



2002-2004

Labor

BUDGET OF THE COMMONWEALTH



Labor

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	40,604,200	40,656,300	2,435,300	2,435,300
Total General Fund	40,604,200	40,656,300	2,435,300	2,435,300
Restricted Funds				
Balance Forward	9,662,800	10,681,200	26,573,200	22,591,600
Current Receipts	127,800,000	126,635,000	153,110,000	153,965,000
Non-Revenue Receipts	140,213,000	139,739,100	141,523,000	148,069,100
Total Restricted Funds	277,675,800	277,055,300	321,206,200	324,625,700
Federal Funds				
Balance Forward			29,400	29,400
Current Receipts	3,280,500	3,280,500	3,280,500	3,280,500
Total Federal Funds	3,280,500	3,280,500	3,309,900	3,309,900
TOTAL SOURCE OF FUNDS	321,560,500	320,992,100	326,951,400	330,370,900
EXPENDITURES BY CLASS				
Personnel Cost	32,095,900	33,742,600	32,312,700	33,868,000
Operating Expenses	150,330,800	149,743,700	156,565,100	158,057,300
Grants, Loans or Benefits	108,740,000	106,740,000	114,740,000	114,740,000
Capital Outlay	712,600	630,400	712,600	630,400
TOTAL EXPENDITURES	291,879,300	290,856,700	304,330,400	307,295,700
EXPENDITURES BY FUND SOURCE				
General Fund	21,604,200	21,656,300	2,435,300	2,435,300
Restricted Funds	266,994,600	265,919,900	298,614,600	301,579,900
Federal Funds	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL EXPENDITURES	291,879,300	290,856,700	304,330,400	307,295,700
EXPENDITURES BY UNIT				
Labor	146,377,300	145,767,700	152,518,400	153,876,700
Workers Compensation Funding Commission	145,502,000	145,089,000	151,812,000	153,419,000
TOTAL EXPENDITURES	291,879,300	290,856,700	304,330,400	307,295,700

The Labor Cabinet is created in KRS Chapter 336 and exercises the administrative functions of the state concerning employer-employee relationships. The Cabinet is headed by a Secretary appointed by the Governor who is responsible for activities relating to wages and hours, occupational safety and employee health, child labor, apprenticeship, and workers' compensation.

The following boards and councils are attached to the Labor Cabinet for administrative purposes: Kentucky Labor-Management Advisory Council, Prevailing Wage Review Board, Kentucky Occupational Safety and Health Standards Board, Apprenticeship and Training Council, State Labor Relations Board, Child Labor Committee, the Kentucky Employees Insurance Association, and the Workers' Compensation Advisory Council. Also attached to the Labor Cabinet for administrative purposes is the Kentucky Workers' Compensation Funding Commission as well as the Employers Mutual Insurance Authority, an off-budget entity. The organizational changes were created by the 1994 General Assembly.

**Labor
Labor**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,604,200	2,656,300	2,435,300	2,435,300
Total General Fund	2,604,200	2,656,300	2,435,300	2,435,300
Restricted Funds				
Balance Forward	4,000,000	4,000,000	15,038,100	14,788,100
Current Receipts	2,000,000	2,000,000	2,000,000	2,000,000
Non-Revenue Receipts	138,492,600	137,830,900	144,552,600	146,160,900
Total Restricted Funds	144,492,600	143,830,900	161,590,700	162,949,000
Federal Funds				
Balance Forward			29,400	29,400
Current Receipts	3,280,500	3,280,500	3,280,500	3,280,500
Total Federal Funds	3,280,500	3,280,500	3,309,900	3,309,900
TOTAL SOURCE OF FUNDS	150,377,300	149,767,700	167,335,900	168,694,200
EXPENDITURES BY CLASS				
Personnel Cost	28,947,800	30,398,800	29,164,600	30,524,200
Operating Expenses	7,976,900	7,998,500	7,901,200	7,982,100
Grants, Loans or Benefits	108,740,000	106,740,000	114,740,000	114,740,000
Capital Outlay	712,600	630,400	712,600	630,400
TOTAL EXPENDITURES	146,377,300	145,767,700	152,518,400	153,876,700
EXPENDITURES BY FUND SOURCE				
General Fund	2,604,200	2,656,300	2,435,300	2,435,300
Restricted Funds	140,492,600	139,830,900	146,802,600	148,160,900
Federal Funds	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL EXPENDITURES	146,377,300	145,767,700	152,518,400	153,876,700
EXPENDITURES BY UNIT				
General Administration and Support	6,073,200	6,343,900	6,056,800	6,319,300
Workplace Standards	123,429,600	121,851,200	129,587,100	129,984,800
Workers Claims	16,397,700	17,093,300	16,397,700	17,093,300
Ky Occupational Safety and Health Review Comm.	476,800	479,300	476,800	479,300
TOTAL EXPENDITURES	146,377,300	145,767,700	152,518,400	153,876,700

The organizational units under the direction of the Secretary of Labor are the Office of the Secretary, General Counsel, Administrative Services, Information Technology, Labor-Management Relations, and the Department of Workplace Standards. The Secretary of Labor also oversees administrative duties of the Department of Workers Claims, with the Commissioner of the Department being responsible for the daily programmatic activities. The Kentucky Occupational Safety and Health (KOSH) Review Commission is an independent agency administered by an executive director.

**Labor
General Administration and Support**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	420,600	446,600	404,200	422,000
Total General Fund	420,600	446,600	404,200	422,000
Restricted Funds				
Balance Forward			700,800	450,800
Non-Revenue Receipts	5,652,600	5,897,300	5,402,600	5,897,300
Total Restricted Funds	5,652,600	5,897,300	6,103,400	6,348,100
TOTAL SOURCE OF FUNDS	6,073,200	6,343,900	6,507,600	6,770,100
EXPENDITURES BY CLASS				
Personnel Cost	4,686,000	4,932,600	4,676,300	4,914,700
Operating Expenses	1,266,200	1,283,900	1,259,500	1,277,200
Capital Outlay	121,000	127,400	121,000	127,400
TOTAL EXPENDITURES	6,073,200	6,343,900	6,056,800	6,319,300
EXPENDITURES BY FUND SOURCE				
General Fund	420,600	446,600	404,200	422,000
Restricted Funds	5,652,600	5,897,300	5,652,600	5,897,300
TOTAL EXPENDITURES	6,073,200	6,343,900	6,056,800	6,319,300
EXPENDITURES BY UNIT				
General Administration and Support	6,073,200	6,343,900	6,056,800	6,319,300
TOTAL EXPENDITURES	6,073,200	6,343,900	6,056,800	6,319,300

This program includes the Office of the Secretary of Labor, the Office of General Counsel, the Office of Information Technology, the Office of Administrative Services, and the Office of Labor-Management Relations.

The Secretary of the Labor Cabinet is responsible for the duties set forth in KRS 336.015(1), including administering programs for Employment Standards Apprenticeship and Training, Workers' Compensation Fund, and the Occupational Safety and Health Programs. The Office of General Counsel represents the Cabinet in wage and hour actions, occupational safety and health prosecutions, and personnel and administrative actions. The Office of Labor-Management Relations works to improve relationships between labor and management and coordinates the activity of the Labor-Management Advisory Council. The Office of Information Technology provides technological services to all Labor Cabinet program areas. The Office of Administrative Services provides administrative support to Labor Cabinet programs.

The Office of Labor-Management Relations is funded with General Fund appropriations, while the other subprograms are funded by restricted funds derived from the assessment on Workers' Compensation rates per KRS 342.122(1)(c).

Policy

Pursuant to House Bill 269, Part V Funds Transfer section, a cash transfer of \$250,000 shall be made in fiscal year 2003 from the General Administration and Support agency revenue funds to the General Fund. A language provision in Part I, Operating, provides that "Funds lapsed in Part V include no employer benefit premiums or liability payments and are restricted funds used for General Administration and Support operations."

**Labor
Workplace Standards**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,183,600	2,209,700	2,031,100	2,013,300
Total General Fund	2,183,600	2,209,700	2,031,100	2,013,300
Restricted Funds				
Balance Forward	4,000,000	4,000,000	12,925,400	12,925,400
Current Receipts	2,000,000	2,000,000	2,000,000	2,000,000
Non-Revenue Receipts	115,965,500	114,361,000	122,275,500	122,691,000
Total Restricted Funds	121,965,500	120,361,000	137,200,900	137,616,400
Federal Funds				
Balance Forward			29,400	29,400
Current Receipts	3,280,500	3,280,500	3,280,500	3,280,500
Total Federal Funds	3,280,500	3,280,500	3,309,900	3,309,900
TOTAL SOURCE OF FUNDS	127,429,600	125,851,200	142,541,900	142,939,600
EXPENDITURES BY CLASS				
Personnel Cost	10,870,100	11,351,300	11,096,600	11,494,600
Operating Expenses	3,643,600	3,601,900	3,574,600	3,592,200
Grants, Loans or Benefits	108,740,000	106,740,000	114,740,000	114,740,000
Capital Outlay	175,900	158,000	175,900	158,000
TOTAL EXPENDITURES	123,429,600	121,851,200	129,587,100	129,984,800
EXPENDITURES BY FUND SOURCE				
General Fund	2,183,600	2,209,700	2,031,100	2,013,300
Restricted Funds	117,965,500	116,361,000	124,275,500	124,691,000
Federal Funds	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL EXPENDITURES	123,429,600	121,851,200	129,587,100	129,984,800
EXPENDITURES BY UNIT				
Employment Standards	2,183,600	2,209,700	2,031,100	2,013,300
Compliance	4,517,000	4,658,700	4,517,000	4,658,700
Education and Training	4,836,500	5,014,600	4,836,500	5,014,600
Workers Compensation Funds	111,892,500	109,968,200	118,202,500	118,298,200
TOTAL EXPENDITURES	123,429,600	121,851,200	129,587,100	129,984,800

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

**Labor
Workplace Standards
Employment Standards**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,183,600	2,209,700	2,031,100	2,013,300
Total General Fund	<u>2,183,600</u>	<u>2,209,700</u>	<u>2,031,100</u>	<u>2,013,300</u>
TOTAL SOURCE OF FUNDS	2,183,600	2,209,700	2,031,100	2,013,300
EXPENDITURES BY CLASS				
Personnel Cost	1,778,500	1,871,700	1,705,000	1,700,000
Operating Expenses	405,100	338,000	326,100	313,300
TOTAL EXPENDITURES	<u>2,183,600</u>	<u>2,209,700</u>	<u>2,031,100</u>	<u>2,013,300</u>
EXPENDITURES BY FUND SOURCE				
General Fund	2,183,600	2,209,700	2,031,100	2,013,300
TOTAL EXPENDITURES	<u>2,183,600</u>	<u>2,209,700</u>	<u>2,031,100</u>	<u>2,013,300</u>

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

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

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

**Labor
Workplace Standards
Compliance**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			937,600	937,600
Non-Revenue Receipts	2,911,300	3,053,000	2,911,300	3,053,000
Total Restricted Funds	2,911,300	3,053,000	3,848,900	3,990,600
Federal Funds				
Balance Forward			26,800	26,800
Current Receipts	1,605,700	1,605,700	1,605,700	1,605,700
Total Federal Funds	1,605,700	1,605,700	1,632,500	1,632,500
TOTAL SOURCE OF FUNDS	4,517,000	4,658,700	5,481,400	5,623,100
EXPENDITURES BY CLASS				
Personnel Cost	3,014,200	3,187,800	3,014,200	3,187,800
Operating Expenses	1,163,800	1,100,900	1,163,800	1,100,900
Grants, Loans or Benefits	240,000	240,000	240,000	240,000
Capital Outlay	99,000	130,000	99,000	130,000
TOTAL EXPENDITURES	4,517,000	4,658,700	4,517,000	4,658,700
EXPENDITURES BY FUND SOURCE				
Restricted Funds	2,911,300	3,053,000	2,911,300	3,053,000
Federal Funds	1,605,700	1,605,700	1,605,700	1,605,700
TOTAL EXPENDITURES	4,517,000	4,658,700	4,517,000	4,658,700

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

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

**Labor
Workplace Standards
Education and Training**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			1,088,900	1,088,900
Non-Revenue Receipts	3,161,700	3,339,800	3,161,700	3,339,800
Total Restricted Funds	3,161,700	3,339,800	4,250,600	4,428,700
Federal Funds				
Balance Forward			2,600	2,600
Current Receipts	1,674,800	1,674,800	1,674,800	1,674,800
Total Federal Funds	1,674,800	1,674,800	1,677,400	1,677,400
TOTAL SOURCE OF FUNDS	4,836,500	5,014,600	5,928,000	6,106,100
EXPENDITURES BY CLASS				
Personnel Cost	3,343,700	3,527,600	3,343,700	3,527,600
Operating Expenses	1,415,900	1,459,000	1,415,900	1,459,000
Capital Outlay	76,900	28,000	76,900	28,000
TOTAL EXPENDITURES	4,836,500	5,014,600	4,836,500	5,014,600
EXPENDITURES BY FUND SOURCE				
Restricted Funds	3,161,700	3,339,800	3,161,700	3,339,800
Federal Funds	1,674,800	1,674,800	1,674,800	1,674,800
TOTAL EXPENDITURES	4,836,500	5,014,600	4,836,500	5,014,600

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

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

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

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

**Labor
Workplace Standards
Workers Compensation Funds**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	4,000,000	4,000,000	10,898,900	10,898,900
Current Receipts	2,000,000	2,000,000	2,000,000	2,000,000
Non-Revenue Receipts	109,892,500	107,968,200	116,202,500	116,298,200
Total Restricted Funds	115,892,500	113,968,200	129,101,400	129,197,100
TOTAL SOURCE OF FUNDS	115,892,500	113,968,200	129,101,400	129,197,100
EXPENDITURES BY CLASS				
Personnel Cost	2,733,700	2,764,200	3,033,700	3,079,200
Operating Expenses	658,800	704,000	668,800	719,000
Grants, Loans or Benefits	108,500,000	106,500,000	114,500,000	114,500,000
TOTAL EXPENDITURES	111,892,500	109,968,200	118,202,500	118,298,200
EXPENDITURES BY FUND SOURCE				
Restricted Funds	111,892,500	109,968,200	118,202,500	118,298,200
TOTAL EXPENDITURES	111,892,500	109,968,200	118,202,500	118,298,200

Executive Order (2001-1294) created the Division of Workers' Compensation Funds to provide for the administration and legal representation of the Special Fund and the Coal Workers' Pneumoconiosis Fund. This reorganization transferred all duties, personnel, and property of the Division of Coal Workers' Pneumoconiosis Fund to the Division of Special Fund, abolished the Division of Coal Workers' Pneumoconiosis Fund and renamed the Division of Special Fund the Division of Workers' Compensation Funds. The Division of Workers' Compensation Funds exists to provide legal representation, pay awarded benefits, and maintain payment records for the Special Fund and Coal Workers' Pneumoconiosis Fund.

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

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

Policy

Additional restricted funds in the amount of \$6,310,000 in fiscal year 2003 and \$8,330,000 in fiscal year 2004 are provided for the implementation of House Bill 348 enacted during the 2002 Regular Session of the General Assembly. This act provides

for increased benefit awards and for medical expenses incurred for x-ray interpretations performed by B-readers.

Total projected expenditures for Special Funds awards in each year of the biennium are \$107,000,000 and \$105,000,000 respectively. Total projected expenditures for the Coal Workers' Pneumoconiosis awards in each year of the biennium are \$7,500,000 and \$9,500,000 respectively.

**Labor
Workers Claims**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			1,278,100	1,278,100
Non-Revenue Receipts	16,397,700	17,093,300	16,397,700	17,093,300
Total Restricted Funds	16,397,700	17,093,300	17,675,800	18,371,400
TOTAL SOURCE OF FUNDS	16,397,700	17,093,300	17,675,800	18,371,400
EXPENDITURES BY CLASS				
Personnel Cost	12,969,400	13,674,100	12,969,400	13,674,100
Operating Expenses	3,027,600	3,074,200	3,027,600	3,074,200
Capital Outlay	400,700	345,000	400,700	345,000
TOTAL EXPENDITURES	16,397,700	17,093,300	16,397,700	17,093,300
EXPENDITURES BY FUND SOURCE				
Restricted Funds	16,397,700	17,093,300	16,397,700	17,093,300
TOTAL EXPENDITURES	16,397,700	17,093,300	16,397,700	17,093,300

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

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

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

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

Labor
Ky Occupational Safety and Health Review Commission

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			133,800	133,800
Non-Revenue Receipts	476,800	479,300	476,800	479,300
Total Restricted Funds	476,800	479,300	610,600	613,100
TOTAL SOURCE OF FUNDS	476,800	479,300	610,600	613,100
EXPENDITURES BY CLASS				
Personnel Cost	422,300	440,800	422,300	440,800
Operating Expenses	39,500	38,500	39,500	38,500
Capital Outlay	15,000		15,000	
TOTAL EXPENDITURES	476,800	479,300	476,800	479,300
EXPENDITURES BY FUND SOURCE				
Restricted Funds	476,800	479,300	476,800	479,300
TOTAL EXPENDITURES	476,800	479,300	476,800	479,300

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

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

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

Labor
Workers' Compensation Funding Commission

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	38,000,000	38,000,000		
Total General Fund	38,000,000	38,000,000		
Restricted Funds				
Balance Forward	5,662,800	6,681,200	11,535,100	7,803,500
Current Receipts	125,800,000	124,635,000	151,110,000	151,965,000
Non-Revenue Receipts	1,720,400	1,908,200	-3,029,600	1,908,200
Total Restricted Funds	133,183,200	133,224,400	159,615,500	161,676,700
TOTAL SOURCE OF FUNDS	171,183,200	171,224,400	159,615,500	161,676,700
EXPENDITURES BY CLASS				
Personnel Cost	3,148,100	3,343,800	3,148,100	3,343,800
Operating Expenses	142,353,900	141,745,200	148,663,900	150,075,200
TOTAL EXPENDITURES	145,502,000	145,089,000	151,812,000	153,419,000
EXPENDITURES BY FUND SOURCE				
General Fund	19,000,000	19,000,000		
Restricted Funds	126,502,000	126,089,000	151,812,000	153,419,000
TOTAL EXPENDITURES	145,502,000	145,089,000	151,812,000	153,419,000
EXPENDITURES BY UNIT				
Workers' Compensation Funding Commission	1,720,400	1,908,200	1,720,400	1,908,200
Benefit Reserve	141,986,700	141,370,900	148,296,700	149,700,900
KCWP Fund	1,794,900	1,809,900	1,794,900	1,809,900
TOTAL EXPENDITURES	145,502,000	145,089,000	151,812,000	153,419,000

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

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

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

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

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

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

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

Policy

Notwithstanding KRS 342.122, the Workers' Compensation Funding Commission will finance a portion of the Department of Mines and Minerals budget through Special Fund Assessments. Restricted funds in the amount of \$850,000 in fiscal year 2003 and \$850,000 in fiscal year 2004 are appropriated for the transfer to Mines and Minerals in the Public Protection and Regulation Cabinet.

Notwithstanding KRS 342.122(1)(c), \$19,000,000 from the General Fund will not be appropriated to the Funding Commission in either year of the biennium. Notwithstanding KRS 342.122(1)(b), the assessment rate will remain 11.5 percent for the biennium.

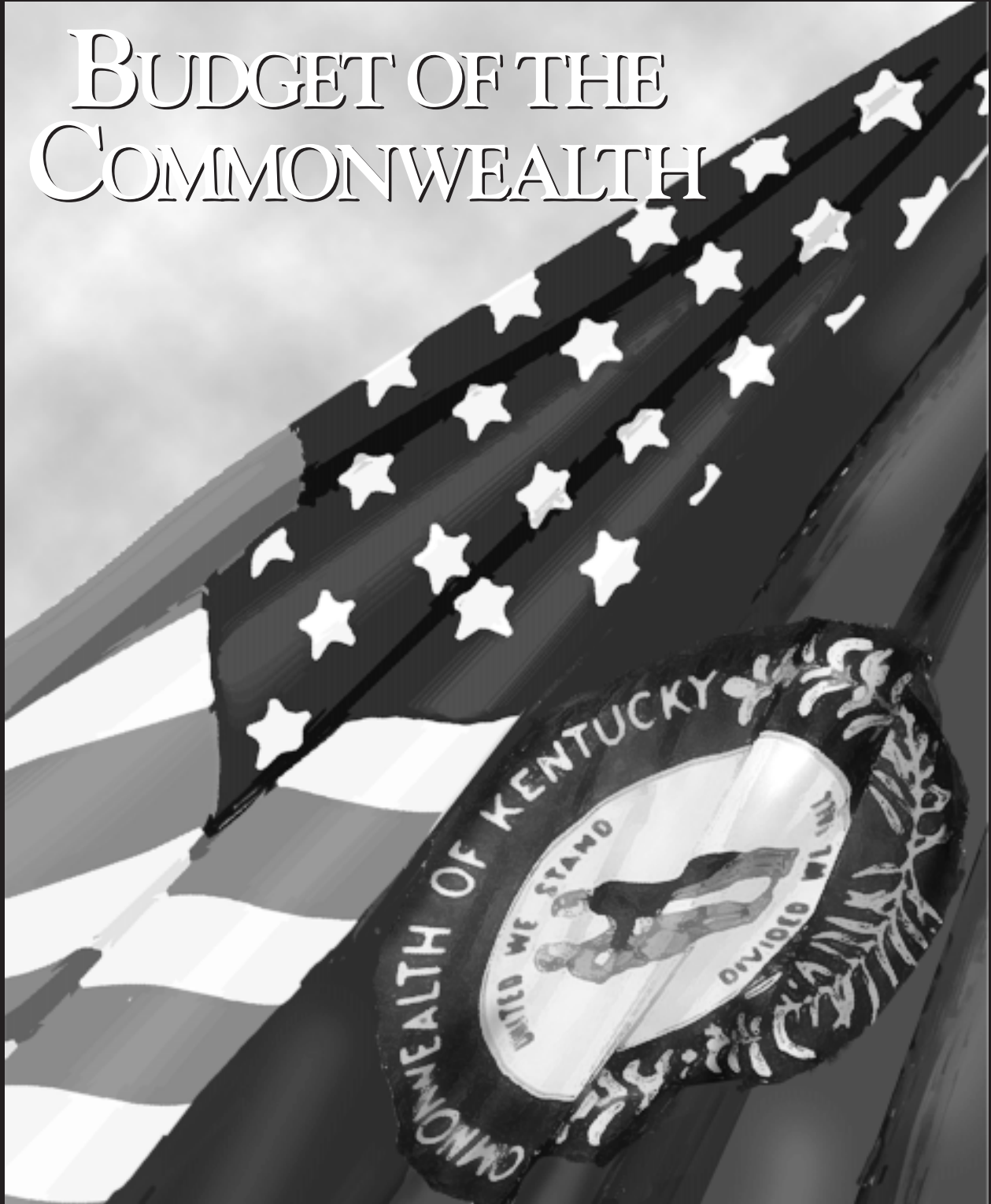
Pursuant to House Bill 269, Part V Funds Transfer section, a cash transfer of \$4,750,000 shall be made in fiscal year 2003 from agency revenue funds to the General Fund, notwithstanding KRS 342.122 and 342.1223. A language provision in Part I, Operating, provides that "Funds lapsed in Part V include no employer benefit premiums or liability payments and are the recapture of fiscal year 2002 General Fund transfers to the benefit reserve fund.



