project, which shall include a review of customary business practices, terms, and conditions for similar types of projects, both taxable and tax-exempt, in the current market environment.

Section 48. KRS 95A.210 is amended to read as follows:

As used in KRS 95A.200 to 95A.300, unless the context otherwise requires:

(1) "Commission" means the Commission on Fire Protection Personnel Standards and Education established pursuant to KRS 95A.020;

(2) "Established work schedule" means a work schedule adopted by or required of a local government setting a recurring pattern for time on and off duty for professional firefighters employed by the local government. An established work schedule includes but is not limited to a schedule of twenty-four (24) consecutive hours on duty, followed by forty-eight (48) consecutive hours off duty;

(3) "Executive director" means the executive director of the Commission on Fire Protection Personnel Standards and Education;

(4) "Fund" means Firefighters Foundation Program Fund;

(5) "Local government" means any city, county, urban-county government, charter county government, unified local government, consolidated local government, air board created under KRS Chapter 183, or any combination thereof of the Commonwealth;

(6) "Professional firefighter" means any member of a paid municipal fire department organized under KRS Chapter 95, 67A, or 67C, a fire protection district organized under KRS Chapter 75, or any firefighter employed by an air board created under KRS Chapter 183;
(7) "Program" means the Alan "Chip" Terry Professional Development and Wellness Program for firefighters established in KRS 95A.292;

(8) "Scheduled overtime" means work by a professional firefighter in excess of forty (40) hours per week which regularly recurs as part of an established work schedule; and

(9) "Unscheduled overtime" means work by a professional firefighter in excess of forty (40) hours per week which does not regularly recur as part of an established work schedule.

Section 49. KRS 65.710 is amended to read as follows:

In order to enable cities and counties to fulfill their obligations regarding the public health, safety, and welfare, the General Assembly does hereby allow cities and counties to contract with private persons, partnerships, or corporations for providing ambulance service to the residents of such cities and counties subject to the following conditions:

(1) These contracts must be in writing and must be approved by the legislative body of the city if a city is party thereto, or by the fiscal court in case a county is party thereto.

(2) No contract shall be made with an ambulance service or other organization or person unless the contract shall stipulate that at least one (1) person on each ambulance run shall possess currently valid emergency medical technician certification.

(3) All contracts made with any ambulance service or other organization or person shall stipulate that all vehicles used for operation of the service comply with vehicle and equipment administrative regulations issued by the Cabinet for Health and Family Services.

(4) All contracts shall include the stipulation that at least two (2) trained persons, one (1) driver and one (1) attendant, shall be carried on each ambulance for each ambulance call which is covered by the contract.
(5) No contract shall be made for a period of time greater than four (4) years.

(6) The vehicle, equipment, training, and personnel requirements of subsections (2), (3), and (4) of this section shall also apply to the operation of an ambulance service by a city or a county or by a city and a county jointly.

(7) No provisions of this section shall be construed as to limit the power of any city or county to contract for or operate ambulance services under requirements which are stricter than those of this section, or to require insurance, or bonding of contractors, provided these provisions are not in conflict with the requirements of this section.

Section 50. KRS 138.130 is amended to read as follows:

As used in KRS 138.130 to 138.205:

(1) (a) "Chewing tobacco" means any leaf tobacco that is not intended to be smoked and includes loose leaf chewing tobacco, plug chewing tobacco, and twist chewing tobacco.

(b) "Chewing tobacco" does not include snuff;

(2) (a) "Cigarettes" means any roll for smoking made wholly or in part of tobacco, or any substitute for tobacco, irrespective of size or shape and whether or not the tobacco is flavored, adulterated, or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material, except tobacco;

(b) "Cigarettes" does not include reference tobacco products or electronic cigarettes;

(3) "Cigarette tax" means the group of taxes consisting of:

(a) The tax imposed by KRS 138.140(1)(a);

(b) The surtax imposed by KRS 138.140(1)(b); and

(c) The surtax imposed by KRS 138.140(1)(c);

(4) (a) "Closed vapor cartridge" means a pre-filled disposable cartridge that:
1. Is intended to be used with or in a noncombustible product that employs a heating element, battery, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, to deliver vaporized or aerosolized nicotine, non-nicotine substances, or other materials to users that may be inhaling from the product such as any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or other similar product or device and every variation thereof, regardless of whether marketed as such; and

2. Contains nicotine or non-nicotine substances or other material consumed during the process of vaporization or aerosolization.

(b) "Closed vapor cartridge" does not include any product regulated as a drug or device by the United States Food and Drug Administration under Chapter V of the Food, Drug, and Cosmetic Act;

(5) "Department" means the Department of Revenue;

(6) "Distributor" means any person within this state in possession of tobacco products or vapor products for resale within this state on which the tobacco products tax imposed under KRS 138.140(2) has not been paid;

(7) "Half-pound unit" means a consumer-sized container, pouch, or package:
   (a) Containing at least four (4) ounces but not more than eight (8) ounces of chewing tobacco by net weight;
   (b) Produced by the manufacturer to be sold to consumers as a half-pound unit and not produced to be divided or sold separately; and
   (c) Containing one (1) individual container, pouch, or package;

(8) "Manufacturer" means any person who manufactures or produces cigarettes or tobacco products within or without this state;

(9) "Nonresident wholesaler" means any person who purchases cigarettes directly from the manufacturer and maintains a permanent location outside this state where
Kentucky cigarette tax evidence is attached or from where Kentucky cigarette tax is reported and paid;

1. Any noncombustible product that employs a heating element, battery, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size and including the component parts and accessories thereto, that uses a refillable liquid solution to deliver vaporized or aerosolized nicotine, non-nicotine substances, or other materials to users that may be inhaling from the product such as any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device and every variation thereof, regardless of whether marketed as such; and

2. Any liquid solution that is intended to be used with the product described in subparagraph 1. of this paragraph.

"Open vaping system" does not include any product regulated as a drug or device by the United States Food and Drug Administration under Chapter V of the Food, Drug, and Cosmetic Act;

"Person" means any individual, firm, copartnership, joint venture, association, municipal or private corporation whether organized for profit or not, the Commonwealth of Kentucky or any of its political subdivisions, an estate, trust, or any other group or combination acting as a unit;

"Pound unit" means a consumer-sized container, pouch, or package:

(a) Containing more than eight (8) ounces but not more than sixteen (16) ounces of chewing tobacco by net weight;

(b) Produced by the manufacturer to be sold to consumers as a pound unit and not produced to be divided or sold separately; and

(c) Containing one (1) individual container, pouch, or package;
"Reference[ tobacco] products" means tobacco products, vapor products, or cigarettes made by a manufacturer specifically for an accredited state college or university to be held by the college or university until sale or transfer to a laboratory, hospital, medical center, institute, college or university, manufacturer, or other institution;

"Resident wholesaler" means any person who purchases at least seventy-five percent (75%) of all cigarettes purchased by the wholesaler directly from the manufacturer on which the cigarette tax is unpaid, and who maintains an established place of business in this state where the wholesaler attaches cigarette tax evidence or receives untax-paid cigarettes;

"Retail distributor" means a retailer who has obtained a retail distributor's license under KRS 138.195;

"Retailer" means any person who sells to a consumer or to any person for any purpose other than resale;

"Sale" or "sell" means any transfer for a consideration, exchange, barter, gift, offer for sale, advertising for sale, soliciting an order for cigarettes or tobacco products, and distribution in any manner or by any means whatsoever;

"Sale at retail" means a sale to any person for any other purpose other than resale;

"Single unit" means a consumer-sized container, pouch, or package:

(a) Containing less than four (4) ounces of chewing tobacco by net weight;
(b) Produced by the manufacturer to be sold to consumers as a single unit and not produced to be divided or sold separately; and
(c) Containing one (1) individual container, pouch, or package;

"Snuff" means tobacco that:

1. Is finely cut, ground, or powdered; and
2. Is not for smoking.
(b) "Snuff" includes snus;

(21) "Sub-jobber" means any person who purchases cigarettes from a resident wholesaler, nonresident wholesaler, or unclassified acquirer licensed under KRS 138.195 on which the cigarette tax has been paid and makes them available to retailers for resale. No person shall make cigarettes available to retailers for resale unless the person certifies and establishes to the satisfaction of the department that firm arrangements have been made to regularly supply at least five (5) retail locations with Kentucky tax-paid cigarettes for resale in the regular course of business;

(22) "Tax evidence" means any stamps, metered impressions, or other indicia prescribed by the department by administrative regulation as a means of denoting the payment of cigarette taxes;

(23) "Tobacco products" means any smokeless tobacco products, smoking tobacco, chewing tobacco, and any kind or form of tobacco prepared in a manner suitable for chewing or smoking, or both, or any kind or form of tobacco that is suitable to be placed in an individual's oral cavity, except cigarettes;

(24) "Tobacco products tax" means the tax imposed by KRS 138.140(2)(a)1. to 3.;

(25) "Transporter" means any person transporting untax-paid cigarettes obtained from any source to any destination within this state, other than cigarettes transported by the manufacturer thereof;

(26) "Unclassified acquirer" means any person in this state who acquires cigarettes from any source on which the cigarette tax has not been paid, and who is not a person otherwise required to be licensed under KRS 138.195;

(27) "Untax-paid cigarettes" means any cigarettes on which the cigarette tax imposed by KRS 138.140 has not been paid;

(28) "Untax-paid tobacco or vapor products" means any tobacco products or vapor products on which the tobacco products tax imposed by KRS 138.140(2) has not
been paid;[

(29) "Vapor products" means a closed vapor cartridge or an open vaping system;
(30) "Vapor products tax" means tax imposed under subsection (2)(a)4. and 5. of
Section 53 of this Act; and
(31) [(27)] "Vending machine operator" means any person who operates one (1) or more
cigarette vending machines.

Section 51. KRS 138.132 is amended to read as follows:

(1) It is the declared legislative intent of KRS 138.130 to 138.205 that any untax-paid
tobacco products or vapor products held, owned, possessed, or in control of any
person other than as provided in KRS 138.130 to 138.205 are contraband and
subject to seizure and forfeiture as set out in this section.

(2) (a) If a retailer, who is not a licensed retail distributor, purchases tobacco
products or vapor products from a licensed distributor and the purchase
invoice does not contain the separate identification and display of the tobacco
products tax or vapor products tax, the retailer shall, within twenty-four (24)
hours, notify the department in writing.

(b) The notification shall include the name and address of the person from whom
the tobacco products or vapor products were purchased and a copy of the
purchase invoice.

(c) The tobacco products or vapor products for which the required information
was not included on the invoice shall be retained by the retailer, and not sold,
for a period of fifteen (15) days after giving the proper notice as required by
this subsection.

(d) After the fifteen (15) day period, the retailer may pay the tax due on the
tobacco products or vapor products described in paragraph (c) of this
subsection according to administrative regulations promulgated by the
department, and after which may proceed to sell the tobacco products or
(3) If a retailer, who is not a licensed retail distributor, purchases tobacco products or vapor products for resale from a person not licensed under KRS 138.195(7), which is prohibited by KRS 138.140(2), the retailer may not sell those tobacco products or vapor products until the retailer applies for and is granted a retail distributor's license under KRS 138.195(7)(b).

(4) If, upon examination, the department determines that the retailer has failed to comply with the provisions of subsection (3) of this section, the retailer shall pay all tax and interest and applicable penalties due and the following shall apply:

(a) For the first offense, an additional penalty shall be assessed equal to ten percent (10%) of the tax due;

(b) For a second offense within three (3) years or less of the first offense, an additional penalty shall be assessed equal to twenty-five percent (25%) of the tax due; and

(c) For a third offense or subsequent offense within three (3) years or less of the first offense, the tobacco products or vapor products shall be contraband and subject to seizure and forfeiture as provided in subsection (5) of this section.

(5) (a) Whenever a representative of the department finds contraband tobacco products or contraband vapor products within the borders of this state, the tobacco products or vapor products shall be immediately seized and stored in a depository to be determined by the representative.

(b) At the time of seizure, the representative shall deliver to the person in whose custody the tobacco products or vapor products are found a receipt for the seized products. The receipt shall state on its face that any inquiry concerning any tobacco products or vapor products seized shall be directed to the commissioner of the Department of Revenue, Frankfort, Kentucky.

(c) Immediately upon seizure, the representative shall notify the commissioner of
the nature and quantity of the tobacco products or vapor products seized. Any seized tobacco products or vapor products shall be held for a period of twenty (20) days, and if after that period no person has claimed the tobacco products or vapor products as his or her property, the commissioner shall cause the tobacco products or vapor products to be destroyed.

(6) All fixtures, equipment, materials, and personal property used in substantial connection with the sale or possession of tobacco products or vapor products involved in a knowing and intentional violation of KRS 138.130 to 138.205 shall be contraband and subject to seizure and forfeiture as follows:

(a) The department's representative shall seize the property and store the property in a safe place selected by the representative; and

(b) The representative shall proceed as provided in KRS 138.165(2). The commissioner shall cause the property to be sold after notice published pursuant to KRS Chapter 424. The proceeds from the sale shall be applied as provided in KRS 138.165(2).

(7) The owner or any person having an interest in the fixtures, materials, or personal property that has been seized as provided by subsection (6) of this section may apply to the commissioner for remission of the forfeiture for good cause shown. If it is shown to the satisfaction of the commissioner that the owner or person having an interest in the property was without fault, the department shall remit the forfeiture.

(8) Any party aggrieved by an order entered under this section may appeal to the Kentucky Claims Commission pursuant to KRS 49.220.

Section 52. KRS 138.135 is amended to read as follows:

(1) Every manufacturer, whether located in this state or outside this state, that ships tobacco products or vapor products to a distributor, retailer, retail distributor, or any other person located in this state shall file a report with the department on or before the twentieth day of each month identifying all such
shipments made by the manufacturer during the preceding month. The
department, within its discretion, may allow a manufacturer to file the report
for periods other than monthly.

(b) The reports shall identify:

1. The names and addresses of the persons in this state to whom the
   shipments were made;
2. The quantities of tobacco products and vapor products shipped, by type
   of product and brand; and
3. Any other information the department may require.

(2) Each licensed distributor and each licensed retail distributor shall keep in each
licensed place of business complete and accurate records for that place of business,
including:

(a) Itemized invoices of:

1. Tobacco products and vapor products purchased, manufactured,
   imported, or caused to be imported into this state from outside this state,
   or shipped or transported to other distributors or retailers in this state or
   outside this state, including type of product and brand;
2. All sales of tobacco products and vapor products, including sales of
   tobacco products and vapor products manufactured or produced in this
   state, including type of product and brand; and
3. All tobacco products and vapor products transferred to retail outlets
   owned or controlled by the licensed distributor, including type of
   product and brand; and

(b) Any other records required by the department.

(3) Each retailer of tobacco products or vapor products shall keep complete and
accurate records of all purchases of tobacco products or vapor products, including
invoices that identify:
(a) The distributor's name and address;
(b) The name, quantity, and purchase price of the product purchased;
(c) The license number of the distributor licensed under KRS 138.195(7); and
(d) The tobacco products tax or the vapor products tax imposed by Section 53 of this Act [KRS 138.140].

(4) All books, records, invoices, and documents required by this section shall be preserved, in a form prescribed by the department, for not less than four (4) years from the making of the records unless the department authorizes, in writing, the destruction of the records.

Section 53. KRS 138.140 is amended to read as follows:

(1) (a) A tax shall be paid on the sale of cigarettes within the state at a proportionate rate of three cents ($0.03) on each twenty (20) cigarettes.
(b) Effective July 1, 2018, a surtax shall be paid in addition to the tax levied in paragraph (a) of this subsection at a proportionate rate of one dollar and six cents ($1.06) on each twenty (20) cigarettes.
(c) A surtax shall be paid in addition to the tax levied in paragraph (a) of this subsection and in addition to the surtax levied by paragraph (b) of this subsection, at a proportionate rate of one cent ($0.01) on each twenty (20) cigarettes. The revenues from this surtax shall be deposited in the cancer research institutions matching fund created in KRS 164.043.
(d) The surtaxes imposed by paragraphs (b) and (c) of this subsection shall be paid at the time that the tax imposed by paragraph (a) of this subsection is paid.

(2) (a) An excise tax is hereby imposed upon every distributor for the privilege of selling tobacco products in this state at the following rates:
1. Upon snuff at the rate of nineteen cents ($0.19) per each one and one-half (1-1/2) ounces or portion thereof by net weight sold;
2. Upon chewing tobacco at the rate of:
   a. Nineteen cents ($0.19) per each single unit sold;
   b. Forty cents ($0.40) per each half-pound unit sold; or
   c. Sixty-five cents ($0.65) per each pound unit sold.

   If the container, pouch, or package on which the tax is levied contains more than sixteen (16) ounces by net weight, the rate that shall be applied to the unit shall equal the sum of sixty-five cents ($0.65) plus nineteen cents ($0.19) for each increment of four (4) ounces or portion thereof exceeding sixteen (16) ounces sold; and

3. Upon tobacco products sold, at the rate of fifteen percent (15%) of the actual price for which the distributor sells tobacco products, except snuff and chewing tobacco, within the Commonwealth.

4. Upon closed vapor cartridges, one dollar and fifty cents ($1.50) per cartridge; and

5. Upon open vaping systems, fifteen percent (15%) of the actual price for which the distributor sells the open vaping system.

(b) The net weight posted by the manufacturer on the container, pouch, or package or on the manufacturer's invoice shall be used to calculate the tax due on snuff or chewing tobacco.

(c) 1. A retailer located in this state shall not purchase tobacco products for resale to consumers from any person within or outside this state unless that person is a distributor licensed under KRS 138.195(7)(a) or the retailer applies for and is granted a retail distributor's license under KRS 138.195(7)(b) for the privilege of purchasing untax-paid tobacco products and remitting the tax as provided in this paragraph.

2. A licensed retail distributor of tobacco products shall be subject to the excise tax as follows:
a. On purchases of untax-paid snuff, at the same rate levied by paragraph (a)1. of this subsection;

b. On purchases of untax-paid chewing tobacco, at the same rates levied by paragraph (a)2. of this subsection; [and]

c. On purchases of untax-paid tobacco products, except snuff and chewing tobacco, fifteen percent (15%) of the total purchase price as invoiced by the retail distributor's supplier;

d. On purchases of untax-paid closed vapor cartridges, at the same rate levied by paragraph (a)4. of this subsection; and

e. On purchases of untax-paid open vaping systems, fifteen percent (15%) of the total purchase price as invoiced by the retail distributor's supplier.

(d) 1. The licensed distributor that first possesses tobacco products or vapor products for sale to a retailer in this state or for sale to a person who is not licensed under KRS 138.195(7) shall be the distributor liable for the tax imposed by this subsection except as provided in subparagraph 2. of this paragraph.

2. A distributor licensed under KRS 138.195(7)(a) may sell tobacco products or vapor products to another distributor licensed under KRS 138.195(7)(a) without payment of the excise tax. In such case, the purchasing licensed distributor shall be the distributor liable for the tax.

3. A licensed distributor or licensed retail distributor shall:

   a. Identify and display the distributor's or retail distributor's license number on the invoice to the retailer; and

   b. Identify and display the excise tax separately on the invoice to the retailer. If the excise tax is included as part of the product's sales price, the licensed distributor or licensed retail distributor shall list
the total excise tax in summary form by tax type with invoice totals.

4. It shall be presumed that the excise tax has not been paid if the licensed distributor or licensed retail distributor does not comply with subparagraph 3. of this paragraph.

(e) No tax shall be imposed on tobacco products or vapor products under this subsection that are not within the taxing power of this state under the Commerce Clause of the United States Constitution.