*Natural
Resources and
Environmental
Protection*

2002-2004

BUDGET OF THE COMMONWEALTH



Natural Resources and Environmental Protection

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	73,108,300	76,893,600	56,548,400	57,276,200
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation - Tobacco Settlement			4,322,100	
Total General Fund	82,108,300	85,893,600	69,870,500	66,276,200
Restricted Funds				
Balance Forward	36,722,100	31,049,500	46,441,600	37,269,000
Current Receipts	16,415,100	16,636,500	27,541,600	35,100,000
Non-Revenue Receipts	5,667,200	6,143,500	2,118,200	6,059,900
Total Restricted Funds	58,804,400	53,829,500	76,101,400	78,428,900
Federal Funds				
Balance Forward			719,900	719,900
Current Receipts	70,733,600	71,085,500	71,670,600	70,799,100
Non-Revenue Receipts	-5,101,500	-5,235,900	-5,076,800	-5,211,200
Total Federal Funds	65,632,100	65,849,600	67,313,700	66,307,800
TOTAL SOURCE OF FUNDS	206,544,800	205,572,700	213,285,600	211,012,900
EXPENDITURES BY CLASS				
Personnel Cost	97,794,900	102,259,600	93,563,300	97,368,700
Operating Expenses	18,988,200	18,646,900	24,949,100	29,486,400
Grants, Loans or Benefits	38,781,000	37,927,800	41,924,100	34,725,600
Debt Service				96,000
Capital Outlay	7,311,200	6,531,600	2,240,200	2,734,100
Construction	12,620,000	13,305,000	12,620,000	12,805,000
TOTAL EXPENDITURES	175,495,300	178,670,900	175,296,700	177,215,800
EXPENDITURES BY FUND SOURCE				
General Fund	82,108,300	85,893,600	69,870,500	66,276,200
Restricted Funds	27,754,900	26,927,700	38,832,400	45,351,700
Federal Funds	65,632,100	65,849,600	66,593,800	65,587,900
TOTAL EXPENDITURES	175,495,300	178,670,900	175,296,700	177,215,800
EXPENDITURES BY UNIT				
General Administration and Support	12,059,400	12,611,700	11,363,000	11,379,500
Natural Resources	38,087,500	38,867,700	37,119,500	30,685,900
Environmental Protection	66,790,600	67,764,800	69,785,400	77,068,100
Surface Mining Reclamation and Enforcement	34,392,400	35,275,200	33,452,500	34,705,500
Abandoned Mine Lands Reclamation Projects	22,000,000	22,000,000	22,000,000	22,000,000
Environmental Quality Commission	288,000	287,000	255,700	
Kentucky Nature Preserves Commission	1,877,400	1,864,500	1,320,600	1,376,800
TOTAL EXPENDITURES	175,495,300	178,670,900	175,296,700	177,215,800

The Natural Resources and Environmental Protection Cabinet is charged with the protection and preservation of land, air, and water resources. The Cabinet provides environmental leadership and expertise, monitors environmental trends, anticipates needs, shapes a vision for Kentucky's environmental future, and serves as a link between Kentucky's citizens, government, and businesses.

**Natural Resources and Environmental Protection
General Administration and Support**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,087,700	10,680,700	9,445,900	9,505,900
Total General Fund	10,087,700	10,680,700	9,445,900	9,505,900
Restricted Funds				
Balance Forward	265,100	103,900	392,500	231,300
Current Receipts	46,200	48,900	46,200	48,900
Non-Revenue Receipts	130,500	130,500	124,500	124,500
Total Restricted Funds	441,800	283,300	563,200	404,700
Federal Funds				
Balance Forward			48,700	48,700
Current Receipts	1,764,300	1,778,200	1,715,700	1,726,800
Non-Revenue Receipts	-130,500	-130,500	-130,500	-130,500
Total Federal Funds	1,633,800	1,647,700	1,633,900	1,645,000
TOTAL SOURCE OF FUNDS	12,163,300	12,611,700	11,643,000	11,555,600
EXPENDITURES BY CLASS				
Personnel Cost	10,597,200	11,138,800	9,961,600	9,906,600
Operating Expenses	1,416,400	1,427,000	1,355,600	1,427,000
Capital Outlay	45,800	45,900	45,800	45,900
TOTAL EXPENDITURES	12,059,400	12,611,700	11,363,000	11,379,500
EXPENDITURES BY FUND SOURCE				
General Fund	10,087,700	10,680,700	9,445,900	9,505,900
Restricted Funds	337,900	283,300	331,900	277,300
Federal Funds	1,633,800	1,647,700	1,585,200	1,596,300
TOTAL EXPENDITURES	12,059,400	12,611,700	11,363,000	11,379,500
EXPENDITURES BY UNIT				
Secretary	1,358,100	1,407,400	1,706,800	1,706,700
Administrative Services	1,071,700	1,124,900	1,865,200	1,865,200
Administrative Hearings	858,600	894,900	801,300	799,800
Legal Services	4,969,500	5,214,600	4,722,100	4,749,700
Office of Financial Management	1,375,000	1,445,700		
Information Services	1,635,100	1,699,900	1,537,300	1,527,200
Inspector General	791,400	824,300	730,300	730,900
TOTAL EXPENDITURES	12,059,400	12,611,700	11,363,000	11,379,500

The General Administration and Support appropriation unit is responsible for providing the executive direction, leadership, and administrative support necessary to accomplish the goals and missions of the Natural Resources and Environmental Protection Cabinet.

The Office of the Secretary formulates and executes Cabinet policies based on administration priorities, state and federal statutes and regulations, legislative initiatives, the concerns of the general public, and the Cabinet's public information and environmental education efforts. In addition, the Office provides centralized financial analysis and budgeting for the Cabinet.

The Division of Administrative Services provides administrative oversight, direction and support to the Cabinet. The Division provides support in eight major areas: personnel, payroll and human resources management; property, inventory, insurance, operations support, training, and financial management.

The Office of Administrative Hearings conducts and coordinates administrative hearings and penalty assessment conferences for the enforcement activities of the Cabinet.

The Office of Legal Services provides litigation and other legal services for the Cabinet.

The Office of Information Services provides centralized systems analysis and applications development, systems operation support, specialized electronic systems support, and computer training for Cabinet employees.

The Office of Inspector General performs comprehensive investigations of suspected violations of environmental laws and regulations.

**Natural Resources and Environmental Protection
Natural Resources**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	20,325,000	21,178,500	12,930,400	12,961,300
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation - Tobacco Settlement			4,322,100	
Total General Fund	29,325,000	30,178,500	26,252,500	21,961,300
Restricted Funds				
Balance Forward	2,011,400	1,250,500	5,525,100	4,364,200
Current Receipts	1,495,200	1,681,300	2,714,100	1,716,700
Non-Revenue Receipts	1,108,700	1,127,600	708,700	1,127,600
Total Restricted Funds	4,615,300	4,059,400	8,947,900	7,208,500
Federal Funds				
Balance Forward			286,100	286,100
Current Receipts	5,622,100	5,139,100	6,507,700	5,139,100
Non-Revenue Receipts	-224,400	-224,400	-224,400	-224,400
Total Federal Funds	5,397,700	4,914,700	6,569,400	5,200,800
TOTAL SOURCE OF FUNDS	39,338,000	39,152,600	41,769,800	34,370,600
EXPENDITURES BY CLASS				
Personnel Cost	13,260,400	13,928,600	12,483,200	12,193,500
Operating Expenses	3,326,000	3,145,200	3,180,300	2,991,600
Grants, Loans or Benefits	18,162,900	18,422,100	21,456,000	15,369,900
Capital Outlay	3,338,200	3,371,800		130,900
TOTAL EXPENDITURES	38,087,500	38,867,700	37,119,500	30,685,900
EXPENDITURES BY FUND SOURCE				
General Fund	29,325,000	30,178,500	26,252,500	21,961,300
Restricted Funds	3,364,800	3,774,500	4,583,700	3,809,900
Federal Funds	5,397,700	4,914,700	6,283,300	4,914,700
TOTAL EXPENDITURES	38,087,500	38,867,700	37,119,500	30,685,900
EXPENDITURES BY UNIT				
Commissioner	559,700	583,300	528,400	531,500
Forestry	17,781,500	17,749,700	14,737,800	12,771,600
Conservation	16,838,400	17,543,400	18,085,000	14,389,400
Energy	2,907,900	2,991,300	3,768,300	2,993,400
TOTAL EXPENDITURES	38,087,500	38,867,700	37,119,500	30,685,900

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

**Natural Resources and Environmental Protection
Natural Resources
Commissioner**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	451,300	471,800	420,000	420,000
Total General Fund	451,300	471,800	420,000	420,000
Restricted Funds				
Balance Forward	11,000		70,900	59,900
Non-Revenue Receipts	97,400	111,500	97,400	111,500
Total Restricted Funds	108,400	111,500	168,300	171,400
TOTAL SOURCE OF FUNDS	559,700	583,300	588,300	591,400
EXPENDITURES BY CLASS				
Personnel Cost	485,400	509,000	458,800	460,000
Operating Expenses	74,300	74,300	69,600	71,500
TOTAL EXPENDITURES	559,700	583,300	528,400	531,500
EXPENDITURES BY FUND SOURCE				
General Fund	451,300	471,800	420,000	420,000
Restricted Funds	108,400	111,500	108,400	111,500
TOTAL EXPENDITURES	559,700	583,300	528,400	531,500

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

**Natural Resources and Environmental Protection
Natural Resources
Forestry**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	14,163,200	14,912,000	9,933,900	9,933,900
Total General Fund	14,163,200	14,912,000	9,933,900	9,933,900
Restricted Funds				
Balance Forward	284,900	284,900	2,333,000	1,933,000
Current Receipts	836,900	836,900	2,022,500	836,900
Non-Revenue Receipts	300,000	300,000	-100,000	300,000
Total Restricted Funds	1,421,800	1,421,800	4,255,500	3,069,900
Federal Funds				
Balance Forward			282,900	282,900
Current Receipts	2,631,400	1,850,800	2,631,400	1,850,800
Non-Revenue Receipts	-150,000	-150,000	-150,000	-150,000
Total Federal Funds	2,481,400	1,700,800	2,764,300	1,983,700
TOTAL SOURCE OF FUNDS	18,066,400	18,034,600	16,953,700	14,987,500
EXPENDITURES BY CLASS				
Personnel Cost	10,727,000	11,264,200	10,060,100	9,677,600
Operating Expenses	2,810,600	2,627,000	2,669,600	2,476,400
Grants, Loans or Benefits	905,700	486,700	2,008,100	486,700
Capital Outlay	3,338,200	3,371,800		130,900
TOTAL EXPENDITURES	17,781,500	17,749,700	14,737,800	12,771,600
EXPENDITURES BY FUND SOURCE				
General Fund	14,163,200	14,912,000	9,933,900	9,933,900
Restricted Funds	1,136,900	1,136,900	2,322,500	1,136,900
Federal Funds	2,481,400	1,700,800	2,481,400	1,700,800
TOTAL EXPENDITURES	17,781,500	17,749,700	14,737,800	12,771,600

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

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

Natural Resources - Forestry
Performance Budgeting Pilot Project Information

Program Mission

The mission of the Forestry program of the Department for Natural Resources is to protect and enhance Kentucky's forest resources by:

- providing environmental leadership and expertise,
- shaping a vision for the sustainability of Kentucky's forests,
- serving as a bridge linking Kentucky's citizens, government, and forest industry, and
- monitoring forest trends and anticipating needs.

Objective: By June 30, 2007 decrease the number of Kentucky's acres burned from forest fires by 20% from the ten-year average.

Performance Indicator: The number of acres burned each year due to wildland fires.

<u>FY 2003</u>	<u>FY 2004</u>
64,900	67,600

Objective: Increase landowner participation of forest stewardship activities by 10% over five years (2001 baseline year).

Performance Indicator: The number of landowners participating in forest stewardship activities annually.

<u>FY 2003</u>	<u>FY 2004</u>
1,270	1,270

Performance Indicator: The percentage change in the number of new landowners participating in forest stewardship activities.

<u>FY 2003</u>	<u>FY 2004</u>
61%	61%

Performance Indicator: The number of acres improved through forest stewardship activities.

<u>FY 2003</u>	<u>FY 2004</u>
19,470	19,470

Objective: Increase citizen participation in activities that enhance water quality.

Performance Indicator: The number of master loggers, including new and redesignations annually.

<u>FY 2003</u>	<u>FY 2004</u>
1,354	1,354

Performance Indicator: The annual change in the number of forest stewardship/management plans.

<u>FY 2003</u>	<u>FY 2004</u>
973	973

Performance Indicator: The number of inspections of known timber harvesting operations.

<u>FY 2003</u>	<u>FY 2004</u>
3,216	3,216

**Natural Resources and Environmental Protection
Natural Resources
Conservation**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,549,700	5,630,700	2,426,100	2,426,100
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation - Tobacco Settlement			4,322,100	
Total General Fund	14,549,700	14,630,700	15,748,200	11,426,100
Restricted Funds				
Balance Forward	1,045,500	595,500	1,861,300	1,411,300
Current Receipts	658,300	844,400	706,400	895,000
Non-Revenue Receipts	636,900	641,700	636,900	641,700
Total Restricted Funds	2,340,700	2,081,600	3,204,600	2,948,000
Federal Funds				
Current Receipts	543,500	831,100	543,500	831,100
Total Federal Funds	543,500	831,100	543,500	831,100
TOTAL SOURCE OF FUNDS	17,433,900	17,543,400	19,496,300	15,205,200
EXPENDITURES BY CLASS				
Personnel Cost	1,460,400	1,532,300	1,401,900	1,430,400
Operating Expenses	237,300	237,200	237,300	237,300
Grants, Loans or Benefits	15,140,700	15,773,900	16,445,800	12,721,700
TOTAL EXPENDITURES	16,838,400	17,543,400	18,085,000	14,389,400
EXPENDITURES BY FUND SOURCE				
General Fund	14,549,700	14,630,700	15,748,200	11,426,100
Restricted Funds	1,745,200	2,081,600	1,793,300	2,132,200
Federal Funds	543,500	831,100	543,500	831,100
TOTAL EXPENDITURES	16,838,400	17,543,400	18,085,000	14,389,400

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

Policy

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

**Natural Resources and Environmental Protection
Natural Resources
Energy**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	160,800	164,000	150,400	181,300
Total General Fund	160,800	164,000	150,400	181,300
Restricted Funds				
Balance Forward	670,000	370,100	1,259,900	960,000
Current Receipts			-14,800	-15,200
Non-Revenue Receipts	74,400	74,400	74,400	74,400
Total Restricted Funds	744,400	444,500	1,319,500	1,019,200
Federal Funds				
Balance Forward			3,200	3,200
Current Receipts	2,447,200	2,457,200	3,332,800	2,457,200
Non-Revenue Receipts	-74,400	-74,400	-74,400	-74,400
Total Federal Funds	2,372,800	2,382,800	3,261,600	2,386,000
TOTAL SOURCE OF FUNDS	3,278,000	2,991,300	4,731,500	3,586,500
EXPENDITURES BY CLASS				
Personnel Cost	587,600	623,100	562,400	625,500
Operating Expenses	203,800	206,700	203,800	206,400
Grants, Loans or Benefits	2,116,500	2,161,500	3,002,100	2,161,500
TOTAL EXPENDITURES	2,907,900	2,991,300	3,768,300	2,993,400
EXPENDITURES BY FUND SOURCE				
General Fund	160,800	164,000	150,400	181,300
Restricted Funds	374,300	444,500	359,500	429,300
Federal Funds	2,372,800	2,382,800	3,258,400	2,382,800
TOTAL EXPENDITURES	2,907,900	2,991,300	3,768,300	2,993,400

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

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

**Natural Resources and Environmental Protection
Environmental Protection**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	30,055,000	32,143,300	22,886,100	22,924,500
Total General Fund	30,055,000	32,143,300	22,886,100	22,924,500
Restricted Funds				
Balance Forward	7,147,200	3,637,300	10,775,000	6,665,100
Current Receipts	11,799,800	11,849,600	21,838,800	30,347,000
Non-Revenue Receipts	2,093,600	2,449,100	1,493,600	2,449,100
Total Restricted Funds	21,040,600	17,936,000	34,107,400	39,461,200
Federal Funds				
Balance Forward			106,600	106,600
Current Receipts	21,820,400	22,157,800	21,920,400	22,157,800
Non-Revenue Receipts	-2,488,100	-2,520,600	-2,463,400	-2,495,900
Total Federal Funds	19,332,300	19,637,200	19,563,600	19,768,500
TOTAL SOURCE OF FUNDS	70,427,900	69,716,500	76,557,100	82,154,200
EXPENDITURES BY CLASS				
Personnel Cost	44,491,800	46,529,800	42,899,500	45,786,600
Operating Expenses	9,836,200	9,742,900	16,149,300	20,820,200
Grants, Loans or Benefits	7,643,800	7,508,600	7,493,800	7,358,600
Debt Service				96,000
Capital Outlay	2,718,800	1,883,500	1,142,800	1,406,700
Construction	2,100,000	2,100,000	2,100,000	1,600,000
TOTAL EXPENDITURES	66,790,600	67,764,800	69,785,400	77,068,100
EXPENDITURES BY FUND SOURCE				
General Fund	30,055,000	32,143,300	22,886,100	22,924,500
Restricted Funds	17,403,300	15,984,300	27,442,300	34,481,700
Federal Funds	19,332,300	19,637,200	19,457,000	19,661,900
TOTAL EXPENDITURES	66,790,600	67,764,800	69,785,400	77,068,100
EXPENDITURES BY UNIT				
Commissioner	1,874,700	1,917,100	1,715,500	1,814,200
Water	27,136,200	27,827,800	25,104,300	25,395,600
Waste Management	19,005,200	19,026,800	25,640,200	32,310,000
Air Quality	12,887,700	13,253,800	12,639,200	12,856,400
Environmental Services	4,463,300	4,540,800	4,232,300	4,238,000
Maxey Flats	1,423,500	1,198,500	453,900	453,900
TOTAL EXPENDITURES	66,790,600	67,764,800	69,785,400	77,068,100

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

**Natural Resources and Environmental Protection
Environmental Protection
Commissioner**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,727,500	1,767,200	1,568,300	1,664,300
Total General Fund	1,727,500	1,767,200	1,568,300	1,664,300
Restricted Funds				
Balance Forward	100,000	100,800	113,600	114,400
Current Receipts	11,900	11,900	11,900	11,900
Non-Revenue Receipts	136,100	143,000	136,100	143,000
Total Restricted Funds	248,000	255,700	261,600	269,300
TOTAL SOURCE OF FUNDS	1,975,500	2,022,900	1,829,900	1,933,600
EXPENDITURES BY CLASS				
Personnel Cost	1,587,900	1,663,800	1,530,300	1,514,900
Operating Expenses	217,800	218,800	185,200	203,300
Debt Service				96,000
Capital Outlay	69,000	34,500		
TOTAL EXPENDITURES	1,874,700	1,917,100	1,715,500	1,814,200
EXPENDITURES BY FUND SOURCE				
General Fund	1,727,500	1,767,200	1,568,300	1,664,300
Restricted Funds	147,200	149,900	147,200	149,900
TOTAL EXPENDITURES	1,874,700	1,917,100	1,715,500	1,814,200

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

Policy

The enacted budget provides additional debt service support from the General Fund in the amount of \$96,000 in fiscal year 2004 for the State-Owned Dam Construction/Renovation program in the City of Franklin for bonds of \$1,000,000 authorized in the capital budget.

**Natural Resources and Environmental Protection
Environmental Protection
Water**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,622,700	12,927,000	10,590,800	10,494,800
Total General Fund	12,622,700	12,927,000	10,590,800	10,494,800
Restricted Funds				
Balance Forward	452,500	240,000	1,142,200	929,700
Current Receipts	915,600	915,400	915,600	915,400
Non-Revenue Receipts	1,086,300	1,133,500	1,086,300	1,133,500
Total Restricted Funds	2,454,400	2,288,900	3,144,100	2,978,600
Federal Funds				
Balance Forward			22,300	22,300
Current Receipts	13,173,500	13,521,700	13,173,500	13,521,700
Non-Revenue Receipts	-874,400	-909,800	-874,400	-909,800
Total Federal Funds	12,299,100	12,611,900	12,321,400	12,634,200
TOTAL SOURCE OF FUNDS	27,376,200	27,827,800	26,056,300	26,107,600
EXPENDITURES BY CLASS				
Personnel Cost	16,838,400	17,745,500	15,597,000	15,906,400
Operating Expenses	2,914,200	2,938,900	2,730,200	2,788,100
Grants, Loans or Benefits	6,608,300	6,503,400	6,608,300	6,503,400
Capital Outlay	775,300	640,000	168,800	197,700
TOTAL EXPENDITURES	27,136,200	27,827,800	25,104,300	25,395,600
EXPENDITURES BY FUND SOURCE				
General Fund	12,622,700	12,927,000	10,590,800	10,494,800
Restricted Funds	2,214,400	2,288,900	2,214,400	2,288,900
Federal Funds	12,299,100	12,611,900	12,299,100	12,611,900
TOTAL EXPENDITURES	27,136,200	27,827,800	25,104,300	25,395,600

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

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

Policy

The enacted budget provides additional personnel, operating, and capital support from federal funds in the amount of \$1,373,500 in fiscal year 2003 and \$1,277,600 in fiscal year 2004 for implementation of the Federal 106 Total Maximum Daily Loads (TMDLs) program, the Federal 319 Non-Point program, and the Federal Drinking Water program.

The enacted budget provides additional personnel and operating support from agency funds from the Public Service Commission in the amount of \$65,000 in fiscal year 2003 and \$65,000 in fiscal year 2004 for the Power Plant Permitting program.

**Natural Resources and Environmental Protection
Environmental Protection
Waste Management**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,035,300	10,902,700	5,514,500	5,514,500
Total General Fund	9,035,300	10,902,700	5,514,500	5,514,500
Restricted Funds				
Balance Forward	5,156,300	2,418,000	6,457,300	3,719,000
Current Receipts	1,444,800	1,270,500	11,575,900	19,917,200
Non-Revenue Receipts	788,100	1,100,000	788,100	1,100,000
Total Restricted Funds	7,389,200	4,788,500	18,821,300	24,736,200
Federal Funds				
Balance Forward			84,300	84,300
Current Receipts	6,335,600	6,324,800	6,335,600	6,324,800
Non-Revenue Receipts	-1,336,900	-1,334,000	-1,312,200	-1,309,300
Total Federal Funds	4,998,700	4,990,800	5,107,700	5,099,800
TOTAL SOURCE OF FUNDS	21,423,200	20,682,000	29,443,500	35,350,500
EXPENDITURES BY CLASS				
Personnel Cost	13,387,000	13,803,600	13,508,500	15,625,800
Operating Expenses	2,169,000	2,185,300	9,576,200	14,146,300
Grants, Loans or Benefits	455,500	455,500	455,500	455,500
Capital Outlay	893,700	482,400		482,400
Construction	2,100,000	2,100,000	2,100,000	1,600,000
TOTAL EXPENDITURES	19,005,200	19,026,800	25,640,200	32,310,000
EXPENDITURES BY FUND SOURCE				
General Fund	9,035,300	10,902,700	5,514,500	5,514,500
Restricted Funds	4,971,200	3,133,300	15,102,300	21,780,000
Federal Funds	4,998,700	4,990,800	5,023,400	5,015,500
TOTAL EXPENDITURES	19,005,200	19,026,800	25,640,200	32,310,000

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

Policy

The enacted budget provides additional personnel and operating support from agency funds from the Kentucky Infrastructure Authority of \$210,000 in fiscal year 2003 to enhance the Certified Clean Counties program.

The enacted budget provides agency fund resources for the Division of Waste Management, Hazardous Waste Management program of \$2,100,000 in fiscal year 2003 and \$2,776,500 in fiscal year 2004.

The enacted budget provides agency fund resources for the Division of Waste Management, Waste Tire Cleanup program of \$2,500,000 in fiscal year 2003 and \$2,500,000 in fiscal year 2004.

The enacted budget provides agency fund resources for the Division of Waste Management, Underground Storage Tank program of \$657,800 in fiscal year 2004.

**Natural Resources and Environmental Protection
Environmental Protection
Air Quality**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,655,100	1,685,200	1,398,700	1,437,100
Total General Fund	1,655,100	1,685,200	1,398,700	1,437,100
Restricted Funds				
Balance Forward	1,430,600	878,500	2,814,500	1,762,400
Current Receipts	9,206,800	9,431,100	9,114,700	9,281,800
Non-Revenue Receipts	-271,600	-295,600	-771,600	-295,600
Total Restricted Funds	10,365,800	10,014,000	11,157,600	10,748,600
Federal Funds				
Current Receipts	1,934,000	1,934,000	2,034,000	1,934,000
Non-Revenue Receipts	-188,700	-188,700	-188,700	-188,700
Total Federal Funds	1,745,300	1,745,300	1,845,300	1,745,300
TOTAL SOURCE OF FUNDS	13,766,200	13,444,500	14,401,600	13,931,000
EXPENDITURES BY CLASS				
Personnel Cost	9,538,700	10,011,400	9,335,900	9,764,000
Operating Expenses	2,278,500	2,267,600	2,302,800	2,267,600
Grants, Loans or Benefits	521,500	491,200	371,500	341,200
Capital Outlay	549,000	483,600	629,000	483,600
TOTAL EXPENDITURES	12,887,700	13,253,800	12,639,200	12,856,400
EXPENDITURES BY FUND SOURCE				
General Fund	1,655,100	1,685,200	1,398,700	1,437,100
Restricted Funds	9,487,300	9,823,300	9,395,200	9,674,000
Federal Funds	1,745,300	1,745,300	1,845,300	1,745,300
TOTAL EXPENDITURES	12,887,700	13,253,800	12,639,200	12,856,400

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

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

Policy

The enacted budget provides additional personnel and operating support from agency funds in the amount of \$74,400 in fiscal year 2003 and \$71,300 in fiscal year 2004 for the Air Quality Enforcement program. The Division will perform reviews and coordinate activities associated with violations of Federal Title V permit regulations.