(3) (a) The taxes imposed by subsections (1) and (2) of this section:

1. Shall not apply to reference[] tobacco products; and
2. Shall be paid only once, regardless of the number of times the cigarettes or tobacco products may be sold.

(b) The taxes imposed by subsection (1)(a) and (b) and subsection (2) of this section shall be reduced by:

1. Fifty percent (50%) on any product as to which a modified risk tobacco product order is issued under 21 U.S.C. sec. 387k(g)(1); or
2. Twenty-five percent (25%) for any product as to which a modified risk tobacco product order is issued under 21 U.S.C. sec. 387k(g)(2).

(4) A reference[] product shall carry a marking labeling the contents as a research cigarette, research vapor product, or a research tobacco product to be used only for tobacco-health research and experimental purposes and shall not be offered for sale, sold, or distributed to consumers.

(5) The department may prescribe forms and promulgate administrative regulations to execute and administer the provisions of this section.

(6) The General Assembly recognizes that increasing taxes on tobacco products should reduce consumption, and therefore result in healthier lifestyles for Kentuckians.

The relative taxes on tobacco products proposed in this section reflect the growing
data from scientific studies suggesting that although smokeless tobacco poses some risks, those health risks are significantly less than the risks posed by other forms of tobacco products. Moreover, the General Assembly acknowledges that some in the public health community recognize that tobacco harm reduction should be a complementary public health strategy regarding tobacco products. Taxing tobacco products according to relative risk is a rational tax policy and may well serve the public health goal of reducing smoking-related mortality and morbidity and lowering health care costs associated with tobacco-related disease.

(7) Any person subject to the taxes imposed under subsections (1) and (2) of this section that:
(a) Files an application related to a modified risk tobacco product shall report to the department that an application has been filed within thirty (30) days of that filing; and
(b) Receives an order authorizing the marketing of a modified risk tobacco product shall report to the department that an authorizing order has been received.

(8) Upon receipt of the information required by subsection (7)(b) of this section, the department shall reduce the tax imposed on the modified risk tobacco product as required by subsection (3)(b) of this section on the first day of the calendar month following the expiration of forty-five (45) days following receipt of the information required by subsection (7)(b) of this section.

Section 54. KRS 138.183 is amended to read as follows:

(1) Notwithstanding any other provision of this chapter to the contrary, the president, vice president, secretary, treasurer, or any other person holding any equivalent corporate office of any corporation subject to the provisions of KRS 138.130 to 138.205 shall be personally and individually liable, both jointly and severally, for the taxes imposed by Section 53 of this Act [cigarette tax and the tobacco products...
(2) Corporate dissolution, withdrawal of the corporation from the state, or the cessation of holding any corporate office shall not discharge the liability of any person. The personal and individual liability shall apply to every person holding a corporate office at the time the tax becomes or became due.

(3) Notwithstanding any other provision of this chapter, KRS 275.150, 362.1-306(3) or predecessor law, or KRS 362.2-404(3) to the contrary, the managers of a limited liability company, the partners of a limited liability partnership, and the general partners of a limited liability limited partnership or any other person holding any equivalent office of a limited liability company, limited liability partnership or limited liability limited partnership subject to the provisions of KRS 138.130 to 138.205 shall be personally and individually liable, both jointly and severally, for the taxes imposed by Section 53 of this Act [cigarette tax and the tobacco products tax].

(4) Dissolution, withdrawal of the limited liability company, limited liability partnership, or limited liability limited partnership from the state, or the cessation of holding any office shall not discharge the liability of any person. The personal and individual liability shall apply to every manager of a limited liability company, partner of a limited liability partnership or general partner of a limited liability limited partnership at the time the tax becomes or became due.

(5) No person shall be personally and individually liable under this section who had no authority to collect, truthfully account for, or pay over any tax imposed by Section 53 of this Act [cigarette tax or tobacco products tax] at the time the taxes imposed become or became due.

(6) "Taxes" as used in this section include interest accrued at the rate provided by KRS 131.183, all applicable penalties imposed under the provisions of this chapter, and all applicable penalties imposed under the provisions of KRS 131.180, 131.410 to
Section 55. KRS 138.195 is amended to read as follows:

1. No person other than a manufacturer shall acquire cigarettes in this state on which the Kentucky cigarette tax has not been paid, nor act as a resident wholesaler, nonresident wholesaler, vending machine operator, sub-jobber, transporter or unclassified acquirer of such cigarettes without first obtaining a license from the department as set out in this section.

2. No person shall act as a distributor of tobacco products or vapor products without first obtaining a license from the department as set out in this section.

3. For licenses effective for periods beginning on or after July 1, 2015, no individual, entity, or any other group or combination acting as a unit may be eligible to obtain a license under this section if the individual, or any partner, director, principal officer, or manager of the entity or any other group or combination acting as a unit has been convicted of or entered a plea of guilty or nolo contendere to:

   1. A crime relating to the reporting, distribution, sale, or taxation of cigarettes, tobacco products, or vapor products; or

   2. A crime involving fraud, falsification of records, improper business transactions or reporting;

   for ten (10) years from the expiration of probation or final discharge from parole or maximum expiration of sentence.

4. Each resident wholesaler shall secure a separate license for each place of business at which cigarette tax evidence is affixed or at which cigarettes on which the Kentucky cigarette tax has not been paid are received.

5. Each nonresident wholesaler shall secure a separate license for each place of business at which evidence of Kentucky cigarette tax is affixed or from where Kentucky cigarette tax is reported and paid.
(c) Each license shall be secured on or before July 1 of each year.

(d) Each licensee shall pay the sum of five hundred dollars ($500) for each year, or portion thereof, for which each license is secured.

(3) (a) Each sub-jobber shall secure a separate license for each place of business from which cigarettes, upon which the cigarette tax has been paid, are made available to retailers, whether the place of business is located within or without this state.

(b) Each license shall be secured on or before July 1 of each year.

(c) Each licensee shall pay the sum of five hundred dollars ($500) for each year, or portion thereof, for which each license is secured.

(4) (a) Each vending machine operator shall secure a license for the privilege of dispensing cigarettes, on which the cigarette tax has been paid, by vending machines.

(b) Each license shall be secured on or before July 1 of each year.

(c) Each licensee shall pay the sum of twenty-five dollars ($25) for each year, or portion thereof, for which each license is secured.

(d) No vending machine shall be operated within this Commonwealth without having prominently affixed thereto the name of its operator and the license number assigned to that operator by the department.

(e) The department shall prescribe by administrative regulation the manner in which the information shall be affixed to the vending machine.

(5) (a) Each transporter shall secure a license for the privilege of transporting cigarettes within this state.

(b) Each license shall be secured on or before July 1 of each year.

(c) Each licensee shall pay the sum of fifty dollars ($50) for each year, or portion thereof, for which each license is secured.

(d) No transporter shall transport any cigarettes without having in actual
possess an invoice or bill of lading therefor, showing:
1. The name and address of the consignor and consignee;
2. The date acquired by the transporter;
3. The name and address of the transporter;
4. The quantity of cigarettes being transported; and
5. The license number assigned to the transporter by the department.

(6) Each unclassified acquirer shall secure a license for the privilege of acquiring cigarettes on which the cigarette tax has not been paid. The license shall be secured on or before July 1 of each year. Each licensee shall pay the sum of fifty dollars ($50) for each year, or portion thereof, for which the license is secured.

(7) (a) 1. Each distributor shall secure a license for the privilege of selling tobacco products or vapor products in this state. Each license shall be secured on or before July 1 of each year, and each licensee shall pay the sum of five hundred dollars ($500) for each year, or portion thereof, for which the license is secured.

2. a. A resident wholesaler, nonresident wholesaler, or subjobber licensed under this section may also obtain and maintain a distributor's license at each place of business at no additional cost each year.

b. An unclassified acquirer licensed under this section may also obtain and maintain a distributor's license for the privilege of selling tobacco products or vapor products in this state. The license shall be secured on or before July 1 of each year, and each licensee shall pay the sum of four hundred fifty dollars ($450) for each year, or portion thereof, for which the license is secured.

3. The department may, upon application, grant a distributor's license to a person other than a retailer and who is not otherwise required to hold a
distributor's license under this paragraph. If the department grants the license, the licensee shall pay the sum of five hundred dollars ($500) for each year, or portion thereof, for which the license is secured, and the licensee shall be subject to the excise tax in the same manner and subject to the same requirements as a distributor required to be licensed under this paragraph.

(b) The department may, upon application, grant a retail distributor's license to a retailer for the privilege of purchasing tobacco products or vapor products from a distributor not licensed by the department. If the department grants the license, the licensee shall pay the sum of one hundred dollars ($100) for each year, or portion thereof, for which the license is secured.

(8) Nothing in KRS 138.130 to 138.205 shall be construed to prevent the department from requiring a person to purchase more than one (1) license if the nature of that person's business is so diversified as to justify the requirement.

(9) (a) The department may by administrative regulation require any person requesting a license or holding a license under this section to supply such information concerning his business, sales or any privilege exercised, as is deemed reasonably necessary for the regulation of the licensees, and to protect the revenues of the state.

(b) Failure on the part of the applicant or licensee to:

1. Comply with KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or 248.754 or any administrative regulations promulgated thereunder; or

2. Permit an inspection of premises, machines, or vehicles by an authorized agent of the department at any reasonable time; shall be grounds for the denial or revocation of any license issued by the department, after due notice and a hearing by the department.

(c) The commissioner may assign a time and place for the hearing and may
appoint a conferee who shall conduct a hearing, receive evidence, and hear arguments.

(d) The conferee shall thereupon file a report with the commissioner together with a recommendation as to the denial or revocation of the license.

(e) From any denial or revocation made by the commissioner on the report, the licensee may prosecute an appeal to the Kentucky Claims Commission pursuant to KRS 49.220.