The enacted budget provides additional personnel and operating support from Public Service Commission agency funds in the amount of \$65,000 in fiscal year 2003 and \$65,000 in fiscal year 2004 for the Power Plant Permitting program.

The enacted budget provides additional personnel and operating support from agency funds in the amount of \$150,000 in fiscal year 2003 and \$150,000 in fiscal year 2004 for the West Louisville Community Project to conduct activities associated with air quality monitoring.

**Natural Resources and Environmental Protection
Environmental Protection
Environmental Services**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,590,900	3,662,700	3,359,900	3,359,900
Total General Fund	3,590,900	3,662,700	3,359,900	3,359,900
Restricted Funds				
Balance Forward	7,800		247,400	139,600
Current Receipts	220,700	220,700	220,700	220,700
Non-Revenue Receipts	354,700	368,200	254,700	368,200
Total Restricted Funds	583,200	588,900	722,800	728,500
Federal Funds				
Current Receipts	377,300	377,300	377,300	377,300
Non-Revenue Receipts	-88,100	-88,100	-88,100	-88,100
Total Federal Funds	289,200	289,200	289,200	289,200
TOTAL SOURCE OF FUNDS	4,463,300	4,540,800	4,371,900	4,377,600
EXPENDITURES BY CLASS				
Personnel Cost	2,797,500	2,946,100	2,617,300	2,668,800
Operating Expenses	1,320,800	1,351,700	1,270,000	1,326,200
Capital Outlay	345,000	243,000	345,000	243,000
TOTAL EXPENDITURES	4,463,300	4,540,800	4,232,300	4,238,000
EXPENDITURES BY FUND SOURCE				
General Fund	3,590,900	3,662,700	3,359,900	3,359,900
Restricted Funds	583,200	588,900	583,200	588,900
Federal Funds	289,200	289,200	289,200	289,200
TOTAL EXPENDITURES	4,463,300	4,540,800	4,232,300	4,238,000

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

**Natural Resources and Environmental Protection
Environmental Protection
Maxey Flats**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,423,500	1,198,500	453,900	453,900
Total General Fund	<u>1,423,500</u>	<u>1,198,500</u>	<u>453,900</u>	<u>453,900</u>
TOTAL SOURCE OF FUNDS	1,423,500	1,198,500	453,900	453,900
EXPENDITURES BY CLASS				
Personnel Cost	342,300	359,400	310,500	306,700
Operating Expenses	935,900	780,600	84,900	88,700
Grants, Loans or Benefits	58,500	58,500	58,500	58,500
Capital Outlay	86,800			
TOTAL EXPENDITURES	<u>1,423,500</u>	<u>1,198,500</u>	<u>453,900</u>	<u>453,900</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,423,500	1,198,500	453,900	453,900
TOTAL EXPENDITURES	<u>1,423,500</u>	<u>1,198,500</u>	<u>453,900</u>	<u>453,900</u>

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

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,816,900	11,063,300	10,051,400	10,831,400
Total General Fund	10,816,900	11,063,300	10,051,400	10,831,400
Restricted Funds				
Balance Forward	26,982,500	25,781,400	29,084,300	25,383,200
Current Receipts	2,874,200	2,881,500	2,742,800	2,812,200
Non-Revenue Receipts	2,256,900	2,358,800	-286,100	2,281,200
Total Restricted Funds	32,113,600	31,021,700	31,541,000	30,476,600
Federal Funds				
Balance Forward			278,500	278,500
Current Receipts	19,500,200	19,983,800	19,500,200	19,748,800
Non-Revenue Receipts	-2,256,900	-2,358,800	-2,256,900	-2,358,800
Total Federal Funds	17,243,300	17,625,000	17,521,800	17,668,500
TOTAL SOURCE OF FUNDS	60,173,800	59,710,000	59,114,200	58,976,500
EXPENDITURES BY CLASS				
Personnel Cost	27,618,400	28,728,200	26,687,000	28,086,900
Operating Expenses	4,038,100	3,974,300	4,029,600	4,045,900
Grants, Loans or Benefits	1,464,300	1,267,100	1,464,300	1,267,100
Capital Outlay	1,051,600	1,150,600	1,051,600	1,150,600
Construction	220,000	155,000	220,000	155,000
TOTAL EXPENDITURES	34,392,400	35,275,200	33,452,500	34,705,500
EXPENDITURES BY FUND SOURCE				
General Fund	10,816,900	11,063,300	10,051,400	10,831,400
Restricted Funds	6,332,200	6,586,900	6,157,800	6,484,100
Federal Funds	17,243,300	17,625,000	17,243,300	17,390,000
TOTAL EXPENDITURES	34,392,400	35,275,200	33,452,500	34,705,500
EXPENDITURES BY UNIT				
Commissioner	2,472,700	2,543,000	2,335,300	2,391,000
Permits	8,176,100	8,399,600	7,941,600	8,324,800
Field Services	13,622,600	14,209,300	13,186,000	14,023,800
Abandoned Mine Lands	10,121,000	10,123,300	9,989,600	9,965,900
TOTAL EXPENDITURES	34,392,400	35,275,200	33,452,500	34,705,500

The Department for Surface Mining Reclamation and Enforcement implements the provisions of the federal Surface Mining Control and Reclamation Act of 1977 pursuant to Public Law 95-87. The Department's mission is to minimize the negative environmental effects of surface mining and the surface effects of underground mining.

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Commissioner**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,163,700	1,187,800	1,069,300	1,069,300
Total General Fund	1,163,700	1,187,800	1,069,300	1,069,300
Restricted Funds				
Balance Forward	14,685,400	15,100,000	15,754,300	14,118,900
Current Receipts	1,030,400	1,035,400	1,030,400	1,035,400
Non-Revenue Receipts	693,200	762,600	-1,399,800	685,000
Total Restricted Funds	16,409,000	16,898,000	15,384,900	15,839,300
TOTAL SOURCE OF FUNDS	17,572,700	18,085,800	16,454,200	16,908,600
EXPENDITURES BY CLASS				
Personnel Cost	2,152,600	2,233,900	2,015,200	2,069,400
Operating Expenses	320,100	309,100	320,100	321,600
TOTAL EXPENDITURES	2,472,700	2,543,000	2,335,300	2,391,000
EXPENDITURES BY FUND SOURCE				
General Fund	1,163,700	1,187,800	1,069,300	1,069,300
Restricted Funds	1,309,000	1,355,200	1,266,000	1,321,700
TOTAL EXPENDITURES	2,472,700	2,543,000	2,335,300	2,391,000

The Office of the Commissioner provides leadership, policy direction, and management for the Department for Surface Mining Reclamation and Enforcement.

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Permits**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,309,800	3,406,000	3,075,300	3,348,300
Total General Fund	3,309,800	3,406,000	3,075,300	3,348,300
Restricted Funds				
Balance Forward	263,700	121,200	492,100	249,600
Current Receipts	7,600	9,700	7,600	9,700
Non-Revenue Receipts	235,500	262,400	135,500	262,400
Total Restricted Funds	506,800	393,300	635,200	521,700
Federal Funds				
Balance Forward			81,000	81,000
Current Receipts	5,016,200	5,162,700	5,016,200	5,145,600
Non-Revenue Receipts	-535,500	-562,400	-535,500	-562,400
Total Federal Funds	4,480,700	4,600,300	4,561,700	4,664,200
TOTAL SOURCE OF FUNDS	8,297,300	8,399,600	8,272,200	8,534,200
EXPENDITURES BY CLASS				
Personnel Cost	6,235,700	6,471,800	6,007,500	6,337,900
Operating Expenses	1,198,200	1,132,800	1,191,900	1,191,900
Grants, Loans or Benefits	732,200	735,000	732,200	735,000
Capital Outlay	10,000	60,000	10,000	60,000
TOTAL EXPENDITURES	8,176,100	8,399,600	7,941,600	8,324,800
EXPENDITURES BY FUND SOURCE				
General Fund	3,309,800	3,406,000	3,075,300	3,348,300
Restricted Funds	385,600	393,300	385,600	393,300
Federal Funds	4,480,700	4,600,300	4,480,700	4,583,200
TOTAL EXPENDITURES	8,176,100	8,399,600	7,941,600	8,324,800

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

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Field Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	6,343,400	6,469,500	5,906,800	6,413,800
Total General Fund	6,343,400	6,469,500	5,906,800	6,413,800
Restricted Funds				
Balance Forward	371,100	304,200	779,100	512,200
Current Receipts	68,600	68,800	68,600	62,300
Non-Revenue Receipts	503,600	463,800	303,600	463,800
Total Restricted Funds	943,300	836,800	1,151,300	1,038,300
Federal Funds				
Balance Forward			190,200	190,200
Current Receipts	7,593,700	7,943,100	7,593,700	7,819,800
Non-Revenue Receipts	-953,600	-1,013,200	-953,600	-1,013,200
Total Federal Funds	6,640,100	6,929,900	6,830,300	6,996,800
TOTAL SOURCE OF FUNDS	13,926,800	14,236,200	13,888,400	14,448,900
EXPENDITURES BY CLASS				
Personnel Cost	10,894,000	11,454,000	10,459,600	11,268,500
Operating Expenses	1,761,500	1,741,700	1,759,300	1,741,700
Grants, Loans or Benefits	189,000	189,000	189,000	189,000
Capital Outlay	778,100	824,600	778,100	824,600
TOTAL EXPENDITURES	13,622,600	14,209,300	13,186,000	14,023,800
EXPENDITURES BY FUND SOURCE				
General Fund	6,343,400	6,469,500	5,906,800	6,413,800
Restricted Funds	639,100	809,900	639,100	803,400
Federal Funds	6,640,100	6,929,900	6,640,100	6,806,600
TOTAL EXPENDITURES	13,622,600	14,209,300	13,186,000	14,023,800

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

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Abandoned Mine Lands**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	11,662,300	10,256,000	12,058,800	10,502,500
Current Receipts	1,767,600	1,767,600	1,636,200	1,704,800
Non-Revenue Receipts	824,600	870,000	674,600	870,000
Total Restricted Funds	<u>14,254,500</u>	<u>12,893,600</u>	<u>14,369,600</u>	<u>13,077,300</u>
Federal Funds				
Balance Forward			7,300	7,300
Current Receipts	6,890,300	6,878,000	6,890,300	6,783,400
Non-Revenue Receipts	-767,800	-783,200	-767,800	-783,200
Total Federal Funds	<u>6,122,500</u>	<u>6,094,800</u>	<u>6,129,800</u>	<u>6,007,500</u>
TOTAL SOURCE OF FUNDS	<u>20,377,000</u>	<u>18,988,400</u>	<u>20,499,400</u>	<u>19,084,800</u>
EXPENDITURES BY CLASS				
Personnel Cost	8,336,100	8,568,500	8,204,700	8,411,100
Operating Expenses	758,300	790,700	758,300	790,700
Grants, Loans or Benefits	543,100	343,100	543,100	343,100
Capital Outlay	263,500	266,000	263,500	266,000
Construction	220,000	155,000	220,000	155,000
TOTAL EXPENDITURES	<u>10,121,000</u>	<u>10,123,300</u>	<u>9,989,600</u>	<u>9,965,900</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	3,998,500	4,028,500	3,867,100	3,965,700
Federal Funds	6,122,500	6,094,800	6,122,500	6,000,200
TOTAL EXPENDITURES	<u>10,121,000</u>	<u>10,123,300</u>	<u>9,989,600</u>	<u>9,965,900</u>

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

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

**Natural Resources and Environmental Protection
Abandoned Mine Lands Reclamation Projects**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	22,000,000	22,000,000	22,000,000	22,000,000
Total Federal Funds	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>
TOTAL SOURCE OF FUNDS	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>
EXPENDITURES BY CLASS				
Personnel Cost	220,000	250,000	220,000	250,000
Grants, Loans or Benefits	11,480,000	10,700,000	11,480,000	10,700,000
Construction	10,300,000	11,050,000	10,300,000	11,050,000
TOTAL EXPENDITURES	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>
EXPENDITURES BY FUND SOURCE				
Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL EXPENDITURES	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>	<u>22,000,000</u>

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

**Natural Resources and Environmental Protection
Environmental Quality Commission**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	286,000	287,000	253,700	
Total General Fund	<u>286,000</u>	<u>287,000</u>	<u>253,700</u>	
Restricted Funds				
Balance Forward	2,000		3,300	1,300
Total Restricted Funds	<u>2,000</u>		<u>3,300</u>	<u>1,300</u>
TOTAL SOURCE OF FUNDS	<u>288,000</u>	<u>287,000</u>	<u>257,000</u>	<u>1,300</u>
EXPENDITURES BY CLASS				
Personnel Cost	230,500	242,500	217,500	
Operating Expenses	57,500	44,500	38,200	
TOTAL EXPENDITURES	<u>288,000</u>	<u>287,000</u>	<u>255,700</u>	
EXPENDITURES BY FUND SOURCE				
General Fund	286,000	287,000	253,700	
Restricted Funds	2,000		2,000	
TOTAL EXPENDITURES	<u>288,000</u>	<u>287,000</u>	<u>255,700</u>	
EXPENDITURES BY UNIT				
Environmental Quality Commission	288,000	287,000	255,700	
TOTAL EXPENDITURES	<u>288,000</u>	<u>287,000</u>	<u>255,700</u>	

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

Policy

General Fund resources of \$253,700 and agency fund resources of \$2,000 are provided in fiscal year 2003 only, with no funding provided in fiscal year 2004.

**Natural Resources and Environmental Protection
Kentucky Nature Preserves Commission**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,537,700	1,540,800	980,900	1,053,100
Total General Fund	1,537,700	1,540,800	980,900	1,053,100
Restricted Funds				
Balance Forward	313,900	276,400	661,400	623,900
Current Receipts	199,700	175,200	199,700	175,200
Non-Revenue Receipts	77,500	77,500	77,500	77,500
Total Restricted Funds	591,100	529,100	938,600	876,600
Federal Funds				
Current Receipts	26,600	26,600	26,600	26,600
Non-Revenue Receipts	-1,600	-1,600	-1,600	-1,600
Total Federal Funds	25,000	25,000	25,000	25,000
TOTAL SOURCE OF FUNDS	2,153,800	2,094,900	1,944,500	1,954,700
EXPENDITURES BY CLASS				
Personnel Cost	1,376,600	1,441,700	1,094,500	1,145,100
Operating Expenses	314,000	313,000	196,100	201,700
Grants, Loans or Benefits	30,000	30,000	30,000	30,000
Capital Outlay	156,800	79,800		
TOTAL EXPENDITURES	1,877,400	1,864,500	1,320,600	1,376,800
EXPENDITURES BY FUND SOURCE				
General Fund	1,537,700	1,540,800	980,900	1,053,100
Restricted Funds	314,700	298,700	314,700	298,700
Federal Funds	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	1,877,400	1,864,500	1,320,600	1,376,800
EXPENDITURES BY UNIT				
Kentucky Nature Preserves Commission	1,877,400	1,864,500	1,320,600	1,376,800
TOTAL EXPENDITURES	1,877,400	1,864,500	1,320,600	1,376,800

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

Acquisition and management funds for nature preserves are provided through a tax refund check off system, under KRS 141.450-141.480. The Commission, together with the Kentucky Department of Fish and Wildlife Resources, shares equally the receipts generated by the Non-game Species Protection and Habitat Acquisition program, an income tax refund donation program enacted by the 1980 General Assembly.



2002-2004

Personnel

BUDGET OF THE COMMONWEALTH



Personnel

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,484,000	12,181,300	1,507,400	14,747,400
Total General Fund	3,484,000	12,181,300	1,507,400	14,747,400
Restricted Funds				
Balance Forward	4,242,700	3,331,100	7,309,300	6,388,000
Current Receipts	33,468,700	34,902,100	33,157,700	34,696,500
Non-Revenue Receipts	5,620,300	13,820,700	3,345,500	1,732,300
Total Restricted Funds	43,331,700	52,053,900	43,812,500	42,816,800
TOTAL SOURCE OF FUNDS	46,815,700	64,235,200	45,319,900	57,564,200
EXPENDITURES BY CLASS				
Personnel Cost	36,828,000	48,554,800	32,670,200	46,156,700
Operating Expenses	6,534,700	13,755,400	6,139,800	6,474,100
Capital Outlay	121,900	100,100	121,900	100,100
TOTAL EXPENDITURES	43,484,600	62,410,300	38,931,900	52,730,900
EXPENDITURES BY FUND SOURCE				
General Fund	3,484,000	12,181,300	1,507,400	14,747,400
Restricted Funds	40,000,600	50,229,000	37,424,500	37,983,500
TOTAL EXPENDITURES	43,484,600	62,410,300	38,931,900	52,730,900
EXPENDITURES BY UNIT				
General Operations	20,904,400	38,509,300	16,479,400	17,480,600
Public Employees Deferred Compensation Authority	5,286,600	5,735,200	5,183,300	5,622,100
Workers' Compensation Benefits and Reserve	17,293,600	18,165,800	17,269,200	18,138,200
State Salary Compensation Fund				11,490,000
TOTAL EXPENDITURES	43,484,600	62,410,300	38,931,900	52,730,900

The Personnel Cabinet, established under KRS 18A.015, provides human resources management for Kentucky state government agencies.

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

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

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

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

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

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

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

Policy

The provisions of KRS 18A.355(1) and KRS 151B.035 with respect to 5 percent annual salary increments are suspended during the 2002 - 2004 biennium. The Budget of the Commonwealth provides funding for a 2.7 percent annual cost of living adjustment in fiscal year 2003. The 2003 General Assembly appropriated General Fund totaling \$11,490,000 to be apportioned to state agencies for a cost of living adjustment amounting to an annualized value of \$1,080 for each eligible employee in fiscal year 2004.

The Budget of the Commonwealth provides additional restricted fund support of \$1,434,100 in fiscal year 2003 and \$709,500 in fiscal year 2004 for Health Insurance Reconciliation. The funding authorizes the Office of Public Employee Health Insurance to interface the health insurance database with the payroll database and hire four additional staff to reconcile health insurance premiums and enrollment.

The enacted budget provides additional restricted fund support of \$215,700 in fiscal year 2003 and \$214,500 in fiscal year 2004 for U.S. Health Insurance Portability and Accountability Act (HIPAA). Funding for the federal mandate is necessary to: 1) standardize electronic data interchange of patient health information with financial information; 2) develop unique health identifiers for individuals, employers, health plans, and healthcare providers; and 3) establish standards for privacy and security of medical records.

The enacted budget provides additional restricted fund support of \$750,000 in fiscal year 2004 for On-Line Health Insurance Enrollment. The funding will support the development of an on-line enrollment system that will allow public employees to enroll in the state sponsored health insurance program.

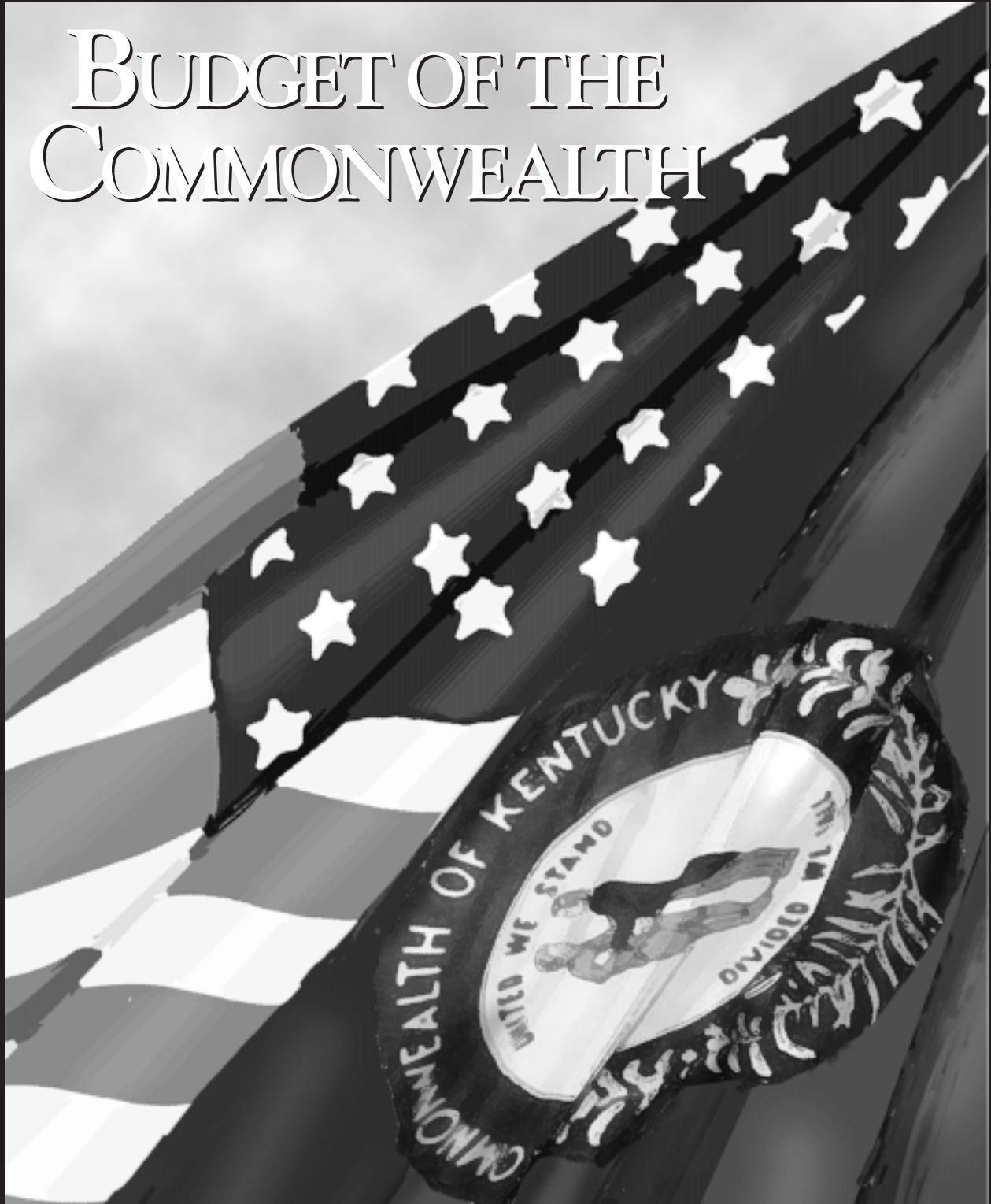
The enacted budget provides additional restricted fund support of \$235,500 in fiscal year 2003 and \$368,400 in fiscal year 2004 for the Deferred Compensation 403(b) Plan and IRA. The funding will provide the support for the Deferred Compensation Authority to take advantage of the U.S. Economic Growth and Tax Relief Reconciliation Act of 2001. The funding authorizes the Authority to hire four additional staff in preparation of new clients coming into the system.



2002-2004

*Postsecondary
Education*

BUDGET OF THE COMMONWEALTH



Postsecondary Education

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,208,942,100	1,316,491,300	1,107,939,900	1,168,115,900
Tobacco Settlement - I	6,580,000	6,580,000	7,030,000	6,205,000
Continuing Appropriation - Gen'l Fund	5,964,900		7,920,400	2,000,000
Continuing Appropriation - Tobacco Settlement			179,512	
Total General Fund	1,221,487,000	1,323,071,300	1,123,069,812	1,176,320,900
Restricted Funds				
Balance Forward	34,100		2,932,655	2,757,700
Current Receipts	1,724,638,400	1,793,770,700	1,714,156,200	1,757,901,700
Non-Revenue Receipts	42,364,900	41,804,100	79,498,745	84,977,600
Total Restricted Funds	1,767,037,400	1,835,574,800	1,796,587,600	1,845,637,000
Federal Funds				
Current Receipts	398,549,500	415,147,300	399,747,900	415,252,800
Total Federal Funds	398,549,500	415,147,300	399,747,900	415,252,800
TOTAL SOURCE OF FUNDS	3,387,073,900	3,573,793,400	3,319,405,312	3,437,210,700
EXPENDITURES BY CLASS				
Personnel Cost	1,814,515,900	1,876,251,100	1,780,437,800	1,823,091,300
Operating Expenses	835,888,300	857,933,300	785,386,300	811,448,400
Grants, Loans or Benefits	544,395,500	631,705,200	562,771,312	605,909,900
Debt Service	84,677,900	97,618,800	80,203,900	87,654,200
Capital Outlay	107,596,300	110,285,000	105,848,300	106,349,200
TOTAL EXPENDITURES	3,387,073,900	3,573,793,400	3,314,647,612	3,434,453,000
EXPENDITURES BY FUND SOURCE				
General Fund	1,221,487,000	1,323,071,300	1,121,069,812	1,176,320,900
Restricted Funds	1,767,037,400	1,835,574,800	1,793,829,900	1,842,879,300
Federal Funds	398,549,500	415,147,300	399,747,900	415,252,800
TOTAL EXPENDITURES	3,387,073,900	3,573,793,400	3,314,647,612	3,434,453,000
EXPENDITURES BY UNIT				
Council on Postsecondary Education	123,467,800	182,616,900	122,254,200	129,553,300
Kentucky Higher Education Assistance Authority	129,197,000	156,109,400	141,707,012	170,820,900
Postsecondary Education Institutions	3,134,409,100	3,235,067,100	3,050,686,400	3,134,078,800
TOTAL EXPENDITURES	3,387,073,900	3,573,793,400	3,314,647,612	3,434,453,000

**Postsecondary Education
Council on Postsecondary Education**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	110,313,100	169,462,200	99,177,400	114,229,400
Tobacco Settlement - I	6,080,000	6,080,000	6,280,000	5,455,000
Continuing Appropriation				2,000,000
Total General Fund	116,393,100	175,542,200	105,457,400	121,684,400
Restricted Funds				
Balance Forward			1,790,055	1,698,000
Current Receipts	130,000	130,000	130,000	130,000
Non-Revenue Receipts	3,783,500	3,783,500	14,314,745	4,577,700
Total Restricted Funds	3,913,500	3,913,500	16,234,800	6,405,700
Federal Funds				
Current Receipts	3,161,200	3,161,200	4,260,000	3,161,200
Total Federal Funds	3,161,200	3,161,200	4,260,000	3,161,200
TOTAL SOURCE OF FUNDS	123,467,800	182,616,900	125,952,200	131,251,300
EXPENDITURES BY CLASS				
Personnel Cost	12,151,400	12,344,000	5,606,900	5,687,600
Operating Expenses	7,256,200	7,256,200	6,550,200	6,476,400
Grants, Loans or Benefits	102,112,200	145,541,700	109,949,100	105,395,300
Debt Service	1,500,000	17,027,000		11,846,000
Capital Outlay	448,000	448,000	148,000	148,000
TOTAL EXPENDITURES	123,467,800	182,616,900	122,254,200	129,553,300
EXPENDITURES BY FUND SOURCE				
General Fund	116,393,100	175,542,200	103,457,400	121,684,400
Restricted Funds	3,913,500	3,913,500	14,536,800	4,707,700
Federal Funds	3,161,200	3,161,200	4,260,000	3,161,200
TOTAL EXPENDITURES	123,467,800	182,616,900	122,254,200	129,553,300
EXPENDITURES BY UNIT				
Agency Operations	4,478,900	4,564,500	4,158,000	4,158,100
Pass Through Programs	10,800,300	11,043,600	10,695,600	10,889,200
Federal Programs	3,161,200	3,161,200	4,260,000	3,161,200
Kentucky Virtual University	7,865,600	7,962,600	6,754,200	6,754,200
Strategic Investment & Incentive Funding Program	97,161,800	155,885,000	96,386,400	104,590,600
TOTAL EXPENDITURES	123,467,800	182,616,900	122,254,200	129,553,300

The Council on Postsecondary Education serves as the representative agency in matters of postsecondary education and in this role brings a statewide perspective to postsecondary education issues and planning. The council has the responsibility both for guiding the system and serving as an advocate for postsecondary education as a part of the total education enterprise. The primary focus of the council is the coordination of an effective system of postsecondary education meeting the current and future educational needs of the Commonwealth.

The 1997 First Extraordinary Session of the General Assembly resulted in elimination of the old Council on Higher Education and in its replacement by the Council on Postsecondary Education. The new Council has fewer members in total but added a faculty representative. The new Council's powers are broader with new authority to address unnecessary program duplication, to eliminate academic programs, and to require institutions to refine mission statements and strategic plans so as to conform to

a new strategic agenda. House Bill 1, the primary reform bill for postsecondary education, set out six goals for the postsecondary education system. The six goals, codified in KRS 164.003(2) are summarized below:

- A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life.
- A major comprehensive research institution ranked nationally in the top 20 public universities at the University of Kentucky.
- A premier, nationally-recognized metropolitan research university at the University of Louisville.
- Regional universities, with at least one nationally-recognized program of distinction or one nationally-recognized applied research program, working cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.
- A comprehensive community and technical college system with a mission that assures, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two year course of general studies designed for transfer to a baccalaureate program, the training necessary to develop a workforce with the skills to meet the needs of new and existing industries, and remedial and continuing education to improve the employability of citizens.
- An efficient, responsive, and coordinated system of providers that delivers educational services to all adult citizens in quantities and of a quality that is comparable to the national average or above and significantly elevates the level of education of the adults of the Commonwealth.

The Council is the liaison between postsecondary education and other segments of the education community. This role is particularly important in relation to other state agencies relating to elementary and secondary education and those directly impacting postsecondary education. The creation of the P-16 council, a joint effort of the council and the Kentucky Board of Education, is a concerted effort to identify common issues between the two systems and to further identify solutions.

The statutory responsibilities set forth in KRS Chapter 164 primarily involve: determining the needs of postsecondary education in the Commonwealth; developing and implementing a strategic agenda and strategic implementation plan (the Action Agenda) designed to achieve the legislatively mandated goals for postsecondary education; coordinating the development and management of a Kentucky Virtual University; deregulating, where possible, the policies and procedures of the Council; reviewing, modifying, approving and eliminating academic programs; reviewing and recommending funding for the public institutions; administering the strategic investment and incentive funding program; approving and recommending capital projects; maintaining a statewide system of accountability; and, licensing private degree-granting and proprietary baccalaureate degree-granting institutions. The Council also is the representative agency of the Commonwealth in postsecondary education matters not specifically delegated by statute to any of the public institutions and for interstate compacts and agreements.

**Postsecondary Education
Council on Postsecondary Education
Agency Operations**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,278,900	4,364,500	3,958,000	3,958,100
Total General Fund	4,278,900	4,364,500	3,958,000	3,958,100
Restricted Funds				
Balance Forward			151,600	151,600
Non-Revenue Receipts	200,000	200,000	200,000	200,000
Total Restricted Funds	200,000	200,000	351,600	351,600
TOTAL SOURCE OF FUNDS	4,478,900	4,564,500	4,309,600	4,309,700
EXPENDITURES BY CLASS				
Personnel Cost	3,543,600	3,629,200	3,340,200	3,356,800
Operating Expenses	848,300	848,300	730,800	714,300
Capital Outlay	87,000	87,000	87,000	87,000
TOTAL EXPENDITURES	4,478,900	4,564,500	4,158,000	4,158,100
EXPENDITURES BY FUND SOURCE				
General Fund	4,278,900	4,364,500	3,958,000	3,958,100
Restricted Funds	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	4,478,900	4,564,500	4,158,000	4,158,100

The Agency Operations program contains the operating activities of the Council and its staff except for those of the Kentucky Virtual University, the Virtual Library and federal programs. The Agency Operations budget includes funding for operating activities in support of development and implementation of the strategic agenda and action plan, academic program review, capital and operating finances, and implementation of the Strategic Investment and Incentive Funding Program.

The Council consists of six primary program units: Administration and Communications; Academic Affairs; Adult Education and Literacy; Economic Initiatives; Finance; the Kentucky Virtual University and the Kentucky Virtual Library; and Information, Technology and Operations.

The Administration and Communications unit consists of the president of CPE and the staff reporting directly to the president responsible for governmental and legislative services, press relations, legal services, and equal opportunity planning.

The Academic Affairs unit includes activities related to approval, modification, disapproval, or discontinuance of academic programs, extended campus activities, academic course inventory, admission standards, accountability, statewide strategic planning, early childhood literacy, baccalaureate degree transfer, academic common market, the Kentucky Excellence in Education Scholarship (KEES), and licensure of independent colleges and universities. The Academic Affairs unit administers the faculty development and action agenda funding and coordinates with the P-16 council.

The Adult Education and Literacy program is a shared responsibility with the Workforce Development Cabinet's Department for Adult Education and Literacy. The council administers the Adult Education and Literacy Trust Fund program and coordinates the policy development for statewide adult education.

The Finance unit is responsible for developing funding approaches for the institutions, the analysis of postsecondary education financial information, the review and recommendation of capital construction projects, tuition setting, reciprocity agreements, and the administration of the Strategic Investment and Incentive Funding Program.

The Economic Initiatives unit responsibilities include oversight of the Science and Technology Trust Fund and coordinating the Council's role in the state's economic development initiatives.

Information, Technology and Operations includes those activities related to the collection and analysis of student data collected through a comprehensive database, support and maintenance of the agency's computing needs, coordination of statewide technology efforts, and the business functions of the Council.

Policy

General Funds for Agency Operations were reduced by 4.8 percent by the fiscal year 2002 budget cuts and reduced by another 3.8 percent in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 was straight lined from the prior year's amount.

**Postsecondary Education
Council on Postsecondary Education
Pass Through Programs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,800,300	11,043,600	10,407,800	10,595,000
Total General Fund	10,800,300	11,043,600	10,407,800	10,595,000
Restricted Funds				
Balance Forward			92,055	
Non-Revenue Receipts			195,745	294,200
Total Restricted Funds			287,800	294,200
TOTAL SOURCE OF FUNDS	10,800,300	11,043,600	10,695,600	10,889,200
EXPENDITURES BY CLASS				
Operating Expenses	1,648,000	1,648,000	1,615,000	1,615,000
Grants, Loans or Benefits	9,152,300	9,395,600	9,080,600	9,274,200
TOTAL EXPENDITURES	10,800,300	11,043,600	10,695,600	10,889,200
EXPENDITURES BY FUND SOURCE				
General Fund	10,800,300	11,043,600	10,407,800	10,595,000
Restricted Funds			287,800	294,200
TOTAL EXPENDITURES	10,800,300	11,043,600	10,695,600	10,889,200
EXPENDITURES BY UNIT				
Contract Spaces	2,675,300	2,912,500	2,675,300	2,912,500
Consortia	61,800	61,800	60,600	60,600
Professional Education Preparation Program	447,600	447,600	438,600	438,600
Telecommunications Consortia	196,100	196,100	188,300	188,300
Minority Student College Prep Program	332,500	337,200	332,500	337,500
State Autism Training Center	234,000	234,000	229,300	229,300
Kentucky Rural Development Center	750,000	750,000	735,000	735,000
Early Reading Incentive Grant	4,200,000	4,200,000	4,116,000	4,116,000
SREB Doctoral Scholars Program	255,000	256,400	255,000	256,400
Ky Postsecondary Education Network	1,648,000	1,648,000	1,615,000	1,615,000
Pass-Through-Other			50,000	
TOTAL EXPENDITURES	10,800,300	11,043,600	10,695,600	10,889,200

The Council on Postsecondary Education has been designated as the receiving agency for several programs. Funds are appropriated to the Council and subsequently "passed-through" to other agencies or entities. The Council monitors the implementation of the programs but is not responsible for actual day-to-day operations. For purposes of display, these programs have been grouped together under the heading of Pass Through Programs. A brief description of each program is provided below.

The **Contract Spaces Program** provides students with access to veterinary medicine and optometry programs through contracts administered by the Southern Regional Education Board (SREB) and Indiana University. In veterinary medicine, Kentucky contracts for 36 entering spaces at Auburn University (34) and Tuskegee Institute (2). In optometry, Kentucky contracts for 14 entering spaces at the Southern College of Optometry (8), the University of Alabama (3), and Indiana University (3). Contract fees guarantee a fixed number of spaces in these academic programs for qualified Kentucky residents. Enrolled students are required to pay only the equivalent of the in-state tuition at the host institution. Students are supported for four years. To reserve these spaces and to help defray cost, the Commonwealth pays a contract fee per space to each participating institution. These contracts are the primary sources of enrollment opportunities for Kentucky students and for trained individuals to meet workforce needs in these professional areas.

Since the late 1970s, the Council has supported cooperative activities among and services to postsecondary education institutions in the Greater Louisville area through the interstate **Metroversity Consortium**. On behalf of the participating institutions, Metroversity operates the Educational Opportunity Center, a cross-registration program, student and faculty competitions and activities, and interlibrary courier service. The Consortium also maintains a cable TV channel for institutional use. State funds represent less than 10 percent of Metroversity's total budget.

The primary impact of the Metroversity Consortium is to provide, through a sharing of resources and effort, a wide range of services to students, faculty, institutions, and citizens of the Greater Louisville area. Through cooperative arrangements developed and administered by Metroversity, services that would normally be beyond the capability of a single institution are cost-effectively made available to all seven member institutions. The following are examples: cross-registration program - 500 students annually; Library Exchange - 20,000 volumes exchanged annually; student competitions - 700-1,000 students annually; faculty exchanges - involving seven institutions; cable TV offerings - five hours per day, five days per week; and Educational Opportunity Center - 3,000 clients annually.

The **Professional Education Preparation Program (PEPP)** was established in 1980 pursuant to KRS 164.028 through 164.0282. The program prepares students and prospective students from rural and inner-city areas medically underserved to gain admission to and graduate from medical or dental school. The students are encouraged to establish a medical practice in underserved areas of the state. All funds appropriated to the Council for the primary PEPP program are allocated to the University of Kentucky and the University of Louisville to conduct: pre-freshman workshops, undergraduate workshops; student assessment conferences, and MCAT/DAT test assistance with tutors, tutoring, and summer job placement. The PEPP Program includes the Pikeville College of Osteopathic Medicine, the University of Kentucky, and the University of Louisville.

The **Telecommunications Consortium (ETV)** was established in 1978 with funding provided through the budget of the Council. Programming and any needed staff services are provided by Kentucky Educational Television (KET) through a Memorandum of Agreement with the Council. The Consortium provides college credit course via KET's open broadcast television capability. Generally, 25 courses are broadcast each academic year. Both undergraduate and graduate courses are offered. Students may enroll by mail and view courses at home.

The **Governor's Minority Student College Preparation Program** was established in fiscal year 1987 to: provide academic enrichment activities for middle and junior high school students; encourage them to stay in school and to enter college; make young African-American students aware of the benefits and value of college and make them more likely to consider college as an achievable option; and to prepare these students to be successful in college-level work. The program places emphasis on early intervention in an attempt to overcome problems at the high school level that tend to reduce the pool of minorities interested in attending and prepared to do well in college. Approximately 1,000 middle and high-school students will be enrolled in this program each year.

The **Kentucky State Autism Training Center** contracts with the University of Louisville to provide coordinated services for training individuals involved in delivering services to those diagnosed with autism or autistic related disorders.

The **Kentucky Rural Development Center** operates in Somerset, Kentucky. The Center provides technical assistance to business and governmental entities in networking and video conferencing.

The **Early Reading Incentive Grant (ERIG)** program was established by the 1998 General Assembly, codified as KRS 158.792.

The program is designed to fund local school literacy activities in the early school grades, first through third. The funds appropriated to the Council are provided to the Department of Education to fund a variety of research-based models to determine which, if any, of the models are successful. An Early Reading Incentive Grant Advisory Committee assists the Department of Education with the selection of sites.

Currently, the Kentucky Department of Education is entering the third round of competitive local school grant proposals. To date, over 164 projects have been approved involving 221 local schools. The grants directly affect 23,413 school children with an indirect impact on 32,807 students.

The **Southern Regional Education Board (SREB) Doctoral Scholars Program** is part of a national effort to support and encourage minority students to pursue doctoral degrees. The program seeks to increase the number of minority faculty members employed as college faculty by increasing the pool of minority candidates. Students are provided scholarships and other financial support to attend institutions throughout the southern region and the Midwest.

Upon selection to the program, the scholar is expected to devote full-time attention to the completion of the academic requirements. The scholar is also expected to attend and participate in the annual Doctoral Scholars Program/Compact for Faculty Diversity Institute.

According to the SREB, as of October 2001, the program had over 300 scholars enrolled throughout the south. By August 2001 over 100 scholars had completed their Ph.D. and 14 had withdrawn. The retention rate for the program is over 90

percent after almost ten years of operation. National data show that only 50 percent of all Ph.D. students complete the degree and only 37 percent of minorities finish. Of the 25 Kentucky scholars who enrolled over the ten-year period, one had withdrawn, two have transferred to programs in other states, and the rest are on schedule to complete. This is a retention rate of 96 percent. By August 2001, ten Kentucky scholars had completed all requirements for the Ph.D. Currently Kentucky enrolls 15 in the program.

The **Kentucky Postsecondary Education Network** is part of the Kentucky Information Highway. It is a specific set of network services made available to Kentucky public postsecondary education institutions. The authority for creation of a technology standard (network protocol) is KRS 164.800.

The revised Kentucky Information Highway, including the Kentucky Postsecondary Education Network, was established in January 1999. The council supports the cost of the network (the lease of bandwidth and the cost of Internet Provider Services) from the base appropriation. All institutions currently participate in the KIH with the council as the financial broker.

The Postsecondary Education Technology Advisory Committee (PETAC) includes representatives from the public and private postsecondary education community, and, from the Governor's Office for Technology, the Council, the Kentucky Department of Education, and the Educational Television Authority. Changes in the network are coordinated through that body.

Policy

Funding for the Minority Student College Preparation program in the amount of \$100,800 in fiscal year 2002-03 and \$105,800 in fiscal year 2003-04 has been added to the base budget to enable the program to continue at its existing level. The source of this funding above the base budget is from Restricted Funds transferred from the interest income earned by the Strategic Investment and Incentive Funding Program trust funds, notwithstanding KRS 164.7911-164.7925.

Funding for the SREB Doctoral Scholars program in the amount of \$187,000 in fiscal year 2002-03 and \$188,400 in fiscal year 2003-04 has been added to the base budget to enable the program to continue at its existing level. The source of this funding above the base budget is from Restricted Funds transferred from the interest income earned by the Strategic Investment and Incentive Funding Program trust funds, notwithstanding KRS 164.7911-164.7925.

Lottery funds in the amount of \$1,800,000 for the Collaborative Center for Literacy Development, as required by KRS 154A.130(3), have been transferred to the base budget of the University of Kentucky.

**Postsecondary Education
Council on Postsecondary Education
Federal Programs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	3,161,200	3,161,200	4,260,000	3,161,200
Total Federal Funds	3,161,200	3,161,200	4,260,000	3,161,200
TOTAL SOURCE OF FUNDS	3,161,200	3,161,200	4,260,000	3,161,200
EXPENDITURES BY CLASS				
Personnel Cost	287,100	297,100	281,900	288,700
Operating Expenses	133,200	133,200	133,200	133,200
Grants, Loans or Benefits	2,740,900	2,730,900	3,844,900	2,739,300
TOTAL EXPENDITURES	3,161,200	3,161,200	4,260,000	3,161,200
EXPENDITURES BY FUND SOURCE				
Federal Funds	3,161,200	3,161,200	4,260,000	3,161,200
TOTAL EXPENDITURES	3,161,200	3,161,200	4,260,000	3,161,200

The Council on Postsecondary Education administers two federal grant programs: the Improving Educator Quality State Grant program and the GEAR UP program. The Eisenhower Higher Education Grant Program was replaced by the Improving Educator Quality State Program through the federal No Child Left Behind Act.

The Improving Educator Quality State Grant Program focuses on preparing, training, and recruiting high-quality teachers. The Council on Postsecondary Education provides competitive grants to partnerships comprised of schools of education and arts and sciences, along with one or more high-need local school districts.

GEAR UP is a federal initiative that encourages young people to stay in school, study hard and take the right courses to go to college. The program provides a range of services to low-income students by supporting new or expanded activities that strengthen schools. GEAR UP grants are awarded to states as well as partnerships comprising schools, postsecondary institutions and non-school partners. In Kentucky, there are seven GEAR UP partnerships. GEAR UP state grants stress early intervention and provide scholarships.

The Commonwealth of Kentucky received its GEAR UP state grant in September 2000. The Council's goal is to increase the number of low-income students who enroll in and graduate from postsecondary institutions. GEAR UP Kentucky is a project of the Council on Postsecondary Education and the state Department of Education consisting of 34 schools, 24 colleges and universities, and technical and community colleges. GEAR UP Kentucky also includes non-school partners. The Council administers the grant.

**Postsecondary Education
Council on Postsecondary Education
Kentucky Virtual University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,652,100	5,749,100	4,540,700	4,540,700
Total General Fund	5,652,100	5,749,100	4,540,700	4,540,700
Restricted Funds				
Balance Forward			1,546,400	1,546,400
Current Receipts	130,000	130,000	130,000	130,000
Non-Revenue Receipts	2,083,500	2,083,500	2,083,500	2,083,500
Total Restricted Funds	2,213,500	2,213,500	3,759,900	3,759,900
TOTAL SOURCE OF FUNDS	7,865,600	7,962,600	8,300,600	8,300,600
EXPENDITURES BY CLASS				
Personnel Cost	2,240,700	2,337,700	1,984,800	2,042,100
Operating Expenses	4,626,700	4,626,700	4,071,200	4,013,900
Grants, Loans or Benefits	637,200	637,200	637,200	637,200
Capital Outlay	361,000	361,000	61,000	61,000
TOTAL EXPENDITURES	7,865,600	7,962,600	6,754,200	6,754,200
EXPENDITURES BY FUND SOURCE				
General Fund	5,652,100	5,749,100	4,540,700	4,540,700
Restricted Funds	2,213,500	2,213,500	2,213,500	2,213,500
TOTAL EXPENDITURES	7,865,600	7,962,600	6,754,200	6,754,200

The Kentucky Virtual University (KYVU) was created with the passage of the Kentucky Postsecondary Education Improvement Act of 1997 and is codified as KRS 164.800. The Kentucky Virtual University also includes the Kentucky Virtual Library (KYVL). Both the virtual university and virtual library play a critical role in achieving the goals for 2020 to establish a postsecondary education system that is accessible, efficient, and responsive to the needs of Kentucky's citizens and employers.

The mission of the KYVU is to be a learner-centered, technology-based system designed to meet the educational needs of Kentucky citizens and employers. The KYVU provides a one-stop shop for quality college credit and professional development programs through a single point of access to statewide student, library, and academic support services.

College credit courses are offered through KYVU from all eight Kentucky public universities and the Kentucky Community and Technical College System. Currently, one Kentucky private college (Sullivan University) and one out-of-state university (University of Baltimore) also offer college credit degree programs through KYVU. KYVU enrollment has increased from its opening in the Fall of 1999 with 235 students to over 5,500 students in Fall 2001. KYVU offers 12 professional development programs and over 60 courses. A learner can log on to KYVU and fill out one application, pay one application fee, and have that application sent to all of the Kentucky colleges and universities.

Other services offered by KYVU include a call center with expanded hours, 24/7 technical help desk, online tutoring, and access to the Kentucky Virtual Library.

The Kentucky Virtual Library levels the playing field for access to information to all citizens across the Commonwealth. KYVL is a consortium of public and private postsecondary institutions, all public libraries in Kentucky, all public school districts in Kentucky, and some special libraries throughout the state. Through this joint effort, the statewide purchase of multiple electronic databases has saved taxpayers over \$20 million from the cost for each library to purchase them separately. These databases are available to every citizen in the state either through their local public library, local school district, or postsecondary institution.

In addition to the electronic databases, KYVL offers citizens online access to library catalogs, government information, digitized

Kentucky special collections, and a self-paced tutorial on how to use the library and research information. Reference librarians can help with special requests or general information either by phone or by e-mail. KYVL also coordinates the statewide courier service delivery of library materials.