(f) Any person whose license has been revoked for the willful violation of any provision of KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or 248.754 or any administrative regulations promulgated thereunder shall not be entitled to any license provided for in this section, or have any interest in any license, either disclosed or undisclosed, either as an individual, partnership, corporation or otherwise, for a period of two (2) years after the revocation.

(10) No license issued pursuant to this section shall be transferable or negotiable except that a license may be transferred between an individual and a corporation, if that individual is the exclusive owner of that corporation, or between a subsidiary corporation and its parent corporation.

(11) Every manufacturer located or doing business in this state and the first person to import cigarettes into this state shall keep written records of all shipments of cigarettes to persons within this state, and shall submit to the department monthly reports of such shipments. All books, records, invoices, and documents required by this section shall be preserved in a form prescribed by the department for not less than four (4) years from the making of the records unless the department authorizes, in writing, the destruction of the records.

(12) No person licensed under this section except nonresident wholesalers shall either sell to or purchase from any other such licensee untax-paid cigarettes.

(13) (a) Licensed distributors of tobacco products or vapor products shall pay and
report the tobacco products tax or vapor products tax on or before the twentieth day of the calendar month following the month in which the possession or title of the tobacco products or vapor products are transferred from the licensed distributor to retailers or consumers in this state, as the case may be.

(b) Retailers who have applied for and been granted a retail distributor's license for the privilege of purchasing tobacco products or vapor products from a person who is not a distributor licensed under KRS 138.195(7)(a) shall report and pay the tobacco products tax or vapor products tax on or before the twentieth day of the calendar month following the month in which the products are acquired by the licensed retail distributors.

(c) If the distributor or retail distributor timely reports and pays the tax due, the distributor or retail distributor may deduct an amount equal to one percent (1%) of the tax due.

(d) The department shall promulgate administrative regulations setting forth the details of the reporting requirements.

(14) A tax return shall be filed for each reporting period whether or not tax is due.

(15) Any license issued by the department under this section shall not be construed to waive or condone any violation that occurred or may have occurred prior to the issuance of the license and shall not prevent subsequent proceedings against the licensee.

(16) (a) The department may deny the issuance of a license under this section if:

1. The applicant has made any material false statement on the application for the license; or

2. The applicant has violated any provision of KRS 131.600 to 131.630, 138.130 to 138.205, 248.754, or 248.756 or any administrative regulations promulgated thereunder.
(b) If the department denies the applicant a license under this section, the
department shall notify the applicant of the grounds for the denial, and the
applicant may request a hearing and appeal the denial as provided in
subsection (9) of this section.

Section 56. KRS 138.197 is amended to read as follows:
The department shall publish and maintain on its Web site an up-to-date list of tobacco
products and vapor products distributors licensed under KRS 138.195(7).

SECTION 57. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO
READ AS FOLLOWS:

(1) As used in this section:
(a) "Administrative adjustment request" means an administrative adjustment
request filed by a partnership under Section 6227 of the Internal Revenue
Code;
(b) "Audited partnership" means a partnership subject to a partnership level
audit resulting in a federal adjustment;
(c) "Corporate partner" means a partner that is subject to tax under KRS
141.040;
(d) "Direct partner" means a partner that holds an interest directly in a
partnership or pass-through entity;
(e) "Exempt partner" means a partner that is exempt from taxation under KRS
141.040 (a) or (b);
(f) 1. "Federal adjustment" means a change to an item or amount
determined under the Internal Revenue Code that is used by a
taxpayer to compute income tax owed to the Commonwealth, whether
that change results from action by the:
a. Internal Revenue Service, including a partnership level audit; or
b. Filing of an amended federal return, federal refund claim, or an
administrative adjustment request by the taxpayer.

2. A federal adjustment is positive to the extent that it increases net income or taxable net income and is negative to the extent that it decreases net income or taxable net income;

(g) "Federal adjustments report" includes methods or forms required by the department for use by a taxpayer to report final federal adjustments, including an amended income tax return, information return, or a uniform multistate report;

(h) "Federal partnership representative" means the person:

1. The partnership designates for the taxable year as the partnership’s representative; or

2. The Internal Revenue Service has appointed to act as the federal partnership representative, under Section 6223 (a) of the Internal Revenue Code;

(i) "Final determination date" means the following:

1. a. Except as provided in subparagraphs 2. and 3. of this paragraph, if the federal adjustment arises from any action by the Internal Revenue Service, the final determination date is the first day on which no federal adjustments arising from that action remain to be finally determined, whether by Internal Revenue Service decision with respect to which all rights of appeal have been waived or exhausted, by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted.

b. For agreements required to be signed by the Internal Revenue Service and the taxpayer, the final determination date is the date upon which the last party signed the agreement;
2. For federal adjustments arising from any action by the Internal Revenue Service, if the taxpayer filed as a member of a consolidated return under KRS 141.201 or a combined report under KRS 141.202, the final determination date means the first day on which no related federal adjustments arising from that action remain to be finally determined, as described in subparagraph 1. of this paragraph, for the entire group; and

3. If the federal adjustment results from filing an amended federal return, a federal refund claim, or an administrative adjustment request, or if it is a federal adjustment reported on an amended federal return or other similar report filed under Section 6225(c) of the Internal Revenue Code, the final determination date means the day on which the amended return, refund claim, administrative adjustment request, or other similar report was filed;

(j) "Final federal adjustment" means a federal adjustment after the final determination date for that federal adjustment has passed;

(k) "Indirect partner" means a partner in a partnership or pass-through entity and that partnership or pass-through entity holds an interest directly, or through another indirect partner, in a partnership or pass-through entity;

(l) "Nonresident partner" means an individual, trust, or estate partner that is not a resident partner;

(m) "Partner" means a person that holds an interest directly or indirectly in a partnership or other pass-through entity;

(n) "Partnership" means an entity subject to the provisions of Subchapter K of Chapter 1 of the Internal Revenue Code;

(o) "Partnership level audit" means an examination by the Internal Revenue Service at the partnership level under Subchapter C of Chapter 63 of the
Internal Revenue Code, as enacted by Pub. L. No. 114-74, which results in a federal adjustment;

(p) "Pass-through entity" means an entity, other than a partnership, that is not subject to tax under KRS 141.040;

(q) 1. "Reallocation adjustment" means a federal adjustment resulting from a partnership level audit or an administrative adjustment request that changes the shares of one (1) or more items of partnership income, gain, loss, expense, or credit allocated to direct partners.

2. A positive reallocation adjustment means the portion of a reallocation adjustment that would increase federal income for one (1) or more direct partners.

3. A negative reallocation adjustment means the portion of a reallocation adjustment that would decrease federal income for one (1) or more direct partners;

(r) "Resident partner" means an individual, trust, or estate partner that is a resident for the relevant taxable year;

(s) "Reviewed year" means the taxable year of a partnership that is subject to a partnership level audit from which federal adjustments arise;

(t) "Taxpayer" has the same meaning as in KRS 131.010 and includes:

1. a. A partnership subject to a partnership level audit; or
   b. A partnership that has made an administrative adjustment request; and

2. A tiered partner of the partnership described in subparagraph 1. of this paragraph; and

(u) "Tiered partner" means any partner that is a partnership or pass-through entity.

(2) Except in the case of final federal adjustments that are required to be reported by
a partnership and its partners under subsection (3) of this section, and final
federal adjustments required to be reported for federal purposes under Section
6225(a)(2) of the Internal Revenue Code, a taxpayer shall report and pay any
income tax due with respect to final federal adjustments arising from any action:
(a) By the Internal Revenue Service; or
(b) Reported by the taxpayer on a timely filed amended federal income tax
return, including a return or other similar report filed under Section
6225(c)(2) of the Internal Revenue Code, or federal claim for refund;
by filing a federal adjustments report with the department for the reviewed year
and, if applicable, paying the additional tax owed by the taxpayer no later than
one hundred eighty (180) days after the final determination date.

(3) (a) Except for adjustments required to be reported for federal purposes under
Section 6225(a)(2) of the Internal Revenue Code, and the distributive share
of adjustments that have been reported as required under subsection (2) of
this section, partnerships and partners shall report final federal adjustments
arising from a partnership level audit or an administrative adjustment
request and make payments as under this subsection.
(b) 1. With respect to an action required or allowed to be taken by a
partnership under this subsection and a proceeding under KRS
131.110 with respect to that action, the state partnership representative
for the reviewed year shall have the sole authority to act on behalf of
the partnership, and the partnership’s direct partners and indirect
partners shall be bound by those actions.

2. The state partnership representative for the reviewed year is the
partnership’s federal partnership representative unless the partnership
designates in writing another person as its state partnership
representative.
3. The department may establish reasonable qualifications and procedures for designating a person, other than the federal partnership representative, to be the state partnership representative.

(c) Final federal adjustments subject to the requirements of this subsection, except for those subject to a properly made election under subsection (4) of this section, shall be reported as follows:

1. No later than ninety (90) days after the final determination date, the partnership shall:
   a. File with the department a completed federal adjustments report, including all information required by the department;
   b. Notify each of its direct partners of their distributive share of the final federal adjustments, including all information required by the department; and
   c. File an amended composite return for direct partners or an amended withholding return for direct partners as required under Section 14 of this Act and pay the additional amount of tax that would have been due had the final federal adjustments been reported properly as required; and

2. No later than one hundred eighty (180) days after the final determination date, each direct partner that is taxed under KRS 141.020 or 141.040 shall:
   a. File a federal adjustments report reporting their distributive share of the adjustments reported to them under subparagraph 1.b. of this paragraph; and
   b. Pay any additional amount of tax due as if final federal adjustments had been properly reported, plus any penalty due under KRS 131.180 and interest due under KRS 131.183 and
minus any credit for related amounts paid or withheld and 
remitted on behalf of the direct partner under subparagraph 1.c. 
of this paragraph.

(4) An audited partnership making an election under this paragraph shall:

(a) No later than ninety (90) days after the final determination date, file a 
completed federal adjustments report, including all information required by 
the department, and notify the department that it is making the election 
under this paragraph; and 

(b) No later than one hundred eighty (180) days after the final determination 
date, pay an amount, determined as follows, in lieu of taxes owed by its 
direct and indirect partners:

1. Exclude from final federal adjustments the distributive share of these 
adjustments reported to a direct exempt partner not subject to tax 
under KRS 141.040(1)(a) or (b);

2. For the total distributive shares of the remaining final federal 
adjustments reported to direct corporate partners subject to tax under 
KRS 141.040, apportion and allocate the adjustments under Section 
14 of this Act and multiply the resulting amount by the highest tax 
rate for the taxable year under KRS 141.040;

3. For the total distributive shares of the remaining final federal 
adjustments reported to nonresident direct partners subject to tax 
under KRS 141.020, determine the amount of the adjustments under 
Section 14 of this Act based on what would be subject to tax as 
Kentucky-sourced income for a nonresident partner, and multiply the 
resulting amount by the highest tax rate for the taxable year under 
KRS 141.020;

4. For the total distributive shares of the remaining final federal
adjustments reported to tiered partners, determine the amount of the adjustments which is of a type that it would be subject to tax under Section 14 of this Act, less any amount that the audited partnership can determine to the department's satisfaction that is not subject to tax, and multiply that amount by the highest tax rate under KRS 141.020 or 141.040;

5. For the total distributive shares of the remaining final federal adjustments reported to resident direct partners subject to tax under KRS 141.020, multiply that amount by the highest tax rate under KRS 141.020; and

6. Add the amounts determined in subparagraphs 2. to 5. of this paragraph, and remit the amount along with penalty due under KRS 131.180 and interest due under KRS 131.183.

(5) The election under subsection (4) of this section shall not apply to:

(a) The distributive share of final audit adjustments that under KRS 141.202 that are included in the unitary business income of any direct or indirect corporate partner, provided that the audited partnership can reasonably determine this;

(b) Any final federal adjustments resulting from an administrative adjustment request; or

(c) Any audited partnership not otherwise subject to any reporting or payment obligation to this state.

(6) (a) The direct and indirect partners of an audited partnership that are tiered partners and all of the partners of those tiered partners that are subject to tax under KRS 141.020 and 141.040 are subject to the reporting and payment requirements of subsection (3) of this section and the tiered partners are entitled to make the elections provided in subsection (4) of this
(b) The tiered partners or their partners shall make the required reports and payments no later than ninety (90) days after the time for filing and furnishing statements to tiered partners and the partners under Section 6226 of the Internal Revenue Code and the regulations thereunder.

(c) The department may promulgate administrative regulations to establish procedures and interim time periods for:

1. The reports and payments required by tiered partners and their partners;

2. Making the elections under this section;

3. The procedures related to the modified reporting and payment method under subsection (7) of this section; or

4. A de minimis amount upon which a taxpayer shall not be required to comply with this section.

(7) (a) Under procedures promulgated under KRS Chapter 13A by the department, an audited partnership or a tiered partner may enter into an agreement with the department to utilize an alternative reporting and payment method, including applicable time requirements for any other provision of this section, if the audited partnership or tiered partner demonstrates that the requested method will reasonably provide for the reporting and payment of taxes, penalties, and interest due under the provisions of this section.

(b) Application for approval of an alternative reporting and payment method shall be made by the audited partnership or tiered partner within the times established under subsection (4) or (6) of this section, as appropriate.

(8) (a) The election made under subsection (4) or (7) of this section is irrevocable, unless the department, in its discretion, determines otherwise.

(b) If properly reported and paid by the audited partnership or tiered partner,
the amount determined under subsection (4) or (6) of this section shall be
 treated as paid in lieu of taxes owed by its direct and indirect partners, to the
 extent applicable, on the same final federal adjustments.

(c) The direct partners or indirect partners may not take any deduction or
 credit for this amount or claim a refund of the amount in this state.

(d) Nothing in this subsection shall preclude a direct resident partner from
 claiming a credit against taxes paid to this state under KRS Chapter 141,
 any amounts paid by the audited partnership or tiered partner on the
 resident partner's behalf to another state or local tax jurisdiction under
 KRS 141.070.

(9) Nothing in this section prevents the department from assessing a direct partner or
 an indirect partner for taxes they owe, using the best information available, in the
 event that a partnership or tiered partner fails to timely make any report or
 payment required by this section for any reason.

(10) The department shall assess additional tax, interest, and penalties resulting from
 any final federal adjustments arising from an audit by the Internal Revenue
 Service including a partnership level audit, reported by the taxpayer on an
 amended federal income tax return, or as part of an administrative adjustment
 request by the following dates:

(a) If a taxpayer files with the department a federal adjustments report or an
 amended Kentucky tax return as required within the periods under this
 section, the department may assess any amounts, including in-lieu-of
 amounts, taxes, interest, and penalties arising from those federal
 adjustments if the department issues a notice of the assessment to the
 taxpayer no later than the expiration of the one (1) year period following
 the date of filing with the department of the federal adjustments report; or

(b) If the taxpayer fails to file the federal adjustments report within the periods
specified in subsections (2) or (3) of this section, as appropriate, or the federal adjustments report filed by the taxpayer omits final federal adjustments or understates the correct amount of tax owed, the department may assess any amounts, including in-lieu-of amounts, taxes, interest, and penalties arising from the final federal adjustments, and absent fraud, if the department issues a notice of the assessment to the taxpayer no later than the expiration of the six (6) year period following the final determination date.

(11) (a) A taxpayer may make estimated payments to the department, following the applicable process under KRS 141.207, of the tax expected to result from a pending Internal Revenue Service audit, prior to the due date of the federal adjustments report, without having to file the report with the department.

(b) The estimated tax payments shall be credited against any tax liability ultimately found to be due and will limit the accrual of further statutory interest on that amount.

(c) If the estimated tax payments exceed the final tax liability and statutory interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the excess, provided the taxpayer filed a federal adjustments report or claim for refund or credit of tax under this section no later than one (1) year following the final determination date.

(12) (a) Except for final federal adjustments required to be reported for federal purposes under Section 6225(a)(2) of this Internal Revenue Code, a taxpayer may file a claim for refund or credit of tax arising from federal adjustments made by the Internal Revenue Service on or before the latter of:

1. The expiration of the last day for filing a claim for refund or credit under KRS 134.580; or
2. One (1) year from the date a federal adjustments report under
subsection (2) or (3) of this section, as applicable, was due to the
department.

(b) The federal adjustments report shall serve as the means for the taxpayer to
report additional tax due, report a claim for refund or credit of tax, and
make other adjustments, including any net operating loss, resulting from
adjustments to the taxpayer's federal taxable income.

(13) (a) Unless otherwise agreed in writing by the taxpayer and the department, any
adjustments by the department or by the taxpayer made after the expiration
of the time allowed under Section 58 of this Act is limited to changes to the
taxpayer's tax liability arising from federal adjustments.

(b) The time periods provided for in this section may be extended, upon written
agreement between the taxpayer and the department, based on the
complexity of the federal adjustment or the number of direct partners or
tiered partners.

(c) The time period shall be automatically extended, upon written notice to the
department, by sixty (60) days for an audited partnership or tiered partner
which has ten thousand (10,000) or more direct partners.

(d) Any extension granted under this subsection for filing the federal
adjustments report extends the last day prescribed by law for assessing any
additional tax arising from the adjustments to federal taxable income and
the period for filing a claim for refund or credit of taxes.

Section 58. KRS 141.210 is amended to read as follows:

(1) As used in this section and KRS 141.235, unless the context requires otherwise:

(a) "Conclusion of the federal audit" means the date that the adjustments made by
the Internal Revenue Service to net income as reported on the taxpayer's
federal income tax return become final and unappealable; and
(b) "Final determination of the federal audit" means the revenue agent's report or other documents reflecting the final and unappealable adjustments made by the Internal Revenue Service.

(2) As soon as practicable after each return is received, the department shall examine and audit it.

(2) (a) 1. If the amount of tax computed by the department is greater than the amount returned by the taxpayer, the additional tax shall be assessed and a notice of assessment mailed to the taxpayer by the department within four (4) years from the date the return was filed, except as otherwise provided in this subsection.

2.[(a)] In the case of a failure to file a return or of a fraudulent return the additional tax may be assessed at any time.

3.[(b)] In the case of a return where a taxpayer other than a corporation understates his net income or omits an amount properly includable in net income or both which understatement or omission or both is in excess of twenty-five percent (25%) of the amount of net income stated in the return the additional tax may be assessed at any time within six (6) years after the return was filed.

4.[(c)] In the case of a return where a corporation understates its taxable net income or omits an amount properly includable in taxable net income or both, which understatement or omission or both is in excess of twenty-five percent (25%) of the amount of taxable net income stated in the return, the additional tax may be assessed at any time within six (6) years after the return was filed.

5.[(d)] In the case of an assessment of additional tax relating directly to adjustments resulting from a final determination of a federal adjustment, as defined in Section 57 of this Act, the additional
tax may be assessed before the expiration of the times provided in

Section 57 of this Act this subsection, or six months from the date the
department receives the final determination of the federal audit from the
taxpayer, whichever is later).

6.(e) In the case of the assessment of additional tax resulting from a
decrease of a net operating loss deduction or a capital loss deduction,
resulting from the carryback of a loss which occurs in a taxable year
beginning after December 31, 1993, the additional tax may be assessed
at any time before the expiration of the times provided for in this
subsection for assessing additional tax for the taxable year which
resulted in the net operating loss or capital loss carryback.

(b) The times provided in this subsection may be extended by agreement between
the taxpayer and the department.

(c) For the purposes of this subsection, a return filed before the last day
prescribed by law for filing the return shall be considered as filed on the last
day.

(d) [For taxable years beginning after December 31, 1993, ]Any extension
granted for filing the return shall also be considered as extending the last day
prescribed by law for filing the return.