Both the KYVU and KYVL are deeply committed to the Adult Education initiative coordinated through the Council on Postsecondary Education and the Cabinet for Workforce Development, Department for Adult Education and Literacy. KYVU is assisting in putting developmental and workforce training curriculum online for use by the adult literacy centers and citizens and employers across the state. KYVL has created an online resource database for adult education providers to assist in their instruction and professional development. KYVU has received funding from the Workforce Development Cabinet, Department for Adult Education and Literacy to help KYVU and KYVL gear up for this critical partnership.

Policy

The General Fund budget base for KYVU and KYVL was reduced by 2 percent by the fiscal year 2002 budget cuts, and reduced by another 2.6 percent in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 was straight-lined from the prior year's amount.

**Postsecondary Education
Council on Postsecondary Education
Strategic Investment & Incentive Funding Program**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	89,581,800	148,305,000	80,270,900	95,135,600
Tobacco Settlement - I	6,080,000	6,080,000	6,280,000	5,455,000
Continuing Appropriation				2,000,000
Total General Fund	95,661,800	154,385,000	86,550,900	102,590,600
Restricted Funds				
Non-Revenue Receipts	1,500,000	1,500,000	11,835,500	2,000,000
Total Restricted Funds	1,500,000	1,500,000	11,835,500	2,000,000
TOTAL SOURCE OF FUNDS	97,161,800	155,885,000	98,386,400	104,590,600
EXPENDITURES BY CLASS				
Personnel Cost	6,080,000	6,080,000		
Grants, Loans or Benefits	89,581,800	132,778,000	96,386,400	92,744,600
Debt Service	1,500,000	17,027,000		11,846,000
TOTAL EXPENDITURES	97,161,800	155,885,000	96,386,400	104,590,600
EXPENDITURES BY FUND SOURCE				
General Fund	95,661,800	154,385,000	84,550,900	102,590,600
Restricted Funds	1,500,000	1,500,000	11,835,500	2,000,000
TOTAL EXPENDITURES	97,161,800	155,885,000	96,386,400	104,590,600
EXPENDITURES BY UNIT				
Research Challenge Trust Fund	7,330,000	17,310,000	6,280,000	15,326,000
Regional University Excellence Trust Fund	250,000	2,246,000		1,975,000
Technology Initiative Trust Fund	2,800,000	3,800,000	1,300,000	500,000
Physical Facilities Trust Fund		3,551,000		
Postsecondary Workforce Development Trust Fund	2,000,000	2,000,000		
Student Financial Aid and Advancement Trust Fund	58,826,100	74,722,300	59,181,300	65,000,000
Adult Education and Literacy Funding Program	11,768,000	11,768,000	18,853,500	11,018,000
Science and Technology Funding Program	12,876,200	12,876,200	10,771,600	10,771,600
Teacher Quality Trust Fund		4,000,000		
Enrollment Growth & Retention Funding Program	1,311,500	23,611,500		
TOTAL EXPENDITURES	97,161,800	155,885,000	96,386,400	104,590,600

The **Strategic Investment and Incentive Funding Program** was created in the Kentucky Postsecondary Education Improvement Act of 1997 (HB 1), codified as KRS 164.7911. This program consists of appropriations for six Strategic Investment and Incentive Trust Funds (a Research Challenge Trust Fund; a Regional University Excellence Trust Fund; a Technology Initiative Trust Fund; a Physical Facilities Trust Fund; a Postsecondary Workforce Development Trust Fund; and a Student Financial Aid and Advancement Trust Fund) and appropriations for three Strategic Investment and Incentive Funding Programs (an Adult Education and Literacy Funding Program; a Science and Technology Funding Program; and an Enrollment Growth and Retention Funding Program). These appropriations are made to the Council, which is responsible for establishing criteria and distributing these funds to postsecondary institutions in a manner that will allow the Commonwealth to reach the six goals established in KRS 164.003(2).

Funding for the Strategic Investment and Incentive Funding Program is detailed in the table below. Funding for debt service in the amount of \$9,871,000 in fiscal year 2004 is included in the Research Challenge Trust Fund to support \$100 million in

bonds for the Endowment Match Program. Funding for debt service in the amount of \$1,975,000 in fiscal year 2004 is included in the Regional University Excellence Trust Fund to support \$20 million in bonds for the Endowment Match Program.

	<u>FY 2003</u>	<u>FY 2004</u>
Research Challenge Trust Fund		
Endowment Match Program *	100,000,000	
Lung Cancer Research – Phase I Tobacco Settlement Funding	6,280,000	5,455,000
Total Research Challenge Trust Fund	<u>106,280,000</u>	<u>5,455,000</u>

* \$100 million in Bond funds appropriated in the Capital Projects budget. Debt service in the amount of \$9,871,000 General Funds is appropriated in the Operating budget for the Research Challenge Trust Fund in fiscal year 2003-04.

Regional University Excellence Trust Fund	
Endowment Match Program *	20,000,000

* \$20 million in Bond funds appropriated in the Capital Projects budget. Debt service in the amount of \$1,975,000 General Funds is appropriated in the Operating budget for the Regional University Excellence Trust Fund in fiscal year 2003-04.

Technology Initiative Trust Fund	1,300,000	500,000
Student Financial Aid and Advancement Trust Fund – KEES Merit Scholarships	61,181,300	63,000,000
Adult Education and Literacy Funding Program	11,768,000	11,018,000
Science and Technology Funding Program		
Rural Innovation	1,000,000	1,000,000
Research and Development Vouchers	3,000,000	3,000,000
Commercialization	750,000	750,000
Regional Technology Corporations/ICC Satellites	500,000	500,000
EPSCoR/Science and Engineering Foundation	4,521,600	4,521,600
Knowledge Based Economy Academic Programs	1,000,000	1,000,000
Total Science and Technology Trust Fund	<u>10,771,600</u>	<u>10,771,600</u>
TOTAL FUNDING PROGRAM APPROPRIATIONS	<u>211,300,900</u>	<u>90,744,600</u>

Research Challenge Trust Fund

This Trust Fund includes \$100 million in a Capital Projects Budget appropriation from Bond funds in fiscal year 2003 with the associated General Fund debt service of \$11,230,000 in the Operating Budget appropriation for the Research Challenge Trust Fund in fiscal year 2004.

1. Endowment Match Program. The Endowment Match Program of the Research Challenge Trust Fund will receive \$100 million dollars in the first year of the biennium through a Capital Projects Budget appropriation. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$200 million for endowment activities. The University of Kentucky will be eligible to match \$66.7 million and the University of Louisville will be eligible to match \$33.3 million.
2. Lung Cancer Research Program. Funding from the Tobacco Settlement – Phase I is appropriated to this program in the amount of \$6,280,000 in fiscal year 2003 and \$5,455,000 in fiscal year 2004. Notwithstanding the provisions of KRS 164.7917(1)(b) and (c), the guidelines regarding matching requirements and distribution of funding to the University of Kentucky and the University of Louisville for lung cancer research projects will be made pursuant to the provisions of KRS 164.476.

Regional University Excellence Trust Fund

Endowment Match Program. The Endowment Match Program of the Regional University Excellence Trust Fund will receive \$20 million in the first year of the biennium through a Capital Projects Budget appropriation. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$40 million for the endowment activities. The \$20 million will be

divided into two \$10 million pools: a primary pool and a secondary pool. Each pool will be initially allocated to the comprehensive universities as prescribed by KRS 164.7919(1)(b). The primary pool remains in the Trust Fund until matched. The secondary pool will be assigned to the specific institutions until June 30, 2004. Notwithstanding KRS 164.7919(1)(b), if the secondary pool is not matched by June 30, 2004, other eligible comprehensive universities may submit matching requests for the funds.

Technology Initiatives Trust Fund

Funding in the amount of \$1.3 million in each year of the biennium is provided for the following subsidiary programs of the Technology Initiatives Trust Fund:

1. Network Infrastructure. \$1,200,000 is provided in fiscal year 2003 and \$450,000 in fiscal year 2004 for the communications network infrastructure used by the Kentucky Commonwealth Virtual University, the Kentucky Commonwealth Virtual Library, and the institutions. This network infrastructure provides bandwidth for all postsecondary education institutions for data transmission, telecommunications and Internet access, and provides connectivity to every public university and community or technical college in the Kentucky postsecondary education system. The Governor's Office for Technology coordinates and manages the network infrastructure, while the Council on Postsecondary Education serves as the fiscal agent for the network. The funding appropriated for this purpose pays for line charges and management of the network.
2. Faculty Development. \$100,000 is provided in fiscal year 2003 and \$50,000 in fiscal year 2004 for the Council on Postsecondary Education, in collaboration with one or more institutions, to sponsor statewide initiatives. These initiatives serve an agenda setting function, drawing attention to important dimensions of faculty development linked to system goals.

Physical Facilities Trust Fund

Debt service funding from the 2000-2002 budget, in the amount of \$21.7 million in fiscal year 2002 has been moved to the base budget of the Finance and Administration Cabinet.

Student Financial Aid and Advancement Trust Fund

Funding in the amount of \$61,181,300 in fiscal year 2003 and \$63,000,000 in fiscal year 2004 is provided to expand and fully fund the Kentucky Excellence in Education Scholarship (KEES) Program based on the forecasted needs of the program. Included in the fiscal year 2003 appropriation is \$750,000 in interest income earned since the inception of the Trust Fund in fiscal year 1999 from the Student Financial Aid and Advancement Trust Fund, to be applied to the KEES Program, notwithstanding KRS 164.7927. House Bill 269, the Executive Branch Appropriations Act, established the KEES Program Reserve Account financed with unclaimed lottery prize money. In fiscal year 2003, unclaimed prizes in excess of \$9,300,000 shall be credited to the KEES Program Reserve Account. In fiscal year 2004 all unclaimed lottery prize money goes to the Reserve Account, and \$5 million is appropriated for the KEES Program. The Reserve Account funds may be used to assist in fully funding the KEES Program.

Adult Education and Literacy Funding Program

General Funds in the amount of \$11,768,000 in fiscal year 2003 and \$11,018,000 in fiscal year 2004 are provided to carry out the Adult Education Action Agenda adopted by the Council on Postsecondary Education. Notwithstanding the provisions of KRS 45.229, any unexpended balance of funds appropriated for the Adult Education and Literacy Funding Program shall not lapse and shall be carried forward into the next fiscal year.

The funds will be used to support:

- Increase base funding for enrollment growth;
- Fund family literacy initiatives in every county;
- Reward county programs that meet or exceed performance goals with funds that support program offerings;
- Provide on-line instruction and testing for adult students and resources for teachers through the Kentucky Virtual University and the Kentucky Virtual Library;
- Stimulate partnerships among local, regional and state agencies through the economic development and workforce training matching program;
- Increase the number of adult learners who gain or upgrade job skills using the statewide competency-based workplace skill certification model;
- Provide tuition discounts for college to full-time employees who complete a GED program within one year;
- Strengthen the statewide accountability system that emphasizes learner performance;

- Target GED completers to enroll in postsecondary education;
- Provide better training for adult education instructors through the Kentucky Adult Education Academy and the Kentucky Institute for Family Literacy;
- The Collaborative Center for Literacy Development;
- Provide affordable and accessible basic skills education at the workplace; and
- Increase the college-going rate of adult learners.

Science and Technology Funding Program

The funding for the Science and Technology Funding Program supports the programs established by the Kentucky Innovation Act, enacted by the 2000 General Assembly, and codified as KRS 164.6011 through 164.6043. Funding in the amount of \$1,000,000 is provided in each year of the biennium for the Rural Innovation Fund to enable small, rural Kentucky-based firms to undertake research and development and entrepreneurial activities in partnership with postsecondary institutions in the Commonwealth, notwithstanding the provisions of KRS 164.6027. Funding in the amount of \$3,000,000 is provided each year of the biennium for the Research and Development Voucher program to provide vouchers to small and medium-size Kentucky-based companies that undertake research and development work in partnership with universities in the Commonwealth. Funding in the amount of \$750,000 is provided each year of the biennium for the Commercialization fund to provide development funds for promising technologies developed through the research and development work undertaken at the universities in the Commonwealth. Funding in the amount of \$500,000 is provided each year of the biennium for the Regional Technology Corporation/Satellite Innovation and Commercialization Centers program to provide Kentucky entrepreneurs, faculty, and scientists with business-building services and links to venture capital, notwithstanding KRS 164.6043. Notwithstanding the provisions of KRS 45.229, any unexpended balance of funds appropriated for the Science and Technology Funding Program shall not lapse and shall be carried forward into the next fiscal year. Notwithstanding the provisions of KRS 164.6019, 164.6027, and 164.6035, the appropriations to the Science and Technology Funding Program shall comply with the provisions of KRS 42.500(12).

The Science and Technology Funding Program includes funding for the **Experimental Program to Stimulate Competitive Research (EPSCoR)**. EPSCoR is a highly collaborative and successful federal research and development program initiated by the National Science Foundation in 1978. It leverages state matching funds to bring additional federal research dollars to Kentucky. EPSCoR has been responsible for bringing over \$36 million in federal research dollars to Kentucky since 1985. The return on the state's investment in this program equals \$2.50 of federal funding for every dollar of state funds invested in EPSCoR.

The Science and Technology Funding Program includes funding for the Science and Engineering Foundation administered by the Kentucky Science and Technology Corporation. The Science and Engineering Foundation, expanding on the existing EPSCoR program and funding, is modeled in part after the National Science Foundation and makes investments in peer-reviewed science and engineering research, to accelerate the rate of research and development funds and work to increase the amount of federal and private sector funds for this work in Kentucky.

The EPSCoR/Science and Engineering Foundation programs are funded in the amount of \$4,521,600 in each year of the biennium. Notwithstanding KRS 164.7911 through 164.7925, interest income in the amount of \$2 million in fiscal year 2003 is appropriated to the Science and Technology Trust Fund for the EPSCoR/Science and Engineering Foundation programs. In fiscal year 2004, the \$4,521,600 consists entirely of General Fund appropriations.

Prior to the expenditure of the funds for EPSCoR/Science and Engineering Foundation programs, the plan for the use of these funds shall be approved by the Commissioner of the Office of New Economy within the Cabinet for Economic Development. The Council on Postsecondary Education will execute the necessary agreements to implement the plan upon approval by the Commissioner.

Notwithstanding KRS 164.7911 through 164.7925, Trust Fund interest income in the amount of \$1,000,000 is provided in the each year of the biennium to support **Knowledge-Based Economy Academic Programs**, engineering and information technology. The Council on Postsecondary Education directed the public universities and colleges to work together to design a statewide strategy to educate more engineers, to integrate engineering education more closely into the technology-driven New Economy, and to recruit more women and minorities into engineering. Western Kentucky University, Murray State University, the University of Louisville, and the University of Kentucky enrolled the first joint engineering classes in August 2001.

Information technology is one of the Office of the New Economy's priority areas. Increasingly, information technology is the catalyst for economic growth. Citizens with education and knowledge in the broad areas of information technology are critical to attract high-tech industries to the Commonwealth.

More Kentuckians are prepared for life and work and Kentucky communities and economy are benefiting because this effort:

- Increases the number of engineers in Kentucky and keeps engineering students in the state.
- Integrates secondary and baccalaureate programs.
- Involves secondary schools, the Kentucky Community and Technical College System, the public universities, the independent colleges and universities, and the KYVU in recruiting and preparing engineers.
- Tailored to meet regional and statewide needs. All participating institutions will be involved in program development, delivery, and administration.
- Allows engineering students to complete all degree requirements at their home campus through resident instruction, courses delivered through the KYVU, and courses delivered by participating institutions through other distance delivery methods.
- Increases Kentuckians' ability to participate in and contribute to information and communication technology.
- Increases Kentucky's potential to deliver research and development in innovative, commercialized technologies.
- Builds and promotes networks of technology-driven and research-intensive industries.
- The program will support the four joint undergraduate engineering programs already established.

Notwithstanding KRS 164.7911 through 164.7925, interest income in the amount of \$1,000,000 in each fiscal year of the biennium is appropriated to the Science and Technology Trust Fund for the Knowledge-Based Economy Academic Programs.

**Postsecondary Education
Kentucky Higher Education Assistance Authority**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	51,007,100	63,480,200	45,860,000	71,828,300
Tobacco Settlement - I	500,000	500,000	750,000	750,000
Continuing Appropriation - Gen'l Fund	5,964,900		7,696,300	
Continuing Appropriation - Tobacco Settlement			179,512	
Total General Fund	57,472,000	63,980,200	54,485,812	72,578,300
Restricted Funds				
Balance Forward	34,100		1,142,600	1,059,700
Current Receipts	32,340,400	53,324,100	21,573,400	17,455,100
Non-Revenue Receipts	38,581,400	38,020,600	64,696,200	79,897,500
Total Restricted Funds	70,955,900	91,344,700	87,412,200	98,412,300
Federal Funds				
Current Receipts	769,100	784,500	868,700	890,000
Total Federal Funds	769,100	784,500	868,700	890,000
TOTAL SOURCE OF FUNDS	129,197,000	156,109,400	142,766,712	171,880,600
EXPENDITURES BY CLASS				
Personnel Cost	12,498,500	13,154,900	12,948,500	13,154,900
Operating Expenses	3,406,900	3,084,700	3,406,900	3,084,700
Grants, Loans or Benefits	112,527,100	139,110,200	123,087,112	153,821,700
Debt Service	764,500	759,600	764,500	759,600
Capital Outlay			1,500,000	
TOTAL EXPENDITURES	129,197,000	156,109,400	141,707,012	170,820,900
EXPENDITURES BY FUND SOURCE				
General Fund	57,472,000	63,980,200	54,485,812	72,578,300
Restricted Funds	70,955,900	91,344,700	86,352,500	97,352,600
Federal Funds	769,100	784,500	868,700	890,000
TOTAL EXPENDITURES	129,197,000	156,109,400	141,707,012	170,820,900
EXPENDITURES BY UNIT				
General Administration and Support	16,631,500	16,964,100	18,581,500	16,964,100
College Access Program	35,383,200	42,839,400	36,180,700	43,644,900
Work Study Program	1,000,000	1,000,000	1,000,000	1,000,000
Kentucky Tuition Grant	14,757,300	17,946,200	15,941,800	23,246,200
Teacher Scholarships	2,152,600	2,289,400	2,152,600	2,289,400
Ky National Guard Tuition	9,100		2,302,200	2,348,100
Osteopathic Medicine Scholarship	1,582,100	1,500,200	1,582,100	1,500,200
Ky Educational Excellence Scholarships	57,181,200	73,070,100	63,036,600	79,078,000
Early Childhood Dev Schol	500,000	500,000	929,512	750,000
TOTAL EXPENDITURES	129,197,000	156,109,400	141,707,012	170,820,900

The Kentucky Higher Education Assistance Authority's (KHEAA) mission is to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions. The statewide objective is to expand the opportunities for persons to attend eligible postsecondary institutions by providing student financial aid which facilitates both access to and choice among public and independent institutions in keeping with each person's education and career objectives as provided under KRS 164.740-164.785.

Kentucky Higher Education Assistance Authority (KHEAA) is statutorily responsible for administration of state grant, work study, scholarship, and college savings programs for postsecondary students. The agency is the designated guarantor of insured student loans and disseminates postsecondary school and financial aid information. The agency provides administrative services at no cost to the Kentucky Department of Education for its Occupational/Physical Therapy Incentive program and to the Kentucky National Guard for its Tuition Assistance Program.

The Kentucky Higher Education Assistance Authority Program (KHEAA) administers the following student aid programs:

The College Access Program (CAP) awards grants to Kentucky's financially needy undergraduate students enrolled in a public or private non-profit college, public technical college, or proprietary school.

The Kentucky Tuition Grant (KTG) program provides need-based grants to qualified Kentucky students who choose to attend one of the Commonwealth's 21 participating independent colleges and is designed to assist full-time students with tuition charges at these schools.

The Teacher Scholarship program is designed to assist financially needy Kentucky students with the costs incurred while seeking initial teacher certification. Recipients must agree to render qualified teaching service in the Commonwealth.

The Work-Study program allows students to work and earn funds to apply toward college expenses while gaining valuable career-related work experience.

The Kentucky National Guard Tuition Award program provides tuition assistance to active members of the Kentucky National Guard to attend Kentucky's state-supported postsecondary educational institutions. The Department of Military Affairs selects the recipients and KHEAA forwards funds to the schools to be disbursed to the students.

The Osteopathic Medicine Scholarship program provides tuition equalization awards to eligible students who choose to attend a Kentucky school of osteopathic medicine rather than a state medical school. Recipients must agree to provide medical services in Kentucky one year for each year they receive a scholarship.

The Early Childhood Development Scholarship program provides tuition assistance to Kentucky residents pursuing a credential, certificate, or degree in early childhood education. It was established to provide a seamless system to upgrade the professional development of child-care workers and trainers who do not have access to state or federal professional development funds.

The Kentucky Educational Excellence Scholarship (KEES) program provides merit-based scholarships to eligible high school students based on their yearly grade point average and supplemental awards based on their highest ACT (or equivalent SAT) score attained by their high school graduation date. The scholarships can be used to pay the expenses of each year of college or technical training.

Policy

Included in the General Fund for CAP is \$33,958,400 in fiscal year 2003 and an additional \$8,546,000 in fiscal year 2004 for a total of \$42,504,400, notwithstanding the provisions of KRS 154A.130(4).

Included in the restricted funds for CAP is an additional \$1,353,600 for fiscal year 2003.

Included in the General Fund for KTG is \$14,911,800 in fiscal year 2003 and an additional \$8,304,400 totaling \$23,216,200 in fiscal year 2004. Included in the Restricted Funds for KTG is an additional \$1,030,000 in fiscal year 2003, notwithstanding the provisions of KRS 154A.130(4).

Included in the General Fund for Teacher Scholarship Program is \$976,600 in fiscal year 2003 and an additional \$1,302,800 in fiscal year 2004 totaling \$2,279,400, notwithstanding the provisions of KRS 154A.130(4).

Included in the General Fund for the National Guard Tuition Assistance Program is an additional \$43,500 in fiscal year 2003 totaling \$2,302,100 and an additional \$46,000 in fiscal year 2004 for a total of \$2,348,100.

Included in the General Fund for the Osteopathic Medicine Scholarships is an additional \$27,600 totaling \$1,407,100 in fiscal year 2003 and an additional \$73,100 totaling \$1,480,200 in fiscal year 2004.

Included in the Restricted Funds appropriation for KEES is an additional \$25,032,100 for fiscal year 2003 and an additional \$16,041,400 in fiscal year 2004. This will fund the projected eligible students and increase the maximum award from \$2,000 to \$2,500. KHEAA is authorized to use KEES Restricted Funds in the amount of \$742,800 in fiscal year 2003 and \$765,100 in fiscal year 2004 to administer the program.

Included in the General Fund appropriation is \$750,000 from Tobacco Settlement Funds in each year of the biennium for Early Childhood Development Scholarships.

Included in the Restricted Funds is an additional \$900,000 for fiscal year 2003. This money will be used for Federal Family Education Loan Program (FFELP) default aversion activities. A pilot program will be developed to reduce default rates on FFELP loans and will be tested on historically black colleges and universities in the southeast. Once this pilot is tested, KHEAA will implement the program at all Kentucky public and private postsecondary institutions.

Enacted in Part III, General Provisions section are the following language provisions: "For fiscal year 2002-2003, the first \$6,000,000 of any unclaimed prize money held in the corporate operating account of the Kentucky Lottery Corporation shall be added to the pool from which future prizes are to be awarded or used for special prize promotions. For fiscal year 2002-2003, any amount in excess of \$6,000,000, but not to exceed \$3,300,000, shall be transferred to the Affordable Housing Trust Fund established by KRS 198A.710. For fiscal year 2002-2003, any amount in excess of \$9,300,000 shall be credited to the Kentucky Excellence in Education Scholarship (KEES) Program Reserve Account established by this section. The Finance and Administration Cabinet shall establish the Kentucky Excellence in Education Scholarship (KEES) Program Reserve Account as a restricted funds account to be used solely for the purposes of KRS 164.7871 to 164.7885. Moneys in this account shall not lapse and shall be carried forward into the next fiscal year.

"For fiscal year 2003-2004, all unclaimed lottery prize money under KRS 154A.130 shall be credited to the Kentucky Excellence in Education Scholarship (KEES) Program Reserve Account. In addition to the General Fund appropriation to the Student Financial Aid and Advancement Trust Fund contained in Part I of this Act, an appropriation of \$5,000,000 is made from the Reserve Account to the Trust Fund for the KEES Program as provided in KRS 164.7871 to 164.7885. 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 Reserve Account to fully 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."