(3) If any additional tax is assessed on account of any income which has been returned
for taxation by any other taxpayer, the department, with the consent of the other
taxpayer, his personal representatives, or heirs, shall reduce the amount of the
additional tax assessed for each year by the amount of the income tax paid for that
year by the other taxpayer on account of the income in question.

[(4) Every taxpayer shall:

(a) Notify the department in writing of every audit of the taxpayer’s federal
income tax return within thirty (30) days after the taxpayer has or should have]
had knowledge of the beginning of the audit by the Internal Revenue Service,

and

(b) Submit a copy of the final determination of the federal audit within one

hundred eighty (180) days of the conclusion of the federal audit.

Section 59. KRS 141.235 is amended to read as follows:

(1) No suit shall be maintained in any court to restrain or delay the collection or

payment of the tax levied by this chapter.

(2) Any tax collected pursuant to the provisions of this chapter may be refunded or

credited in accordance with the provisions of KRS 134.580, except that:

(a) In any case where the assessment period contained in KRS 141.210 has been

extended by an agreement between the taxpayer and the department, the

limitation contained in this subsection shall be extended accordingly.

(b) If the claim for refund or credit relates directly to adjustments resulting from a

federal audit, the taxpayer shall file a claim for refund or credit within the

time provided in Section 57 of this Act[for in this subsection or six (6)

months from the conclusion of the federal audit, whichever is later].

(c) If the claim for refund or credit relates to an overpayment attributable to a net

operating loss carryback or capital loss carryback, resulting from a loss which

occurs in a taxable year beginning after December 31, 1993, the claim for

refund or credit shall be filed within the times prescribed in this subsection for

the taxable year of the net operating loss or capital loss which results in the

carryback.

For the purposes of this subsection and subsection (3) of this section, a return filed

before the last day prescribed by law for filing the return shall be considered as

filed on the last day.

(3) Overpayments as defined in KRS 134.580 of taxes collected pursuant to KRS

141.305, 141.310, or 141.315 shall be refunded or credited with interest at the tax
interest rate as defined in KRS 131.010(6). Effective for refunds issued after April 24, 2008, the interest shall not begin to accrue until ninety (90) days after the latest of:

(a) The due date of the return;
(b) The date the return was filed;
(c) The date the tax was paid;
(d) The last day prescribed by law for filing the return; or
(e) The date an amended return claiming a refund is filed.

(4) Exclusive authority to refund or credit overpayments of taxes collected pursuant to this chapter is vested in the commissioner or his authorized agent. Amounts directed to be refunded shall be paid out of the general fund.

Section 60. KRS 132.195 is amended to read as follows:

(1) When any real or personal property which is exempt from taxation is leased or possession is otherwise transferred to a natural person, association, partnership, or corporation in connection with a business conducted for profit, the leasehold or other interest in the property shall be subject to state and local taxation at the rate applicable to real or personal property levied by each taxing jurisdiction.

(2) Subsection (1) of this section shall not apply to interests in:

(a) Industrial buildings, as defined under KRS 103.200, owned and financed by a tax-exempt governmental unit or tax-exempt statutory authority under the provisions of KRS Chapter 103, the taxation of which is provided for under the provisions of KRS 132.020 and 132.200;
(b) Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be lawfully assessed;
(c) Property of any state-supported educational institution;
(d) Vending stand locations and facilities operated by blind persons under the auspices of the Division of Kentucky Business Enterprise, regardless of
whether the property is owned by the federal, state, or a local government;

(e) Property of any free public library;

(f) Property in Fayette County, Kentucky, administered by the Department of
  Military Affairs, Bluegrass Station Division;

(g) All privately owned leasehold interests in residential property when the
  residential property is owned in fee simple by a purely public charity as of
  July 1, 2020:

1. When the real property includes a residential property unit that is:
   a. Leased by the purely public charity for a period of at least one
      (1) year to an individual person who is fifty-five (55) years of age
      or older;
   b. Maintained as the individual person's permanent residence
      under a lease agreement that:
      i. Prohibits the lessee from subleasing the unit; and
      ii. Provides that the lessee's possessory interest in the unit is
          terminable by the lessor upon the death of the lessee, the
          physical or mental inability of the lessee to continue to
          reside in the unit, or the lessee's relocation to a nursing
          home or similar assisted living facility; and
   c. Constructed on or before July 1, 2020, or constructed after July
      1, 2020, on land that was privately owned in fee simple by the
      purely public charity on or before July 1, 2020;

2. If the fee simple ownership is transferred by the purely public charity
   after July 1, 2020, it shall be transferred to another purely public
   charity and the requirements established for the residential property
   unit in subparagraph 1. of this paragraph shall be maintained; and

3. The taxation of which is provided for under Sections 61 and 62 of this
Act; or

(h) All privately owned leasehold interests in residential property owned in fee simple by a purely public charity, which is exempt from ad valorem taxation under Kentucky Constitution Section 170, when the residential property unit is leased by the purely public charity to an individual person who is:

1. Receiving medical or educational supportive services from the purely public charity; and

2. a. A postsecondary educational participant;

b. A minor;

c. Sick, disabled, or impoverished; or

d. Over the age of sixty-five (65).

(3) Taxes shall be assessed to lessees of exempt real or personal property and collected in the same manner as taxes assessed to owners of other real or personal property, except that taxes due under this section shall not become a lien against the property. When due, such taxes shall constitute a debt due from the lessee to the state, county, school district, special district, or urban-county government for which the taxes were assessed and if unpaid shall be recoverable by the state as provided in KRS Chapter 134.

Section 61. KRS 132.020 is amended to read as follows:

(1) The owner or person assessed shall pay an annual ad valorem tax for state purposes at the rate of:

(a) Thirty-one and one-half cents ($0.315) upon each one hundred dollars ($100) of value of all real property directed to be assessed for taxation;

(b) Twenty-five cents ($0.25) upon each one hundred dollars ($100) of value of all motor vehicles qualifying for permanent registration as historic motor vehicles under KRS 186.043;

(c) Fifteen cents ($0.15) upon each one hundred dollars ($100) of value of all:
1. Machinery actually engaged in manufacturing;
2. Commercial radio and television equipment used to receive, capture, produce, edit, enhance, modify, process, store, convey, or transmit audio or video content or electronic signals which are broadcast over the air to an antenna, including radio and television towers used to transmit or facilitate the transmission of the signal broadcast and equipment used to gather or transmit weather information, but excluding telephone and cellular communication towers; and
3. Tangible personal property which has been certified as a pollution control facility as defined in KRS 224.1-300. In the case of tangible personal property certified as a pollution control facility which is incorporated into a landfill facility, the tangible personal property shall be presumed to remain tangible personal property for purposes of this paragraph if the tangible personal property is being used for its intended purposes;
(d) Ten cents ($0.10) upon each one hundred dollars ($100) of value on the operating property of railroads or railway companies that operate solely within the Commonwealth;
(e) Five cents ($0.05) upon each one hundred dollars ($100) of value of goods held for sale in the regular course of business, which includes:
1. Machinery and equipment held in a retailer's inventory for sale or lease originating under a floor plan financing arrangement;
2. Motor vehicles:
   a. Held for sale in the inventory of a licensed motor vehicle dealer, including licensed motor vehicle auction dealers, which are not currently titled and registered in Kentucky and are held on an assignment pursuant to KRS 186A.230; or
b. That are in the possession of a licensed motor vehicle dealer, including licensed motor vehicle auction dealers, for sale, although ownership has not been transferred to the dealer;

3. Raw materials, which includes distilled spirits and distilled spirits inventory;

4. In-process materials, which includes distilled spirits and distilled spirits inventory, held for incorporation in finished goods held for sale in the regular course of business; and

5. Qualified heavy equipment;

(f) One and one-half cents ($0.015) upon each one hundred dollars ($100) of value of all:

1. Privately owned leasehold interests in industrial buildings, as defined under KRS 103.200, owned and financed by a tax-exempt governmental unit, or tax-exempt statutory authority under the provisions of KRS Chapter 103, upon the prior approval of the Kentucky Economic Development Finance Authority, except that the rate shall not apply to the proportion of value of the leasehold interest created through any private financing;

2. Qualifying voluntary environmental remediation property, provided the property owner has corrected the effect of all known releases of hazardous substances, pollutants, contaminants, petroleum, or petroleum products located on the property consistent with a corrective action plan approved by the Energy and Environment Cabinet pursuant to KRS 224.1-400, 224.1-405, or 224.60-135, and provided the cleanup was not financed through a public grant or the petroleum storage tank environmental assurance fund. This rate shall apply for a period of three (3) years following the Energy and Environment Cabinet's issuance of a...
No Further Action Letter or its equivalent, after which the regular tax rate shall apply;

3. Tobacco directed to be assessed for taxation;

4. Unmanufactured agricultural products;

5. Aircraft not used in the business of transporting persons or property for compensation or hire;[and]

6. Federally documented vessels not used in the business of transporting persons or property for compensation or hire, or for other commercial purposes; and

7. Privately owned leasehold interests in residential property described in subsection (2)(g) of Section 60 of this Act:

(g) One-tenth of one cent ($0.001) upon each one hundred dollars ($100) of value of all:

1. Farm implements and farm machinery owned by or leased to a person actually engaged in farming and used in his farm operations;

2. Livestock and domestic fowl;

3. Tangible personal property located in a foreign trade zone established pursuant to 19 U.S.C. sec. 81, provided that the zone is activated in accordance with the regulations of the United States Customs Service and the Foreign Trade Zones Board; and

4. Property which has been certified as an alcohol production facility as defined in KRS 247.910, or as a fluidized bed energy production facility as defined in KRS 211.390; and

(h) Forty-five cents ($0.45) upon each one hundred dollars ($100) of value of all other property directed to be assessed for taxation shall be paid by the owner or person assessed, except as provided in KRS 132.030, 132.200, 136.300, and 136.320, providing a different tax rate for particular property.
(2) Notwithstanding subsection (1)(a) of this section, the state tax rate on real property shall be reduced to compensate for any increase in the aggregate assessed value of real property to the extent that the increase exceeds the preceding year's assessment by more than four percent (4%), excluding:

(a) The assessment of new property as defined in KRS 132.010(8);

(b) The assessment from property which is subject to tax increment financing pursuant to KRS Chapter 65; and

(c) The assessment from leasehold property which is owned and financed by a tax-exempt governmental unit, or tax-exempt statutory authority under the provisions of KRS Chapter 103 and entitled to the reduced rate of one and one-half cents ($0.015) pursuant to subsection (1)(f) of this section. In any year in which the aggregate assessed value of real property is less than the preceding year, the state rate shall be increased to the extent necessary to produce the approximate amount of revenue that was produced in the preceding year from real property.

(3) By July 1 each year, the department shall compute the state tax rate applicable to real property for the current year in accordance with the provisions of subsection (2) of this section and certify the rate to the county clerks for their use in preparing the tax bills. If the assessments for all counties have not been certified by July 1, the department shall, when either real property assessments of at least seventy-five percent (75%) of the total number of counties of the Commonwealth have been determined to be acceptable by the department, or when the number of counties having at least seventy-five percent (75%) of the total real property assessment for the previous year have been determined to be acceptable by the department, make an estimate of the real property assessments of the uncertified counties and compute the state tax rate.

(4) If the tax rate set by the department as provided in subsection (2) of this section
produces more than a four percent (4%) increase in real property tax revenues, excluding:

(a) The revenue resulting from new property as defined in KRS 132.010(8);

(b) The revenue from property which is subject to tax increment financing pursuant to KRS Chapter 65; and

(c) The revenue from leasehold property which is owned and financed by a tax-exempt governmental unit, or tax-exempt statutory authority under the provisions of KRS Chapter 103 and entitled to the reduced rate of one and one-half cents ($0.015) pursuant to subsection (1) of this section;

the rate shall be adjusted in the succeeding year so that the cumulative total of each year's property tax revenue increase shall not exceed four percent (4%) per year.

(5) The provisions of subsection (2) of this section notwithstanding, the assessed value of unmined coal certified by the department after July 1, 1994, shall not be included with the assessed value of other real property in determining the state real property tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also be excluded from the provisions of subsection (2) of this section. The calculated rate shall, however, be applied to unmined coal property, and the state revenue shall be devoted to the program described in KRS 146.550 to 146.570, except that four hundred thousand dollars ($400,000) of the state revenue shall be paid annually to the State Treasury and credited to the Office of Energy Policy for the purpose of public education of coal-related issues.

Section 62. KRS 132.200 is amended to read as follows:

All property subject to taxation for state purposes shall also be subject to taxation in the county, city, school, or other taxing district in which it has a taxable situs, except the class of property described in KRS 132.030 and the following classes of property, which shall be subject to taxation for state purposes only:

(1) Farm implements and farm machinery owned by or leased to a person actually
engaged in farming and used in his farm operation;

(2) Livestock, ratite birds, and domestic fowl;

(3) Capital stock of savings and loan associations;

(4) Machinery actually engaged in manufacturing, products in the course of manufacture, and raw material actually on hand at the plant for the purpose of manufacture. The printing, publication, and distribution of a newspaper or operating a job printing plant shall be deemed to be manufacturing;

(5) (a) Commercial radio and television equipment used to receive, capture, produce, edit, enhance, modify, process, store, convey, or transmit audio or video content or electronic signals which are broadcast over the air to an antenna;

(b) Equipment directly used or associated with the equipment identified in paragraph (a) of this subsection, including radio and television towers used to transmit or facilitate the transmission of the signal broadcast, but excluding telephone and cellular communications towers; and

(c) Equipment used to gather or transmit weather information;

(6) Unmanufactured agricultural products. They shall be exempt from taxation for state purposes to the extent of the value, or amount, of any unpaid nonrecourse loans thereon granted by the United States government or any agency thereof, and except that cities and counties may each impose an ad valorem tax of not exceeding one and one-half cents ($0.015) on each one hundred dollars ($100) of the fair cash value of all unmanufactured tobacco and not exceeding four and one-half cents ($0.045) on each one hundred dollars ($100) of the fair cash value of all other unmanufactured agricultural products, subject to taxation within their limits that are not actually on hand at the plants of manufacturing concerns for the purpose of manufacture, nor in the hands of the producer or any agent of the producer to whom the products have been conveyed or assigned for the purpose of sale;

(7) All privately owned leasehold interest in industrial buildings, as defined under KRS
103.200, owned and financed by a tax-exempt governmental unit, or tax-exempt statutory authority under the provisions of KRS Chapter 103, except that the rate shall not apply to the proportion of value of the leasehold interest created through any private financing;

(8) Tangible personal property which has been certified as a pollution control facility as defined in KRS 224.1-300. In the case of tangible personal property certified as a pollution control facility which is incorporated into a landfill facility, the tangible personal property shall be presumed to remain tangible personal property for purposes of this subsection if the tangible personal property is being used for its intended purposes;

(9) Property which has been certified as an alcohol production facility as defined in KRS 247.910;

(10) On and after January 1, 1977, the assessed value of unmined coal shall be included in the formula contained in KRS 132.590(9) in determining the amount of county appropriation to the office of the property valuation administrator;

(11) Tangible personal property located in a foreign trade zone established pursuant to 19 U.S.C. sec. 81, provided that the zone is activated in accordance with the regulations of the United States Customs Service and the Foreign Trade Zones Board;

(12) Motor vehicles qualifying for permanent registration as historic motor vehicles under the provisions of KRS 186.043. However, nothing herein shall be construed to exempt historical motor vehicles from the usage tax imposed by KRS 138.460;

(13) Property which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;

(14) All motor vehicles:

(a) Held for sale in the inventory of a licensed motor vehicle dealer, including motor vehicle auction dealers, which are not currently titled and registered in
Kentucky and are held on an assignment pursuant to the provisions of KRS 186A.230;

(b) That are in the possession of a licensed motor vehicle dealer, including licensed motor vehicle auction dealers, for sale, although ownership has not been transferred to the dealer; and

(c) With a salvage title held by an insurance company;

(15) Machinery or equipment owned by a business, industry, or organization in order to collect, source separate, compress, bale, shred, or otherwise handle waste materials if the machinery or equipment is primarily used for recycling purposes as defined in KRS 139.010;

(16) New farm machinery and other equipment held in the retailer's inventory for sale under a floor plan financing arrangement by a retailer, as defined under KRS 365.800;

(17) New boats and new marine equipment held for retail sale under a floor plan financing arrangement by a dealer registered under KRS 235.220;

(18) Aircraft not used in the business of transporting persons or property for compensation or hire if an exemption is approved by the county, city, school, or other taxing district in which the aircraft has its taxable situs;

(19) Federally documented vessels not used in the business of transporting persons or property for compensation or hire or for other commercial purposes, if an exemption is approved by the county, city, school, or other taxing district in which the federally documented vessel has its taxable situs;

(20) Any nonferrous metal that conforms to the quality, shape, and weight specifications set by the New York Mercantile Exchange's special contract rules for metals, and which is located or stored in a commodity warehouse and held on warrant, or for which a written request has been made to a commodity warehouse to place it on warrant, according to the rules and regulations of a trading facility. In this

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subsection:

(a) "Commodity warehouse" means a warehouse, shipping plant, depository, or other facility that has been designated or approved by a trading facility as a regular delivery point for a commodity on contracts of sale for future delivery; and

(b) "Trading facility" means a facility that is designated by or registered with the federal Commodity Futures Trading Commission under 7 U.S.C. secs. 1 et seq. "Trading facility" includes the Board of Trade of the City of Chicago, the Chicago Mercantile Exchange, and the New York Mercantile Exchange;

(21) Qualifying voluntary environmental remediation property for a period of three (3) years following the Energy and Environment Cabinet's issuance of a No Further Action Letter or its equivalent, pursuant to the correction of the effect of all known releases of hazardous substances, pollutants, contaminants, petroleum, or petroleum products located on the property consistent with a corrective action plan approved by the Energy and Environment Cabinet pursuant to KRS 224.1-400, 224.1-405, or 224.60-135, and provided the cleanup was not financed through a public grant program of the petroleum storage tank environmental assurance fund;

(22) Biotechnology products held in a warehouse for distribution by the manufacturer or by an affiliate of the manufacturer. For the purposes of this section:

(a) "Biotechnology products" means those products that are applicable to the prevention, treatment, or cure of a disease or condition of human beings and that are produced using living organisms, materials derived from living organisms, or cellular, subcellular, or molecular components of living organisms. Biotechnology products does not include pharmaceutical products which are produced from chemical compounds;

(b) "Warehouse" includes any establishment that is designed to house or store biotechnology products, but does not include blood banks, plasma centers, or
other similar establishments;

(c) "Affiliate" means an individual, partnership, or corporation that directly or indirectly owns or controls, or is owned or controlled by, or is under common ownership or control with, another individual, partnership, or corporation;[

and]

(23) Recreational vehicles held for sale in a retailer's inventory; and

(24) A privately owned leasehold interest in residential property described in subsection (2)(g) of Section 60 of this Act, if an exemption is approved by the county, city, school, or other taxing district in which the residential property is located.

Section 63. Service Rates: Notwithstanding KRS 45.253(6), the Commonwealth Office of Technology shall maintain the rate schedule in effect in fiscal year 2019-2020 for services rendered or materials furnished during the 2020-2022 fiscal biennium, unless the services or materials are required by law to be furnished gratuitously. Enterprise assessments and security assessments not directly related to specific rated services shall not exceed fiscal year 2019-2020 levels.

Section 64. Kentucky Agricultural Finance Corporation: Notwithstanding KRS 247.978(2), the total amount of principal which a qualified applicant may owe the Kentucky Agricultural Finance Corporation at any one time shall not exceed $5,000,000.