Enacted in Part IX, Special Provisions, Government Operations section are the following language provisions: "Notwithstanding KRS 164A.700 to 164A.709 and 393.015, the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund shall be governed and administered by the board of directors of the Kentucky Higher Education Assistance Authority. The Prepaid Postsecondary Tuition Administrative account established according to KRS 164A.701(6) and all funds, assets, and deposits therein shall be transferred to the Administrative Fund of the Kentucky Educational Savings Plan Trust (KRS 164A.310). Beginning on the effective date of this Act, no new prepaid tuition contracts shall be entered into. Purchasers of prepaid tuition contracts may continue to make contributions to prepaid tuition accounts according to the provisions of the contract entered into with the Board of Directors of the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund. The Board of Directors of the Kentucky Higher Education Assistance Authority shall promulgate administration regulations, set fees, and adopt procedures as necessary to implement this provision. The State Budget Director and the Secretary of the Finance and Administration Cabinet shall jointly provide the direction and oversight necessary to implement this provision in an expeditious and efficient manner. The Secretary of the Finance and Administration Cabinet shall report the progress of implementation to the Legislative Research Commission and the Interim Joint Committee on Appropriations and Revenue upon request."

**Postsecondary Education
Postsecondary Education Institutions**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,047,621,900	1,083,548,900	962,902,500	982,058,200
Continuing Appropriation - Gen'l Fund			224,100	
Total General Fund	1,047,621,900	1,083,548,900	963,126,600	982,058,200
Restricted Funds				
Current Receipts	1,692,168,000	1,740,316,600	1,692,452,800	1,740,316,600
Non-Revenue Receipts			487,800	502,400
Total Restricted Funds	1,692,168,000	1,740,316,600	1,692,940,600	1,740,819,000
Federal Funds				
Current Receipts	394,619,200	411,201,600	394,619,200	411,201,600
Total Federal Funds	394,619,200	411,201,600	394,619,200	411,201,600
TOTAL SOURCE OF FUNDS	3,134,409,100	3,235,067,100	3,050,686,400	3,134,078,800
EXPENDITURES BY CLASS				
Personnel Cost	1,789,866,000	1,850,752,200	1,761,882,400	1,804,248,800
Operating Expenses	825,225,200	847,592,400	775,429,200	801,887,300
Grants, Loans or Benefits	329,756,200	347,053,300	329,735,100	346,692,900
Debt Service	82,413,400	79,832,200	79,439,400	75,048,600
Capital Outlay	107,148,300	109,837,000	104,200,300	106,201,200
TOTAL EXPENDITURES	3,134,409,100	3,235,067,100	3,050,686,400	3,134,078,800
EXPENDITURES BY FUND SOURCE				
General Fund	1,047,621,900	1,083,548,900	963,126,600	982,058,200
Restricted Funds	1,692,168,000	1,740,316,600	1,692,940,600	1,740,819,000
Federal Funds	394,619,200	411,201,600	394,619,200	411,201,600
TOTAL EXPENDITURES	3,134,409,100	3,235,067,100	3,050,686,400	3,134,078,800
EXPENDITURES BY UNIT				
Eastern Kentucky University	205,963,400	216,606,000	199,281,300	207,784,700
Kentucky State University	51,945,000	53,866,500	50,359,700	52,060,900
Morehead State University	138,275,300	145,531,300	134,593,800	141,049,900
Murray State University	134,287,200	140,290,500	129,787,500	134,635,900
Northern Kentucky University	123,462,300	130,425,200	118,860,000	124,297,600
University of Kentucky	1,312,249,500	1,335,302,400	1,289,949,200	1,309,826,800
University of Louisville	529,157,800	543,577,200	515,613,000	528,057,300
Western Kentucky University	189,926,000	201,257,100	181,306,400	190,082,500
Kentucky Community and Technical College System	449,142,600	468,210,900	430,935,500	446,283,200
TOTAL EXPENDITURES	3,134,409,100	3,235,067,100	3,050,686,400	3,134,078,800

**Postsecondary Education
Eastern Kentucky University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	78,350,400	82,337,200	71,668,300	73,515,900
Total General Fund	78,350,400	82,337,200	71,668,300	73,515,900
Restricted Funds				
Current Receipts	83,158,600	87,603,100	83,158,600	87,603,100
Total Restricted Funds	83,158,600	87,603,100	83,158,600	87,603,100
Federal Funds				
Current Receipts	44,454,400	46,665,700	44,454,400	46,665,700
Total Federal Funds	44,454,400	46,665,700	44,454,400	46,665,700
TOTAL SOURCE OF FUNDS	205,963,400	216,606,000	199,281,300	207,784,700
EXPENDITURES BY CLASS				
Personnel Cost	124,241,400	130,010,900	121,724,400	124,906,700
Operating Expenses	46,753,000	48,611,200	43,736,800	46,125,500
Grants, Loans or Benefits	25,369,500	26,950,700	25,369,500	26,950,700
Debt Service	5,847,100	5,858,800	5,222,300	5,234,000
Capital Outlay	3,752,400	5,174,400	3,228,300	4,567,800
TOTAL EXPENDITURES	205,963,400	216,606,000	199,281,300	207,784,700
EXPENDITURES BY FUND SOURCE				
General Fund	78,350,400	82,337,200	71,668,300	73,515,900
Restricted Funds	83,158,600	87,603,100	83,158,600	87,603,100
Federal Funds	44,454,400	46,665,700	44,454,400	46,665,700
TOTAL EXPENDITURES	205,963,400	216,606,000	199,281,300	207,784,700
EXPENDITURES BY UNIT				
Instruction	64,278,900	67,057,000	61,407,400	64,573,300
Research	817,500	843,400	798,900	812,000
Public Service	32,134,000	33,657,600	32,057,800	33,532,200
Libraries	4,361,100	4,499,800	4,098,100	4,052,200
Academic Support	22,381,300	23,415,900	21,814,600	22,433,100
Student Services	10,451,200	10,850,500	10,000,400	10,049,700
Institutional Support	20,020,400	20,988,000	19,298,000	19,702,500
Operation and Maintenance of Plant	11,879,800	13,926,000	10,607,300	12,118,300
Scholarships and Fellowships	25,499,000	27,086,100	25,278,100	26,734,600
Mandatory Transfers	4,155,400	4,168,300	3,935,900	3,663,400
Auxilliary Enterprises	9,984,800	10,113,400	9,984,800	10,113,400
TOTAL EXPENDITURES	205,963,400	216,606,000	199,281,300	207,784,700

Eastern Kentucky University (EKU) was established by the 1906 General Assembly. The university's three primary responsibilities are: (1) to provide instruction in the arts and sciences, business, professional education, and technical subjects; (2) to provide service to the community and region through the faculty serving as consultants in their fields of specialization and engaging in research dealing with problems of society; and (3) to engage in research to advance knowledge in the subject matter areas of the various colleges of the university. These purposes of the university are accomplished by the College of Arts and Humanities; College of Business; College of Education; College of Applied Arts and Technology; College of Health, Physical Education, Recreation, and Athletics; College of Allied Health and Nursing; College of Law Enforcement; College of Natural and Mathematical Sciences; College of Social and Behavioral Sciences; and the Graduate School.

In keeping with statutory mandates, its Council on Postsecondary Education Mission Statement, and in harmony with the Strategic Plan for Postsecondary Education in Kentucky, the ECU Board of Regents has adopted a strategic plan that clearly defines the institutional mission, goals, and strategic directions for the future.

Each college, department, and support unit of the university has plans with a direct relationship to the three primary purposes of the institution.

Policy

The base budget of Eastern Kentucky University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that were allocated from the Council on Postsecondary Education's General Fund appropriation.

The General Fund budget base was reduced by 1.8 percent (\$1,247,500) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 2.6 percent (\$1,783,500) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$1,847,600 using the benchmark funding formula.

**Postsecondary Education
Kentucky State University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	24,485,500	24,939,500	22,412,400	22,631,500
Total General Fund	24,485,500	24,939,500	22,412,400	22,631,500
Restricted Funds				
Current Receipts	15,959,100	17,196,600	15,959,100	17,196,600
Non-Revenue Receipts			487,800	502,400
Total Restricted Funds	15,959,100	17,196,600	16,446,900	17,699,000
Federal Funds				
Current Receipts	11,500,400	11,730,400	11,500,400	11,730,400
Total Federal Funds	11,500,400	11,730,400	11,500,400	11,730,400
TOTAL SOURCE OF FUNDS	51,945,000	53,866,500	50,359,700	52,060,900
EXPENDITURES BY CLASS				
Personnel Cost	32,665,000	33,987,800	32,227,000	33,417,800
Operating Expenses	10,399,100	10,808,200	8,993,900	9,320,900
Grants, Loans or Benefits	4,455,400	4,591,600	4,455,400	4,591,600
Debt Service	2,656,600	2,661,700	2,914,500	2,913,400
Capital Outlay	1,768,900	1,817,200	1,768,900	1,817,200
TOTAL EXPENDITURES	51,945,000	53,866,500	50,359,700	52,060,900
EXPENDITURES BY FUND SOURCE				
General Fund	24,485,500	24,939,500	22,412,400	22,631,500
Restricted Funds	15,959,100	17,196,600	16,446,900	17,699,000
Federal Funds	11,500,400	11,730,400	11,500,400	11,730,400
TOTAL EXPENDITURES	51,945,000	53,866,500	50,359,700	52,060,900
EXPENDITURES BY UNIT				
Instruction	13,992,000	14,626,000	13,257,800	13,891,600
Research	2,923,400	2,998,200	2,919,400	3,050,200
Public Service	3,053,800	3,128,000	3,053,800	3,128,000
Libraries	1,335,900	1,397,500	1,273,000	1,303,500
Academic Support	1,930,500	2,004,300	1,880,500	2,048,100
Student Services	4,956,100	5,171,500	4,746,800	4,858,500
Institutional Support	8,350,700	8,711,800	7,990,500	8,177,300
Operation and Maintenance of Plant	3,901,400	4,080,200	3,627,400	3,812,500
Scholarships and Fellowships	4,950,200	5,096,300	4,865,400	4,969,600
Mandatory Transfers	1,989,700	2,000,300	2,183,800	2,169,200
Auxilliary Enterprises	4,561,300	4,652,400	4,561,300	4,652,400
TOTAL EXPENDITURES	51,945,000	53,866,500	50,359,700	52,060,900

Kentucky State College was established in 1886 by an Act of the Kentucky General Assembly. In its early years, the institution's purpose was to train Negro teachers for the Negro public schools in the Commonwealth. With the passage of the 1890 Morrill Act by the U.S. Congress, the college became a land-grant institution. A tripartite mission was instituted: teaching, research, and public service. The 1972 General Assembly elevated the college to university status, effective July 1, 1973. Since that time, the General Assembly has amended Kentucky Revised Statute 164.290 to further read . . . "It is the intent of the General Assembly that Kentucky State University shall serve as a four-year residential institution emphasizing a program of liberal studies appropriate to its size and resources." The University is authorized to provide both undergraduate and graduate programs of instruction and is accredited by regional and national accreditation agencies.

Student enrollment has stabilized at approximately 2,250. The student body is racially integrated, serving both white and black residential students and a significant number of commuting students representing the ethnic and geographic diversity of the Commonwealth.

Kentucky State University is the Commonwealth's designated, small public liberal studies university providing a common liberal studies core curriculum for all students and baccalaureate programs in the traditional arts and sciences. Kentucky State University offers a variety of baccalaureate and associate degrees in career and vocational-oriented courses of instruction such as business, computer sciences, medical technology, office administration, and nursing. Pre-professional programs in law, dentistry, medicine, veterinary medicine, optometry, allied health, and engineering are also offered. The university's liberal studies focus is further enhanced by the Whitney M. Young, Jr. College of Leadership Studies, an honors college established in 1983 which offers a baccalaureate degree earned through an innovative program of seminars and tutorials based on the Great Books Program of St. John's College (Annapolis, Maryland). Kentucky State University's Community Programs serve non-traditional learners within the framework of the general mission of the university.

Since 1973, Kentucky State University has offered a master's degree in Public Affairs (M.P.A). This multidisciplinary curriculum trains prospective and current state government employees for challenging careers in Frankfort and elsewhere in the Commonwealth. The M.P.A. also provides internship training for its students.

At Kentucky State University, both faculty and staff are engaged in the shared work of advancing the purposes of quality education at the undergraduate and graduate levels. At the same time, the university continues its traditional land-grant research and public service functions, providing a range of community services for citizens throughout the Commonwealth. A particular objective of the university is to address the needs of state government employees in Frankfort and citizens in adjacent counties.

Policy

The base budget of Kentucky State University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that were allocated from the Council on Postsecondary Education's General Fund appropriation.

The General Fund base budget was reduced by 2 percent (\$408,500) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 3.6 percent (\$750,300) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$219,100 using the benchmark funding formula.

Included in the Restricted Funds appropriation for Kentucky State University is \$487,800 in fiscal year 2003 and \$502,400 in fiscal year 2004 to fully fund the non-federal matching requirement required under the provisions of the federal Agricultural Research, Extension, and Education Reform Act of 1998. This Act requires a fifty percent non-federal match for federal funds provided to 1890 land-grant colleges and universities for cooperative agricultural research and extension programs. Notwithstanding the provisions of KRS 164.7911 through 164.7925, interest income will be transferred to Kentucky State University by the Council on Postsecondary Education to fund this additional state match.

**Postsecondary Education
Morehead State University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	45,411,300	47,219,600	41,729,800	42,738,200
Total General Fund	45,411,300	47,219,600	41,729,800	42,738,200
Restricted Funds				
Current Receipts	46,293,500	47,104,600	46,293,500	47,104,600
Total Restricted Funds	46,293,500	47,104,600	46,293,500	47,104,600
Federal Funds				
Current Receipts	46,570,500	51,207,100	46,570,500	51,207,100
Total Federal Funds	46,570,500	51,207,100	46,570,500	51,207,100
TOTAL SOURCE OF FUNDS	138,275,300	145,531,300	134,593,800	141,049,900
EXPENDITURES BY CLASS				
Personnel Cost	59,989,800	61,839,600	58,268,100	58,902,300
Operating Expenses	28,566,600	28,929,800	26,606,800	27,385,700
Grants, Loans or Benefits	35,397,400	40,431,300	35,397,400	40,431,300
Debt Service	5,181,300	5,090,200	5,181,300	5,090,200
Capital Outlay	9,140,200	9,240,400	9,140,200	9,240,400
TOTAL EXPENDITURES	138,275,300	145,531,300	134,593,800	141,049,900
EXPENDITURES BY FUND SOURCE				
General Fund	45,411,300	47,219,600	41,729,800	42,738,200
Restricted Funds	46,293,500	47,104,600	46,293,500	47,104,600
Federal Funds	46,570,500	51,207,100	46,570,500	51,207,100
TOTAL EXPENDITURES	138,275,300	145,531,300	134,593,800	141,049,900
EXPENDITURES BY UNIT				
Instruction	38,706,600	39,561,600	37,270,500	38,860,400
Research	447,800	458,500	437,200	439,500
Public Service	7,062,700	6,991,300	6,899,600	6,904,200
Libraries	2,630,900	2,709,100	2,533,900	2,541,200
Academic Support	6,528,900	6,721,500	6,317,800	6,391,700
Student Services	9,188,500	9,381,500	8,925,400	8,959,800
Institutional Support	11,061,600	11,403,600	10,606,500	10,719,000
Operation and Maintenance of Plant	5,971,300	6,116,100	5,717,100	5,662,200
Scholarships and Fellowships	35,397,400	40,431,300	35,233,800	39,938,200
Mandatory Transfers	2,106,200	2,149,600	2,035,300	2,026,600
Non-Mandatory Transfers	5,816,200	5,957,600	5,645,600	5,661,300
Auxilliary Enterprises	13,357,200	13,649,600	12,971,100	12,945,800
TOTAL EXPENDITURES	138,275,300	145,531,300	134,593,800	141,049,900

Morehead State University's roots extend back to its days as a private normal school in the late-1800s. In 1922, the institution became a state normal school to train teachers. After several name changes and an expanded perspective on higher education, Morehead State University was granted university status in 1966 to provide undergraduate and selected master's and specialist programs for the citizens of northern and eastern Kentucky. Morehead State University has grown both in size and in the quality of its instructional, research, and public service programs and activities.

Morehead State University's mission is expressed in seven statements of ideals which accent the intellectual, creative, ethical,

and technical development of students; the discovery and integration of knowledge; the development of leadership qualities, the utilization of past achievements and values to respond to the challenges of the future; and a commitment to excellence and integrity.

The University's accreditation was reaffirmed in 1990 by the Southern Association of Colleges and School. Programs in veterinary technology, social work, radiologic technology, teacher education, nursing, and music are accredited through individual professional agencies.

The Morehead State University campus is located in the Appalachian foothills with main campus facilities in the city of Morehead and an agricultural center in Rowan County. Art and music facilities provide cultural programs and activities for the campus, community, and surrounding area. A modern student athletic center provides health, physical education, and recreation opportunities for students, employees, and members of the community. Over 47 percent of the university's students live in 13 residence halls and the university provides extensive student development programs.

Policy

The base budget of Morehead State University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation.

The General Fund base budget was reduced by 1.9 percent (\$768,600) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 2.5 percent (\$1,017,600) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$1,008,400 using the benchmark funding formula.

**Postsecondary Education
Murray State University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	54,887,800	57,127,500	50,388,100	51,472,900
Total General Fund	54,887,800	57,127,500	50,388,100	51,472,900
Restricted Funds				
Current Receipts	68,752,700	72,256,200	68,752,700	72,256,200
Total Restricted Funds	68,752,700	72,256,200	68,752,700	72,256,200
Federal Funds				
Current Receipts	10,646,700	10,906,800	10,646,700	10,906,800
Total Federal Funds	10,646,700	10,906,800	10,646,700	10,906,800
TOTAL SOURCE OF FUNDS	134,287,200	140,290,500	129,787,500	134,635,900
EXPENDITURES BY CLASS				
Personnel Cost	77,083,600	80,943,000	75,461,900	78,405,800
Operating Expenses	28,639,800	28,962,600	26,011,800	26,295,200
Grants, Loans or Benefits	19,529,500	20,455,900	19,529,500	20,455,900
Debt Service	4,455,600	5,229,300	4,455,600	5,229,300
Capital Outlay	4,578,700	4,699,700	4,328,700	4,249,700
TOTAL EXPENDITURES	134,287,200	140,290,500	129,787,500	134,635,900
EXPENDITURES BY FUND SOURCE				
General Fund	54,887,800	57,127,500	50,388,100	51,472,900
Restricted Funds	68,752,700	72,256,200	68,752,700	72,256,200
Federal Funds	10,646,700	10,906,800	10,646,700	10,906,800
TOTAL EXPENDITURES	134,287,200	140,290,500	129,787,500	134,635,900
EXPENDITURES BY UNIT				
Instruction	45,800,600	48,072,100	43,989,200	46,689,000
Research	2,364,400	2,493,900	2,294,800	2,331,700
Public Service	5,264,400	5,522,600	5,111,300	5,149,700
Libraries	2,821,500	2,953,500	2,738,700	2,766,300
Academic Support	5,114,900	5,359,800	4,966,000	5,000,900
Student Services	9,250,600	9,662,900	8,758,400	8,802,600
Institutional Support	11,444,900	12,116,100	10,866,100	11,659,600
Operation and Maintenance of Plant	12,709,300	13,303,700	12,341,700	12,972,100
Scholarships and Fellowships	19,529,500	20,455,900	18,968,500	17,471,600
Mandatory Transfers	4,460,400	5,234,100	4,298,200	5,653,600
Non-Mandatory Transfers	1,182,000	1,182,000	1,109,900	2,204,900
Auxilliary Enterprises	14,344,700	13,933,900	14,344,700	13,933,900
TOTAL EXPENDITURES	134,287,200	140,290,500	129,787,500	134,635,900

Murray State University (MuSU) was created by the Kentucky General Assembly in 1922 as Murray State Normal School. The university's role has expanded since its founding, as indicated by changes in its name: Murray State Teachers' College (1930), Murray State College (1948), and Murray State University (1966). The MuSU tradition of quality education through close interaction between students and faculty has been maintained as the institution has enlarged its mission at the direction of the Board of Regents and the General Assembly. Today Murray State University serves West Kentucky as an educational and cultural center whose achievements continue to improve the quality of life of citizens in its region.

Murray State offers programs at the associate, baccalaureate, master's, and specialist levels; the non-degree professional and technical programs; the joint master's degree program in social work with the University of Louisville; the joint doctoral programs with the University of Kentucky, the University of Louisville, the University of Memphis, and the University of Reading in Great Britain; and with the cooperative program with Eastern Kentucky University, Trover Clinic and Madisonville Community College to bring a full occupational therapy program to West Kentucky.

Sixty-five degree programs have achieved accreditation from 16 national professional organizations. Degrees are conferred through the six colleges: Business and Public Affairs, Education, Fine Arts and Communication, Humanistic Studies, Industry and Technology, and Science.

Through its academic and research programs which focus on Kentucky Lake, the Center of Excellence in Ecosystems provides unique opportunities for water science research and education, and serves as a national model for quality instruction, applied research and service to economic development.

Through the Center for Continuing Education and Academic Outreach, Murray State University provides access to learning for adults in the region who are placebound or have other special needs. The Paducah Extended Campus Center was expanded in 1998 with the acquisition of the Crisp Regional Higher Education Center in Paducah. The university now offers over 60 courses each semester in Paducah. Additional courses are offered off-campus in Henderson, Madisonville, Princeton and Ft. Campbell.

Murray State University also serves the West Kentucky region through the Breathitt Veterinary Center, the West Kentucky Small Business Development Center, the National Aeronautics and Space Administration (NASA) Teacher Resource Center, Wrather West Kentucky Museum, and WKMS-FM, an award winning National Public Radio affiliate radio station. The university acquired WQTV, a low-power commercial television station, which serves as a working laboratory for students in the Center for Telecommunications Systems Management and the Department of Journalism and Mass Communications.

Policy

The base budget of Murray State University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation.

The General Fund base budget was reduced by 1.9 percent (\$945,000) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 2.6 percent (\$1,281,300) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$1,084,800 using the benchmark funding formula.

**Postsecondary Education
Northern Kentucky University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	49,859,900	53,220,300	45,257,600	47,092,700
Total General Fund	49,859,900	53,220,300	45,257,600	47,092,700
Restricted Funds				
Current Receipts	66,180,400	69,535,800	66,180,400	69,535,800
Total Restricted Funds	66,180,400	69,535,800	66,180,400	69,535,800
Federal Funds				
Current Receipts	7,422,000	7,669,100	7,422,000	7,669,100
Total Federal Funds	7,422,000	7,669,100	7,422,000	7,669,100
TOTAL SOURCE OF FUNDS	123,462,300	130,425,200	118,860,000	124,297,600
EXPENDITURES BY CLASS				
Personnel Cost	73,874,100	78,736,600	72,672,300	75,879,800
Operating Expenses	22,217,700	22,798,600	19,983,000	21,522,200
Grants, Loans or Benefits	16,026,300	16,962,000	16,026,300	16,703,500
Debt Service	5,019,600	5,033,300	5,019,600	5,033,300
Capital Outlay	6,324,600	6,894,700	5,158,800	5,158,800
TOTAL EXPENDITURES	123,462,300	130,425,200	118,860,000	124,297,600
EXPENDITURES BY FUND SOURCE				
General Fund	49,859,900	53,220,300	45,257,600	47,092,700
Restricted Funds	66,180,400	69,535,800	66,180,400	69,535,800
Federal Funds	7,422,000	7,669,100	7,422,000	7,669,100
TOTAL EXPENDITURES	123,462,300	130,425,200	118,860,000	124,297,600
EXPENDITURES BY UNIT				
Instruction	46,632,300	50,391,800	43,834,700	47,549,700
Research	323,100	327,600	319,900	319,200
Public Service	4,585,800	4,743,200	4,372,300	4,457,700
Libraries	8,806,200	9,218,400	8,433,000	8,615,400
Academic Support	4,548,100	4,730,500	4,456,500	4,538,000
Student Services	8,687,800	9,099,100	8,323,900	8,516,500
Institutional Support	14,169,600	14,782,600	13,885,600	14,130,700
Operation and Maintenance of Plant	9,977,300	10,420,300	9,782,200	9,953,600
Scholarships and Fellowships	15,006,400	15,942,100	14,878,800	15,722,300
Mandatory Transfers	5,316,500	5,330,200	5,201,900	5,123,900
Non-Mandatory Transfers	1,772,900	1,777,100	1,734,900	1,708,300
Auxilliary Enterprises	3,636,300	3,662,300	3,636,300	3,662,300
TOTAL EXPENDITURES	123,462,300	130,425,200	118,860,000	124,297,600

Northern Kentucky University (NKU) is a comprehensive institution of higher education located in a large metropolitan area. To meet the needs of the eight-county northern Kentucky region, NKU provides programs at the associate, bachelor's, master's, and first professional degree levels. The university started in 1948 as an extension center of the University of Kentucky (UK) and later as part of the University of Kentucky's Community College System. Northern Kentucky University became an autonomous senior institution in 1968 by an act of the Kentucky General Assembly. A Board of Regents was appointed, and subsequently, the Board of Trustees of the University of Kentucky turned over the Covington facilities and assets of Northern Community College to Northern Kentucky State College. These facilities, along with the community college faculty and students, formed the nucleus of Northern.

Limited space at the Covington campus and a rapidly growing enrollment necessitated the move to a new campus in Highland Heights in the fall of 1972. The first bachelor's degrees were awarded in the spring of 1973.

In 1976, Northern Kentucky State College was renamed Northern Kentucky University under KRS 164.290. The programs of study offered by the university are those of a multipurpose state institution. There are 62 undergraduate degree programs offered in the arts and sciences, in business, and in professional studies areas. The Master's degrees offered are in accountancy, computer science, teaching, education, business administration, science, information systems, public administration, nursing, technology as well as a juris doctor degree. The NKU Graduate Center, created in response to NKU's special mission of exploring experimental methods of delivering education, offers degree programs in community nutrition (with Eastern Kentucky University), library science (with UK), nursing (with UK), and social work (with UK).

Northern Kentucky University works with vocational schools in the area on joint programs in industrial education, nursing, and data processing to avoid duplication and to facilitate student movement between the vocational school and the university.

In 1981, the Commonwealth of Kentucky and the state of Ohio entered into a reciprocal tuition agreement at the graduate and first-professional degree levels. The agreement permits citizens of northern Kentucky and Cincinnati to attend either NKU or the University of Cincinnati at resident tuition rates. In 1991, a reciprocity agreement was developed to include selected undergraduate programs at the University of Cincinnati, Cincinnati Technical College, and NKU. Approximately 700 students from Northern Kentucky are taking advantage of over 200 programs now available to them. Additionally, NKU began to participate in 1997 in a reciprocal tuition agreement with Indiana.

Policy

The base budget of Northern Kentucky University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation.

The General Fund base budget was reduced by 1.4 percent (\$537,500) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 1.8 percent (\$731,400) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 increased by \$1,835,100 using the benchmark funding formula.

**Postsecondary Education
University of Kentucky**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	327,290,800	333,994,800	304,755,700	308,519,200
Total General Fund	327,290,800	333,994,800	304,755,700	308,519,200
Restricted Funds				
Current Receipts	858,765,100	873,254,500	858,999,900	873,254,500
Total Restricted Funds	858,765,100	873,254,500	858,999,900	873,254,500
Federal Funds				
Current Receipts	126,193,600	128,053,100	126,193,600	128,053,100
Total Federal Funds	126,193,600	128,053,100	126,193,600	128,053,100
TOTAL SOURCE OF FUNDS	1,312,249,500	1,335,302,400	1,289,949,200	1,309,826,800
EXPENDITURES BY CLASS				
Personnel Cost	738,958,400	755,035,100	732,929,300	747,750,000
Operating Expenses	441,978,400	450,044,800	425,707,200	431,854,300
Grants, Loans or Benefits	58,385,300	60,330,900	58,385,300	60,330,900
Debt Service	30,635,100	27,521,800	30,635,100	27,521,800
Capital Outlay	42,292,300	42,369,800	42,292,300	42,369,800
TOTAL EXPENDITURES	1,312,249,500	1,335,302,400	1,289,949,200	1,309,826,800
EXPENDITURES BY FUND SOURCE				
General Fund	327,290,800	333,994,800	304,755,700	308,519,200
Restricted Funds	858,765,100	873,254,500	858,999,900	873,254,500
Federal Funds	126,193,600	128,053,100	126,193,600	128,053,100
TOTAL EXPENDITURES	1,312,249,500	1,335,302,400	1,289,949,200	1,309,826,800
EXPENDITURES BY UNIT				
Instruction	272,018,000	277,459,200	257,720,200	262,815,600
Research	190,541,200	193,779,400	188,237,300	190,417,100
Public Service	166,017,900	168,988,100	165,096,700	167,245,600
Libraries	21,684,100	22,143,300	21,666,200	22,107,600
Academic Support	56,722,300	57,840,200	56,684,800	57,765,400
Student Services	19,940,300	20,358,500	19,898,200	20,274,600
Institutional Support	52,384,500	53,514,400	50,586,800	50,957,900
Operation and Maintenance of Plant	49,601,200	51,407,700	47,419,000	49,131,400
Scholarships and Fellowships	58,385,300	60,330,900	58,385,300	60,330,900
Mandatory Transfers	19,158,200	16,052,400	19,158,200	16,052,400
Auxilliary Enterprises	82,995,900	84,182,200	81,995,900	83,182,200
Hospitals	322,800,600	329,246,100	323,100,600	329,546,100
TOTAL EXPENDITURES	1,312,249,500	1,335,302,400	1,289,949,200	1,309,826,800

The University of Kentucky serves as the principal research and graduate degree granting institution in the Commonwealth. Kentucky Revised Statute (KRS) 164.125 authorizes the University to offer baccalaureate, professional, master's, specialist, doctoral, and postdoctoral programs and to conduct joint doctoral programs in cooperation with other institutions. The University was challenged by the Kentucky Postsecondary Education Improvement Act of 1997 to become a major comprehensive research institution, ranked nationally in the top twenty public universities.

Research and service functions are further defined by state and federal statutes as necessary and appropriate for the

Commonwealth's land-grant institution in accordance with the Morrill Act of 1862. KRS 164.100 is Kentucky's Land-Grant Act; the Hatch Act of 1887 and KRS 164.110 support research and agricultural extension; KRS 164.120 supports instruction; and the Smith-Lever Act, KRS 164.605, and KRS 164.675 support cooperative extension.

The Lexington Community College is a part of the University of Kentucky. Funding for the Lexington Community College included in the recommended budget is as follows:

	<u>2002-2003</u>	<u>2003-2004</u>
General Fund	9,081,500	9,444,700
Restricted Funds	14,424,900	15,388,100
Federal Funds	5,923,500	5,923,500
Total Funds	<u>29,429,900</u>	<u>30,756,300</u>

Policy

The base budget of the University of Kentucky has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation. The base budget of the University of Kentucky has also been increased by \$600,000 from the fiscal year 2002 appropriation for the Collaborative Center for Literacy Development within the Council on Postsecondary Education's budget. The cumulative appropriations from Lottery funds for the Collaborative Center for Literacy Development are \$1,800,000, in accordance with KRS 154A.130(3).

The General Fund base budget for the University of Kentucky (excluding the Lexington Community College) was reduced by 2 percent (\$6,008,400) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 2.9 percent (\$8,606,200) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$3,124,800 using the benchmark funding formula.

The General Fund base budget for the Lexington Community College was reduced by 0.7 percent (\$51,300) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 0.9 percent (\$69,200) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 increased by \$363,200 using the benchmark funding formula.

Based on an agreement among the University of Kentucky, the Kentucky Community and Technical College System (KCTCS), and the Council on Postsecondary Education staff, the funding responsibility for maintaining two buildings at the Paducah Community College, the Crisp Building Replacement and the Engineering Building, has been transferred from the University of Kentucky to KCTCS. Accordingly, General Funds in the amount of \$387,000 has been transferred from the base budget of the University of Kentucky to the base budget of KCTCS.

Funding in the amount of \$115,000 in each year of the biennium is included to continue implementation of the recommendation of the Breast Cancer Task Force. Funding in the amount of \$275,500 in fiscal year 2004 is provided to support a domestic violence prevention program.

**Postsecondary Education
University of Louisville**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	186,171,400	190,469,900	172,352,500	174,950,000
Continuing Appropriation - Gen'l Fund			224,100	
Total General Fund	186,171,400	190,469,900	172,576,600	174,950,000
Restricted Funds				
Current Receipts	293,652,300	302,317,400	293,702,300	302,317,400
Total Restricted Funds	293,652,300	302,317,400	293,702,300	302,317,400
Federal Funds				
Current Receipts	49,334,100	50,789,900	49,334,100	50,789,900
Total Federal Funds	49,334,100	50,789,900	49,334,100	50,789,900
TOTAL SOURCE OF FUNDS	529,157,800	543,577,200	515,613,000	528,057,300
EXPENDITURES BY CLASS				
Personnel Cost	337,995,200	347,646,700	333,009,400	341,191,400
Operating Expenses	122,387,300	126,279,100	116,115,100	121,113,800
Grants, Loans or Benefits	36,706,300	37,621,900	36,944,400	38,033,100
Debt Service	13,854,900	13,815,400	11,330,000	9,504,900
Capital Outlay	18,214,100	18,214,100	18,214,100	18,214,100
TOTAL EXPENDITURES	529,157,800	543,577,200	515,613,000	528,057,300
EXPENDITURES BY FUND SOURCE				
General Fund	186,171,400	190,469,900	172,576,600	174,950,000
Restricted Funds	293,652,300	302,317,400	293,702,300	302,317,400
Federal Funds	49,334,100	50,789,900	49,334,100	50,789,900
TOTAL EXPENDITURES	529,157,800	543,577,200	515,613,000	528,057,300
EXPENDITURES BY UNIT				
Instruction	119,892,700	123,287,600	117,022,200	121,086,700
Research	72,384,900	74,921,400	69,948,100	71,272,600
Public Service	81,505,500	83,538,300	80,236,400	81,753,200
Libraries	15,182,800	15,561,800	14,938,600	15,221,400
Academic Support	39,987,400	40,985,600	39,344,200	40,089,200
Student Services	11,216,200	11,494,400	10,965,300	11,172,900
Institutional Support	53,209,900	54,538,200	52,241,400	53,348,100
Operation and Maintenance of Plant	23,645,300	24,235,600	22,726,600	23,120,200
Scholarships and Fellowships	39,610,900	40,599,700	38,973,800	39,711,700
Mandatory Transfers	14,184,300	14,538,400	11,547,600	12,299,300
Auxilliary Enterprises	35,659,900	36,550,100	35,086,300	35,750,500
Hospitals	22,678,000	23,326,100	22,582,500	23,231,500
TOTAL EXPENDITURES	529,157,800	543,577,200	515,613,000	528,057,300

The University of Louisville (U of L) is a state supported urban university located in Kentucky's largest metropolitan area. It was a municipally supported institution for many decades prior to joining the state university system in 1970. The University of Louisville's mission continues the institution's historical emphasis on undergraduate and graduate education while placing a new emphasis on research.

The benefits of becoming a premier research university cannot be overstated. Top research universities attract millions of dollars in federal funding and private grants, which in turn drives economic growth throughout the economy. By focusing on this goal, U of L can help enhance Kentucky's economic potential and prepare its citizens.

The University of Louisville also fulfills a unique role as a metropolitan university. The University has three campuses. The 169 acre Belknap Campus is three miles from downtown Louisville and houses ten of the University's 13 colleges, schools, and divisions. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health-related programs and the University of Louisville Hospital. The 243 acre Shelby Campus located in eastern Jefferson County contains the National Crime Prevention Institute and the University Center for Continuing and Professional Education.

Policy

Included in the budget for the University of Louisville is \$17,102,900 in fiscal year 2003 and \$17,500,300 in fiscal year 2004 to fulfill the Commonwealth's contractual obligation relating to indigent care furnished through the Quality and Charity Care Trust Agreement.

The base budget of the University of Louisville has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation. Funding in the amount of \$115,000 each year of the biennium is included to continue implementation of the Breast Cancer Task Force.

The General Fund base budget was reduced by 2 percent (\$2,982,600) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 3 percent (\$4,392,700) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$2,597,500 using the benchmark funding formula.

**Postsecondary Education
Western Kentucky University**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	77,644,600	83,214,700	69,025,000	72,040,100
Total General Fund	77,644,600	83,214,700	69,025,000	72,040,100
Restricted Funds				
Current Receipts	81,837,400	85,598,400	81,837,400	85,598,400
Total Restricted Funds	81,837,400	85,598,400	81,837,400	85,598,400
Federal Funds				
Current Receipts	30,444,000	32,444,000	30,444,000	32,444,000
Total Federal Funds	30,444,000	32,444,000	30,444,000	32,444,000
TOTAL SOURCE OF FUNDS	189,926,000	201,257,100	181,306,400	190,082,500
EXPENDITURES BY CLASS				
Personnel Cost	111,169,600	117,578,300	108,085,400	111,312,600
Operating Expenses	38,897,300	41,567,000	33,444,100	36,758,100
Grants, Loans or Benefits	27,017,800	29,451,800	27,017,800	29,451,800
Debt Service	4,037,200	3,855,900	3,955,000	3,755,900
Capital Outlay	8,804,100	8,804,100	8,804,100	8,804,100
TOTAL EXPENDITURES	189,926,000	201,257,100	181,306,400	190,082,500
EXPENDITURES BY FUND SOURCE				
General Fund	77,644,600	83,214,700	69,025,000	72,040,100
Restricted Funds	81,837,400	85,598,400	81,837,400	85,598,400
Federal Funds	30,444,000	32,444,000	30,444,000	32,444,000
TOTAL EXPENDITURES	189,926,000	201,257,100	181,306,400	190,082,500
EXPENDITURES BY UNIT				
Instruction	66,153,500	72,171,300	60,806,100	66,010,700
Research	7,679,700	7,991,800	7,649,500	7,639,500
Public Service	16,995,700	16,909,200	16,867,100	16,824,200
Libraries	5,306,200	5,465,200	5,143,700	5,173,600
Academic Support	6,250,000	6,494,700	6,053,900	6,123,300
Student Services	15,750,800	16,173,700	15,270,000	15,292,800
Institutional Support	15,475,500	16,799,700	14,224,000	15,191,200
Operation and Maintenance of Plant	15,008,800	15,509,800	14,312,500	14,142,200
Scholarships and Fellowships	24,522,100	26,956,100	24,384,300	26,969,300
Mandatory Transfers	3,566,500	3,459,100	3,378,100	3,389,200
Auxilliary Enterprises	13,217,200	13,326,500	13,217,200	13,326,500
TOTAL EXPENDITURES	189,926,000	201,257,100	181,306,400	190,082,500

Western Kentucky University aspires to be the best comprehensive public institution in Kentucky, where students receive general and specialized postsecondary education at the undergraduate and graduate levels. As authorized by Kentucky Revised Statute 164.295, the University offers eighty (80) academic majors and seventy-three (73) academic minors. Nineteen (19) associate degree programs and six certificate programs are offered. Graduate Studies offers the following degrees: the master of arts, master of arts in education, master of business administration, master of science, master of public administration, master of health administration, and master of public health. Western also offers the specialist degree and Rank I and Rank II programs. Western offers a cooperative master's program in criminal justice with Eastern Kentucky University and joint doctoral program with the University of Louisville.

A major goal of the university is to provide support for research and creative activities designed to expand knowledge and to solve problems facing the region, state, and nation. The University is committed to provide a Public Service Program to meet the needs of individuals, groups, and organizations which are not met through the traditional instructional and research programs. Western Kentucky University is building on its tradition of service to improve the quality of life in the state with an emphasis on south central Kentucky. The University focuses academic programs and outreach efforts on engaging the faculty, students, and staff with people, institutions, businesses, and industries to form partnerships promoting educational and economic vitality.

Policy

The base budget of Western Kentucky University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that were allocated from the Council on Postsecondary Education's General Fund appropriation.

The General Fund base budget was reduced by 1.6 percent (\$1,061,000) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 2.1 percent (\$1,402,100) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 increased by \$3,015,100 using the benchmark funding formula.

**Postsecondary Education
Kentucky Community and Technical College System**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	203,520,200	211,025,400	185,313,100	189,097,700
Total General Fund	203,520,200	211,025,400	185,313,100	189,097,700
Restricted Funds				
Current Receipts	177,568,900	185,450,000	177,568,900	185,450,000
Total Restricted Funds	177,568,900	185,450,000	177,568,900	185,450,000
Federal Funds				
Current Receipts	68,053,500	71,735,500	68,053,500	71,735,500
Total Federal Funds	68,053,500	71,735,500	68,053,500	71,735,500
TOTAL SOURCE OF FUNDS	449,142,600	468,210,900	430,935,500	446,283,200
EXPENDITURES BY CLASS				
Personnel Cost	233,888,900	244,974,200	227,504,600	232,482,400
Operating Expenses	85,386,000	89,591,100	74,830,500	81,511,600
Grants, Loans or Benefits	106,868,700	110,257,200	106,609,500	109,744,100
Debt Service	10,726,000	10,765,800	10,726,000	10,765,800
Capital Outlay	12,273,000	12,622,600	11,264,900	11,779,300
TOTAL EXPENDITURES	449,142,600	468,210,900	430,935,500	446,283,200
EXPENDITURES BY FUND SOURCE				
General Fund	203,520,200	211,025,400	185,313,100	189,097,700
Restricted Funds	177,568,900	185,450,000	177,568,900	185,450,000
Federal Funds	68,053,500	71,735,500	68,053,500	71,735,500
TOTAL EXPENDITURES	449,142,600	468,210,900	430,935,500	446,283,200
EXPENDITURES BY UNIT				
Instruction	156,850,700	163,959,600	148,072,500	155,865,000
Public Service	39,693,600	39,521,800	38,800,800	38,575,500
Libraries	5,839,500	6,015,900	5,566,200	5,562,800
Academic Support	21,288,200	22,353,100	20,282,700	20,663,400
Student Services	33,000,500	34,565,600	31,686,400	32,363,800
Institutional Support	59,571,700	62,284,100	56,692,100	57,459,200
Operation and Maintenance of Plant	36,901,300	38,825,600	34,217,000	35,778,600
Scholarships and Fellowships	67,294,700	70,907,100	67,101,600	70,583,500
Mandatory Transfers	10,726,000	10,765,800	10,539,800	10,419,100
Auxilliary Enterprises	17,976,400	19,012,300	17,976,400	19,012,300
TOTAL EXPENDITURES	449,142,600	468,210,900	430,935,500	446,283,200

The Postsecondary Education Improvement Act of 1997 created the Kentucky Community and Technical College System (KCTCS) with a mission "to be the primary provider of two-year transfer and technical programs, workforce training for existing and new businesses and industries, and remedial and continuing education to improve the quality of life and employability of the citizens of the Commonwealth of Kentucky." The reform legislation recognizes that long-term commitment is critical if the Kentucky Community and Technical College System are to reach one of its goals to develop a "seamless, integrated system of postsecondary education that is strategically planned and adequately funded to enhance economic development and quality of life."

KCTCS is composed of 16 community and technical college districts comprising 28 community and technical colleges plus several branch campuses and distance learning centers strategically located across the Commonwealth. The Kentucky Community and Technical College System's enrollment in credit courses has increased from 45,988 in the fall of 1999 to 63,120 in the fall of 2001. Thirteen community colleges formerly under the jurisdiction of the University of Kentucky are part of the Kentucky Community and Technical College System. All of the postsecondary technical institutions formerly a part of Kentucky Tech in the Workforce Development Cabinet are part of the Kentucky Community and Technical College System. The Kentucky Community and Technical College System has been streamlining and improving service delivery including consolidation of programs and services at many of the colleges. The Kentucky Community and Technical College System is developing state-of-the-art technology infrastructure to improve the quality of instruction, enhance and expand professional development opportunities, increase access through distance learning, and streamline administrative functions.

Policy

The base budget of the Kentucky Community and Technical College System has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation. Included in the General Fund base budget of Kentucky Community and Technical College System each fiscal year is at least \$5,844,000 for the Workforce Training Program, which was appropriated in fiscal year 2002 to the Postsecondary Workforce Development Trust Fund within the Council on Postsecondary Education. This funding for the Workforce Training shall be used for worker training programs on a nonrecurring basis and shall not be used to establish permanent Kentucky Community and Technical College System program offerings.

The General Fund base budget was reduced by 1.9 percent (\$3,302,200) by the fiscal year 2002 budget cuts, using a modified benchmark funding formula, and reduced by another 2.5 percent (\$4,409,600) in fiscal year 2003 by House Bill 269. Funding for fiscal year 2004 restored \$3,784,600 using the benchmark funding formula.

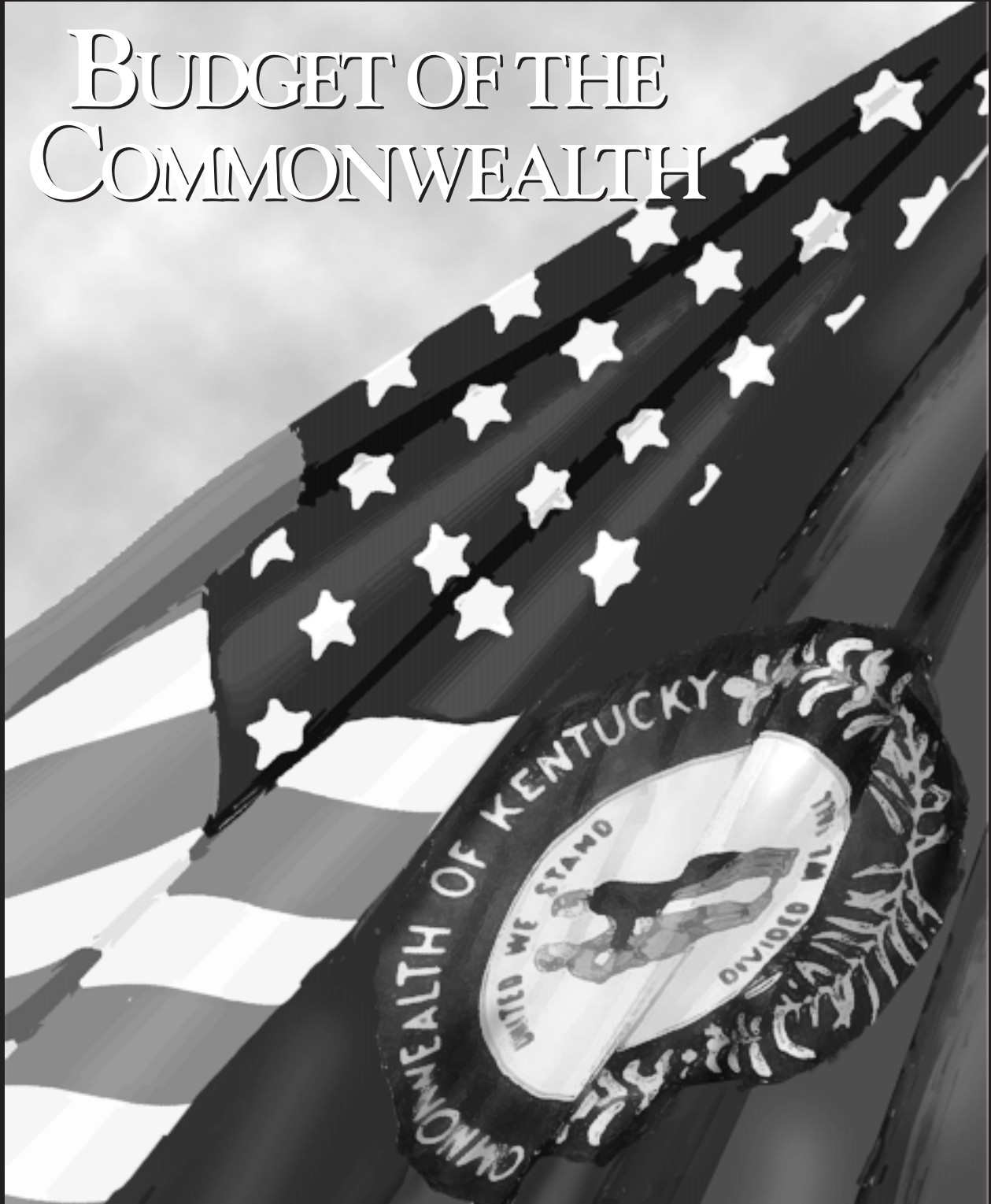
Based on an agreement among the Kentucky Community and Technical College System, the University of Kentucky, and the Council on Postsecondary Education staff, the funding responsibility for maintaining two buildings at the Paducah Community College, the Crisp Building Replacement and the Engineering Building, has been transferred from the University of Kentucky to the base budget of the Kentucky Community and Technical College System.