Section 65. Administrative Fee on Infrastructure for Economic Development Fund Projects: A one-half of one percent administrative fee is authorized to be paid to the Kentucky Infrastructure Authority for the administration of each project funded by the Infrastructure for Economic Development Fund for Coal-Producing Counties and the Infrastructure for Economic Development Fund for Tobacco Counties. These administrative fees shall be paid, upon inception of the project, out of the fund from which the project was allocated.

Section 66. Charges for Federal, State, and Local Audits: Any additional
expenses incurred by the Auditor of Public Accounts for required audits of Federal Funds shall be charged to the government or agency that is the subject of the audit. The Auditor of Public Accounts receives General Fund appropriations for audits of the statewide systems of personnel and payroll, cash and investments, revenue collection, and the state accounting system. Any expenses incurred by the Auditor of Public Accounts for any other audits shall be charged to the agency that is the subject of such audit. The Auditor of Public Accounts shall maintain a record of all time and expenses for each audit or investigation.

Any expenses incurred by the Auditor of Public Accounts for auditing individual governmental entities when mandated by a legislative committee shall be charged to the agency or entity receiving audit services.

➤ Section 67. **Personnel Board Operating Assessment:** Each agency of the Executive Branch with employees covered by KRS Chapter 18A shall be assessed each fiscal year the amount required for the operation of the Personnel Board. The agency assessment shall be determined by the Secretary of the Finance and Administration Cabinet based on the authorized full-time positions of each agency on July 1 of each year of the biennium. The Secretary of the Finance and Administration Cabinet shall collect the assessment.

➤ Section 68. **Water Withdrawal Fees:** The water withdrawal fees imposed by the Kentucky River Authority shall not be subject to state and local taxes. Notwithstanding KRS 151.710(10), Tier I water withdrawal fees shall be used to support the operations of the Authority and for contractual services for water supply and quality studies.

of litigation or insurance, receives funds for the original facility, the school district shall
reimburse the Commonwealth an amount equal to that received for such purposes. If the
litigation or insurance receipts are less than the amount received, the district shall
reimburse the Commonwealth an amount equal to that received as a result of litigation or
insurance less the district’s costs and legal fees in securing the judgment or payment. Any funds received in this manner shall be deposited in the Budget Reserve
Trust Fund Account (KRS 48.705).

Section 70. Pro Rata Assessment: The Personnel Cabinet shall collect a pro
rata assessment from all state agencies, in all three branches of government, and other
organizations that are supported by the System. Those collections shall be deposited and
retained in a Restricted Funds account within the Personnel Cabinet.

Section 71. Premium and Retaliatory Taxes: Notwithstanding KRS 304.17B-021(4)(d), premium taxes collected under KRS Chapter 136 from any insurer and
retaliatory taxes collected under KRS 304.3-270 from any insurer shall be credited to the
General Fund.

Section 72. Monthly Per Employee Health Insurance Benefits Assessment:
The Personnel Cabinet shall collect a benefits assessment per month per employee
eligible for health insurance coverage in the state group for duly authorized use by the
Personnel Cabinet in administering its statutory and administrative responsibilities,
including but not limited to administration of the Commonwealth's health insurance
program.

Section 73. Publishing Requirements: Notwithstanding KRS 83A.060,
91A.040, and Chapter 424, a county containing a population of more than 90,000 or any
city within a county containing a population of more than 90,000, as determined by the
2010 United States Census, may publish enacted ordinances, audits, and bid solicitations
by posting the full ordinance, the full audit report including the auditor's opinion letter, or
the bid solicitation on an Internet Web site maintained by the county or city government.
for a period of at least one (1) year. If a county or city publishes ordinances, audits, or bid solicitations on an Internet Web site, the county or city shall also publish an advertisement, in a newspaper qualified in accordance with KRS 424.120, with a description of the ordinances, audits, or bid solicitations published on the Internet Web site, including the Uniform Resource Locator (URL) where the documents can be viewed. Any advertisement required to be published in a newspaper under KRS Chapter 424 shall contain the following statement at the end of the advertisement:

"This advertisement was paid for by [insert the name of the governmental body required to advertise in a newspaper] using taxpayer dollars in the amount of $[insert the amount paid for the advertisement]."

Section 74. KRS 39A.100 is amended to read as follows:

(1) In the event of the occurrence or threatened or impending occurrence of any of the situations or events contemplated by KRS 39A.010, 39A.020, or 39A.030, the Governor may declare, in writing, that a state of emergency exists. The Governor shall have and may exercise the following emergency powers during the period in which the state of emergency exists:

(a) To enforce all laws, and administrative regulations relating to disaster and emergency response and to assume direct operational control of all disaster and emergency response forces and activities in the Commonwealth;

(b) To require state agencies and to request local governments, local agencies, and special districts to respond to the emergency or disaster in the manner directed;

(c) To seize, take, or condemn property, excluding firearms and ammunition, components of firearms and ammunition, or a combination thereof, for the protection of the public or at the request of the President, the Armed Forces, or the Federal Emergency Management Agency of the United States, including:
1. All means of transportation and communication;
2. All stocks of fuel of whatever nature;
3. Food, clothing, equipment, materials, medicines, and all supplies; and
4. Facilities, including buildings and plants;
(d) To sell, lend, give, or distribute any of the property under paragraph (c) of this subsection among the inhabitants of the Commonwealth and to account to the State Treasurer for any funds received for the property;
(e) To make compensation for the property seized, taken, or condemned under paragraph (c) of this subsection;
(f) To exclude all nonessential, unauthorized, disruptive, or otherwise uncooperative personnel from the scene of the emergency, and to command those persons or groups assembled at the scene to disperse. A person who refuses to leave an area in which a written order of evacuation has been issued in accordance with a written declaration of emergency or a disaster may be forcibly removed to a place of safety or shelter, or may, if this is resisted, be arrested by a peace officer. Forcible removal or arrest shall not be exercised as options until all reasonable efforts for voluntary compliance have been exhausted;
(g) To declare curfews and establish their limits;
(h) To prohibit or limit the sale or consumption of goods, excluding firearms and ammunition, components of firearms and ammunition, or a combination thereof, or commodities for the duration of the emergency;
(i) To grant emergency authority to pharmacists pursuant to KRS 315.500, for the duration of the emergency;
(j) Except as prohibited by this section or other law, to perform and exercise other functions, powers, and duties deemed necessary to promote and secure the safety and protection of the civilian population;
(k) To request any assistance from agencies of the United States as necessary and appropriate to meet the needs of the people of the Commonwealth; and

(l) Upon the recommendation of the Secretary of State, to declare by executive order a different time, place, or manner for holding elections in an election area for which a state of emergency has been declared for part or all of the election area. The election shall be held within thirty-five (35) days from the date of the suspended or delayed election. The State Board of Elections shall establish procedures for election officials to follow. Any procedures established under this paragraph shall be subject to the approval of the Secretary of State and the Governor by respective executive orders.

(2) In the event of the occurrence or threatened or impending occurrence of any of the situations or events contemplated by KRS 39A.010, 39A.020, or 39A.030, which in the judgment of a local chief executive officer is of such severity or complexity as to require the exercise of extraordinary emergency measures, the county judge/executive of a county other than an urban-county government, or mayor of a city or urban-county government, or chief executive of other local governments or their designees as provided by ordinance of the affected county, city, or urban-county may declare in writing that a state of emergency exists, and thereafter, subject to any orders of the Governor, shall have and may exercise for the period as the state of emergency exists or continues, the following emergency powers:

(a) To enforce all laws and administrative regulations relating to disaster and emergency response and to direct all local disaster and emergency response forces and operations in the affected county, city, urban-county, or charter county;

(b) To exclude all nonessential, unauthorized, disruptive, or uncooperative personnel from the scene of the emergency, and to command persons or groups of persons at the scene to disperse. A person who refuses to leave an
area in which a written order of evacuation has been issued in accordance with a written declaration of emergency or a disaster may be forcibly removed to a place of safety or shelter, or may, if this is resisted, be arrested by a peace officer. Forcible removal or arrest shall not be exercised as options until all reasonable efforts for voluntary compliance have been exhausted;

(c) To declare curfews and establish their limits;

(d) To order immediate purchase or rental of, contract for, or otherwise procure, without regard to procurement codes or budget requirements, the goods and services essential for protection of public health and safety or to maintain or to restore essential public services; and

(e) To request emergency assistance from any local government or special district and, through the Governor, to request emergency assistance from any state agency and to initiate requests for federal assistance as are necessary for protection of public health and safety or for continuation of essential public services.

(3) Nothing in this section shall be construed to allow any governmental entity to impose additional restrictions on the lawful possession, transfer, sale, transport, carrying, storage, display, or use of firearms and ammunition or components of firearms and ammunition.

Section 75. The following KRS sections are repealed:

132.550 County clerk to compute amount due from each taxpayer -- Compensation of clerk.

132.635 Application of KRS 132.590 and 132.630 to urban-county governments and consolidated local governments.

189A.360 Nonrefundable application fee for ignition interlock license. (Effective July 1, 2020)

Section 76. Sections 1 and 7 to 17 of this Act apply to taxable years beginning
Section 77. Sections 34, 35, 39, 40 to 42, and 50 to 56 of this Act take effect August 1, 2020.

Section 78. Section 37 of this Act takes effect July 1, 2020.

Section 79. Sections 60 to 62 of this Act apply to privately owned leasehold interests in residential property assessed on or after January 1, 2021.

Section 80. Sections 63 to 73 of this Act apply to the fiscal year beginning July 1, 2020, and ending June 30, 2021, and the fiscal year beginning July 1, 2021, and ending June 30, 2022, and shall expire at the end of June 30, 2022.

Section 81. Whereas many taxpayers are currently preparing to file returns, and clarifications for these taxpayers are needed immediately, and whereas elections are an inviolable part of the democratic process and the COVID 19 virus poses a risk to the health and well-being of voters, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.