*Public
Protection
and
Regulation*

2002-2004

BUDGET OF THE COMMONWEALTH



Public Protection and Regulation

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	59,065,700	64,479,600	48,670,000	52,628,100
Tobacco Settlement - I	22,000,000	16,855,900	19,405,200	16,855,900
Continuing Appropriation - Gen'l Fund			1,509,600	
Total General Fund	81,065,700	81,335,500	69,584,800	69,484,000
Restricted Funds				
Balance Forward	121,581,700	130,270,400	94,524,500	22,497,800
Current Receipts	67,881,100	70,437,600	66,227,900	63,445,700
Non-Revenue Receipts	60,167,200	62,182,700	-24,991,500	29,116,200
Total Restricted Funds	249,630,000	262,890,700	135,760,900	115,059,700
Federal Funds				
Balance Forward	609,000	633,500	532,500	704,300
Current Receipts	2,742,800	2,829,200	3,147,100	2,793,000
Total Federal Funds	3,351,800	3,462,700	3,679,600	3,497,300
TOTAL SOURCE OF FUNDS	334,047,500	347,688,900	209,025,300	188,041,000
EXPENDITURES BY CLASS				
Personnel Cost	118,054,100	121,050,900	114,008,400	113,079,700
Operating Expenses	64,673,300	66,486,400	51,011,400	47,084,800
Grants, Loans or Benefits	18,271,200	17,801,800	18,590,700	17,364,700
Debt Service	589,000	589,000	589,000	589,000
Capital Outlay	1,556,000	1,360,000	1,623,700	1,360,000
TOTAL EXPENDITURES	203,143,600	207,288,100	185,823,200	179,478,200
EXPENDITURES BY FUND SOURCE				
General Fund	81,065,700	81,335,500	69,584,800	69,484,000
Restricted Funds	119,359,600	123,103,400	113,263,100	107,181,200
Federal Funds	2,718,300	2,849,200	2,975,300	2,813,000
TOTAL EXPENDITURES	203,143,600	207,288,100	185,823,200	179,478,200
EXPENDITURES BY UNIT				
Claims/Crime Victims' Compensation	3,783,400	4,215,600	3,720,900	4,352,000
Alcoholic Beverage Control	6,216,800	6,448,000	5,887,600	5,958,200
Financial Institutions	9,202,400	9,569,500	8,993,100	9,329,700
Insurance	45,204,100	41,474,500	42,257,100	41,018,000
Kentucky Racing Commission	14,199,900	14,170,500	15,511,800	14,187,300
Housing, Buildings and Construction	15,040,400	15,522,800	14,544,800	14,605,900
Mines and Minerals	12,728,000	12,954,600	12,225,400	12,006,700
Public Advocacy	33,605,900	38,389,200	28,520,500	29,852,200
Public Service Commission	11,811,700	12,048,300	15,821,300	12,048,300
Secretary	47,394,800	48,373,700	34,401,800	32,017,500
Tax Appeals	495,400	517,600	478,100	498,600
Charitable Gaming	3,460,800	3,603,800	3,460,800	3,603,800
TOTAL EXPENDITURES	203,143,600	207,288,100	185,823,200	179,478,200

The agencies of the Public Protection and Regulation Cabinet supervise and regulate industries providing services to the citizens of the Commonwealth. This includes the enforcement of statutes and regulations ensuring the integrity of supervised industries and the safety of both the employees and the persons they serve.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	694,500	735,500	635,000	857,300
Total General Fund	694,500	735,500	635,000	857,300
Restricted Funds				
Balance Forward	1,762,600	2,525,100	989,700	1,755,200
Current Receipts	2,282,300	2,327,900	2,282,300	2,327,900
Non-Revenue Receipts	1,022,200	1,040,400	1,022,200	1,040,400
Total Restricted Funds	5,067,100	5,893,400	4,294,200	5,123,500
Federal Funds				
Balance Forward	190,100	265,200		75,100
Current Receipts	622,000	634,500	622,000	634,500
Total Federal Funds	812,100	899,700	622,000	709,600
TOTAL SOURCE OF FUNDS	6,573,700	7,528,600	5,551,200	6,690,400
EXPENDITURES BY CLASS				
Personnel Cost	1,236,100	1,287,500	1,173,600	1,223,900
Operating Expenses	2,547,300	2,928,100	2,547,300	2,928,100
Grants, Loans or Benefits				200,000
TOTAL EXPENDITURES	3,783,400	4,215,600	3,720,900	4,352,000
EXPENDITURES BY FUND SOURCE				
General Fund	694,500	735,500	635,000	857,300
Restricted Funds	2,542,000	2,922,300	2,539,000	2,936,900
Federal Funds	546,900	557,800	546,900	557,800
TOTAL EXPENDITURES	3,783,400	4,215,600	3,720,900	4,352,000
EXPENDITURES BY UNIT				
Board of Claims	1,589,300	1,679,600	1,526,800	1,616,000
Crime Victims' Board	1,660,800	1,992,100	1,660,800	2,192,100
Crime Victims' Board Federal Grants	533,300	543,900	533,300	543,900
TOTAL EXPENDITURES	3,783,400	4,215,600	3,720,900	4,352,000

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

The Crime Victims' Compensation Board, established under KRS Chapter 346, is empowered to reimburse innocent crime victims up to \$25,000 for their medical expenses, lost wages that are not paid by any other source and funeral expenses up to \$5,000. The amount of time that a claimant has to submit a claim to the Board is five years. House Bill 452, enacted by the 2002 General Assembly, directs 3.4 percent of court cost revenue to the Crime Victims Compensation Board.

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

Policy

General Fund support in the amount of \$200,000 in fiscal year 2003-2004 is provided for the administration of the Rape Victim Assistance Fund, which was previously administered by the Unified Prosecutorial System.

**Public Protection and Regulation
Alcoholic Beverage Control**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,720,600	1,755,000	250,000	1,663,000
Total General Fund	1,720,600	1,755,000	250,000	1,663,000
Restricted Funds				
Balance Forward	1,903,700	1,706,600	3,953,000	464,500
Current Receipts	4,125,700	4,164,500	4,125,700	4,164,500
Non-Revenue Receipts	173,400	176,900	-1,976,600	-73,100
Total Restricted Funds	6,202,800	6,048,000	6,102,100	4,555,900
TOTAL SOURCE OF FUNDS	7,923,400	7,803,000	6,352,100	6,218,900
EXPENDITURES BY CLASS				
Personnel Cost	4,935,100	5,191,800	4,605,900	4,752,000
Operating Expenses	1,188,200	1,162,700	1,188,200	1,112,700
Capital Outlay	93,500	93,500	93,500	93,500
TOTAL EXPENDITURES	6,216,800	6,448,000	5,887,600	5,958,200
EXPENDITURES BY FUND SOURCE				
General Fund	1,720,600	1,755,000	250,000	1,663,000
Restricted Funds	4,496,200	4,693,000	5,637,600	4,295,200
TOTAL EXPENDITURES	6,216,800	6,448,000	5,887,600	5,958,200
EXPENDITURES BY UNIT				
Administration, Enforcement, and License	6,165,600	6,430,500	5,586,400	5,690,700
Tobacco Enforcement	51,200	17,500	301,200	267,500
TOTAL EXPENDITURES	6,216,800	6,448,000	5,887,600	5,958,200

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

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

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

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

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

Policy

Notwithstanding KRS 243.025, the Department of Alcohol Beverage Control shall transfer restricted funds in the amounts of \$2,250,000 in fiscal year 2002-2003 and \$250,000 in fiscal year 2003-2004 to the credit of the General Fund.

**Public Protection and Regulation
Financial Institutions**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	3,246,000	3,160,200	6,016,400	2,439,900
Current Receipts	9,116,600	9,506,900	9,116,600	9,506,900
Non-Revenue Receipts			-3,700,000	-2,000,000
Total Restricted Funds	12,362,600	12,667,100	11,433,000	9,946,800
TOTAL SOURCE OF FUNDS	12,362,600	12,667,100	11,433,000	9,946,800
EXPENDITURES BY CLASS				
Personnel Cost	6,939,900	7,278,600	6,730,600	7,038,800
Operating Expenses	1,624,400	1,647,700	1,624,400	1,647,700
Capital Outlay	638,100	643,200	638,100	643,200
TOTAL EXPENDITURES	9,202,400	9,569,500	8,993,100	9,329,700
EXPENDITURES BY FUND SOURCE				
Restricted Funds	9,202,400	9,569,500	8,993,100	9,329,700
TOTAL EXPENDITURES	9,202,400	9,569,500	8,993,100	9,329,700
EXPENDITURES BY UNIT				
Administrative Services	1,142,500	1,183,700	1,114,700	1,152,400
Financial Institutions	4,959,800	5,170,500	4,834,300	5,027,700
Commissioner	1,402,000	1,453,000	1,380,100	1,426,100
Securities	1,698,100	1,762,300	1,664,000	1,723,500
TOTAL EXPENDITURES	9,202,400	9,569,500	8,993,100	9,329,700

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

The Commissioner's Office is responsible for the overall management of the agency. The Ombudsman resolves complaints about Department licensees. The General Counsel's Office provides legal support to the agency.

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

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

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

Policy

Notwithstanding KRS 287.485, the Department of Financial Institutions shall transfer restricted funds of \$3,700,000 in fiscal year 2002-2003, and \$2,000,000 in fiscal year 2003-2004 to the General Fund.

**Public Protection and Regulation
Insurance**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Tobacco Settlement - I	22,000,000	16,855,900	19,405,200	16,855,900
Total General Fund	22,000,000	16,855,900	19,405,200	16,855,900
Restricted Funds				
Balance Forward	8,707,400	11,358,700	8,373,700	5,377,200
Current Receipts	22,303,800	23,819,000	22,303,800	23,819,000
Non-Revenue Receipts	3,551,600	4,193,100	-2,448,400	-1,806,900
Total Restricted Funds	34,562,800	39,370,800	28,229,100	27,389,300
TOTAL SOURCE OF FUNDS	56,562,800	56,226,700	47,634,300	44,245,200
EXPENDITURES BY CLASS				
Personnel Cost	41,065,500	37,259,200	38,118,500	36,802,700
Operating Expenses	4,138,600	4,215,300	4,138,600	4,215,300
TOTAL EXPENDITURES	45,204,100	41,474,500	42,257,100	41,018,000
EXPENDITURES BY FUND SOURCE				
General Fund	22,000,000	16,855,900	19,405,200	16,855,900
Restricted Funds	23,204,100	24,618,600	22,851,900	24,162,100
TOTAL EXPENDITURES	45,204,100	41,474,500	42,257,100	41,018,000
EXPENDITURES BY UNIT				
General Operations	45,204,100	41,474,500	42,257,100	41,018,000
TOTAL EXPENDITURES	45,204,100	41,474,500	42,257,100	41,018,000

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

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

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

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

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

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

analyses and providing administrative oversight of the insurance industry.

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

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

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

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

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

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

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

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

Policy

Notwithstanding KRS 304.2-400, the Department of Insurance shall transfer restricted funds of \$6,000,000 in fiscal year 2002-2003, and \$6,000,000 in fiscal year 2003-2004 to the General Fund.

Notwithstanding KRS 56.095; 56.150; 56.180, the Department of Insurance shall transfer \$500,000 in fiscal year 2002-2003, and \$500,000 in fiscal year 2003-2004 from the Fire and Tornado Fund to the General Fund.

Notwithstanding KRS 304.17B -031, the Department of Insurance shall transfer \$56,000,000 in fiscal year 2002-2003 from the Kentucky Access program to the General Fund.

Restricted funds in the amount of \$125,700 in fiscal year 2002-2003 and \$111,100 in fiscal year 2003-2004 are provided to hire three additional staff in the Consumer Protection Division.

**Public Protection and Regulation
Kentucky Racing Commission**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,047,400	1,173,500	509,200	522,800
Total General Fund	1,047,400	1,173,500	509,200	522,800
Restricted Funds				
Balance Forward	1,102,100	796,500	2,481,200	1,025,500
Current Receipts	3,111,900	3,165,100	3,811,900	2,957,900
Non-Revenue Receipts	9,735,000	9,550,000	9,735,000	10,980,000
Total Restricted Funds	13,949,000	13,511,600	16,028,100	14,963,400
TOTAL SOURCE OF FUNDS	14,996,400	14,685,100	16,537,300	15,486,200
EXPENDITURES BY CLASS				
Personnel Cost	1,902,900	2,000,700	1,928,400	2,017,500
Operating Expenses	791,800	780,300	778,200	780,300
Grants, Loans or Benefits	11,505,200	11,389,500	12,805,200	11,389,500
TOTAL EXPENDITURES	14,199,900	14,170,500	15,511,800	14,187,300
EXPENDITURES BY FUND SOURCE				
General Fund	1,047,400	1,173,500	509,200	522,800
Restricted Funds	13,152,500	12,997,000	15,002,600	13,664,500
TOTAL EXPENDITURES	14,199,900	14,170,500	15,511,800	14,187,300
EXPENDITURES BY UNIT				
Administration and Regulation	2,393,200	2,464,000	2,430,700	2,508,100
Equine Drug Research Fund	650,400	650,500	650,400	650,500
Thoroughbred Development Fund	8,750,000	8,600,000	8,750,000	8,600,000
Standardbred Development Fund	666,500	666,800	1,426,500	666,800
Standardbred Horsemen Fees	700,000	700,000	1,240,000	700,000
County Fair Purse Fund	393,800	388,600	393,800	388,600
Thoroughbred Breeders	280,000	320,000	280,000	320,000
Backside Improvement Comm	366,000	380,600	340,400	353,300
TOTAL EXPENDITURES	14,199,900	14,170,500	15,511,800	14,187,300

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

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

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

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

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

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

The Backside Improvement Commission was created by the 1980 General Assembly, and is charged with promoting, enhancing, and improving of the backsides of Turfway and Ellis Parks. Racing associations with an average handle of \$1,200,000 or less per racing day are required to pay one-half of one percent to the Fund. Racing associations with an average handle of \$1,200,000 or more per racing day are required to pay three and one-half percent to the Fund.

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

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,880,100	3,957,700	1,718,300	2,318,300
Total General Fund	3,880,100	3,957,700	1,718,300	2,318,300
Restricted Funds				
Balance Forward	1,086,700	2,771,400	1,453,100	1,471,600
Current Receipts	12,845,000	13,095,000	12,845,000	13,095,000
Total Restricted Funds	13,931,700	15,866,400	14,298,100	14,566,600
TOTAL SOURCE OF FUNDS	17,811,800	19,824,100	16,016,400	16,884,900
EXPENDITURES BY CLASS				
Personnel Cost	11,996,400	12,498,100	11,500,800	11,639,500
Operating Expenses	2,919,000	3,024,700	2,919,000	2,966,400
Capital Outlay	125,000		125,000	
TOTAL EXPENDITURES	15,040,400	15,522,800	14,544,800	14,605,900
EXPENDITURES BY FUND SOURCE				
General Fund	3,880,100	3,957,700	1,718,300	2,318,300
Restricted Funds	11,160,300	11,565,100	12,826,500	12,287,600
TOTAL EXPENDITURES	15,040,400	15,522,800	14,544,800	14,605,900
EXPENDITURES BY UNIT				
General Administration and Management	1,528,700	1,604,700	1,407,700	1,112,800
Regulation of Minimum Safety Standards/Fire Prev	5,838,400	5,976,100	5,721,000	5,840,300
Plumbing	4,527,800	4,726,100	4,354,100	4,532,300
HVACC	807,900	810,800	741,300	739,300
Building Codes Enforcement	2,337,600	2,405,100	2,320,700	2,381,200
TOTAL EXPENDITURES	15,040,400	15,522,800	14,544,800	14,605,900

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

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

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

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

The Plumbing Division, a fee-supported program, enforces the State Plumbing Law. Activities include inspection of plumbing systems in all buildings throughout the state, approval of plans in all types of public buildings, renewal of master and journeyman

plumbers' licenses, assistance to the State Plumbing Code Committee in its review of the plumbing code regulations, and review and approval of new materials and techniques.

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

Policy

Total appropriations for the Department in fiscal year 2002-2003 are 3.9 percent less than total appropriations in fiscal year 2001-2002.

**Public Protection and Regulation
Mines and Minerals**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,111,400	10,313,700	9,365,000	9,365,000
Total General Fund	10,111,400	10,313,700	9,365,000	9,365,000
Restricted Funds				
Balance Forward	546,500	377,000	495,000	238,700
Current Receipts	998,600	1,022,900	1,154,800	1,022,900
Non-Revenue Receipts	850,000	850,000	850,000	850,000
Total Restricted Funds	2,395,100	2,249,900	2,499,800	2,111,600
Federal Funds				
Current Receipts	598,500	598,500	599,300	598,500
Total Federal Funds	598,500	598,500	599,300	598,500
TOTAL SOURCE OF FUNDS	13,105,000	13,162,100	12,464,100	12,075,100
EXPENDITURES BY CLASS				
Personnel Cost	10,584,300	11,125,600	9,781,700	10,177,700
Operating Expenses	2,102,200	1,819,000	2,402,200	1,819,000
Capital Outlay	41,500	10,000	41,500	10,000
TOTAL EXPENDITURES	12,728,000	12,954,600	12,225,400	12,006,700
EXPENDITURES BY FUND SOURCE				
General Fund	10,111,400	10,313,700	9,365,000	9,365,000
Restricted Funds	2,018,100	2,042,400	2,261,100	2,043,200
Federal Funds	598,500	598,500	599,300	598,500
TOTAL EXPENDITURES	12,728,000	12,954,600	12,225,400	12,006,700
EXPENDITURES BY UNIT				
General Administration	1,554,400	1,572,700	1,411,600	1,427,100
Mine Safety	8,920,500	9,118,000	8,653,100	8,418,900
Explosives and Blasting	758,800	766,200	738,100	742,800
Oil and Gas Conservation	1,494,300	1,497,700	1,422,600	1,417,900
TOTAL EXPENDITURES	12,728,000	12,954,600	12,225,400	12,006,700

The Department of Mines and Minerals, established in 1880 by KRS 351, is responsible for the regulation of mining practices to prevent injuries and fatalities in underground, strip, and auger mines.

The Office of the Commissioner provides the executive policy and management guidance for the Department, produces an annual report, and conducts surveys for the Department's research and statistical needs. The Office has under its purview the Chief Mine Inspectors, Chief Accident Investigator, and Chief Electrical Inspector functions. Candidates for mine foreman, mine instructor, and mine inspector certification are tested by this office. If found to be qualified the candidates are certified. The Chief Accident Investigator and the Chief Electrical Inspector provide a "proactive" approach to accident investigation and prevention and ensure that accident investigation techniques, electrical training and inspection techniques are standardized throughout the districts. Accident data is collected and analyzed, tracking type and cause, to prevent re-occurrences. The Legal Counsel is also part of the Commissioner's office.

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

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

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

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

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

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

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

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

Policy

The Department of Mines and Minerals will be supported by funds transferred from the Labor Cabinet in the amount of \$850,000 in each fiscal year.

Total appropriations for the Department for fiscal year 2002-2003 are 1.7 percent less than total appropriations for fiscal year 2001-2002. Total appropriations for the Department for fiscal year 2003-2004 are 1.8 percent less than total appropriations for fiscal year 2002-2003.

**Public Protection and Regulation
Public Advocacy**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	29,320,200	33,995,900	23,925,300	25,389,800
Total General Fund	29,320,200	33,995,900	23,925,300	25,389,800
Restricted Funds				
Balance Forward	312,500	312,500	1,481,500	1,428,200
Current Receipts	2,972,600	2,972,600	2,972,600	2,972,600
Total Restricted Funds	3,285,100	3,285,100	4,454,100	4,400,800
Federal Funds				
Balance Forward	147,300	96,700	220,600	317,300
Current Receipts	1,262,500	1,324,000	1,666,000	1,287,800
Total Federal Funds	1,409,800	1,420,700	1,886,600	1,605,100
TOTAL SOURCE OF FUNDS	34,015,100	38,701,700	30,266,000	31,395,700
EXPENDITURES BY CLASS				
Personnel Cost	20,956,400	25,130,900	19,016,000	20,287,900
Operating Expenses	5,883,500	6,846,000	3,719,000	3,789,100
Grants, Loans or Benefits	6,766,000	6,412,300	5,785,500	5,775,200
TOTAL EXPENDITURES	33,605,900	38,389,200	28,520,500	29,852,200
EXPENDITURES BY FUND SOURCE				
General Fund	29,320,200	33,995,900	23,925,300	25,389,800
Restricted Funds	2,972,600	2,972,600	3,025,900	3,077,900
Federal Funds	1,313,100	1,420,700	1,569,300	1,384,500
TOTAL EXPENDITURES	33,605,900	38,389,200	28,520,500	29,852,200
EXPENDITURES BY UNIT				
Office of the Public Advocate	1,168,500	1,191,700	985,200	1,035,000
Trial Services	28,636,400	32,872,700	24,468,900	25,864,300
Law Operations	1,983,100	2,389,200	1,418,300	1,332,900
Protection and Advocacy	1,817,900	1,935,600	1,648,100	1,620,000
TOTAL EXPENDITURES	33,605,900	38,389,200	28,520,500	29,852,200

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

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

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

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

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

Policy

General Fund support is included in the amount of \$60,000 in each fiscal year for an additional attorney in the 57th Circuit Court created by the 2001 General Assembly.

General Fund support is included in the amount of \$697,200 in fiscal year 2004 to open new full-time public defender offices in Boone County and Harrison County consistent with the Blue Ribbon Group recommendation.

**Public Protection and Regulation
Public Service Commission**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,527,900	11,752,100	11,527,900	11,752,100
Continuing Appropriation - Gen'l Fund			1,509,600	
Total General Fund	11,527,900	11,752,100	13,037,500	11,752,100
Restricted Funds				
Balance Forward	18,600	18,600	163,500	163,500
Current Receipts	24,000	24,000	2,524,000	24,000
Total Restricted Funds	42,600	42,600	2,687,500	187,500
Federal Funds				
Balance Forward	271,600	271,600	311,900	311,900
Current Receipts	259,800	272,200	259,800	272,200
Total Federal Funds	531,400	543,800	571,700	584,100
TOTAL SOURCE OF FUNDS	12,101,900	12,338,500	16,296,700	12,523,700
EXPENDITURES BY CLASS				
Personnel Cost	8,581,700	8,999,400	11,414,000	8,999,400
Operating Expenses	2,623,000	2,441,600	3,732,600	2,441,600
Debt Service	589,000	589,000	589,000	589,000
Capital Outlay	18,000	18,300	85,700	18,300
TOTAL EXPENDITURES	11,811,700	12,048,300	15,821,300	12,048,300
EXPENDITURES BY FUND SOURCE				
General Fund	11,527,900	11,752,100	13,037,500	11,752,100
Restricted Funds	24,000	24,000	2,524,000	24,000
Federal Funds	259,800	272,200	259,800	272,200
TOTAL EXPENDITURES	11,811,700	12,048,300	15,821,300	12,048,300
EXPENDITURES BY UNIT				
Administrative Services	5,146,700	5,261,700	8,226,200	5,409,600
Financial Analysis	1,818,300	1,901,300	1,924,000	1,852,100
Engineering	1,433,200	1,486,400	1,718,400	1,486,400
Secretary	1,807,700	1,767,100	2,017,400	1,719,900
Consumer Services	566,300	547,700	791,500	533,500
Research	519,900	539,500	584,400	519,300
Gas Pipeline Safety	519,600	544,600	559,400	527,500
TOTAL EXPENDITURES	11,811,700	12,048,300	15,821,300	12,048,300

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

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

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

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

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

Policy

Funding in the amount of \$130,000 in each fiscal year is included for transfer to the Natural Resources and Environmental Protection Cabinet to administer the Merchant Power Plant Inspection and Permitting program.

The Budget of the Commonwealth provides Restricted Fund appropriation authority up to \$2,500,000 in fiscal year 2003 to administer the Merchant Power Plant Inspections and Permitting Program. Money not expended by the Commission at the end of the permitting process is refunded to the applicant.

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

Notwithstanding KRS 278.150(3), \$793,000 from the General Fund moneys carried forward from fiscal year 2001-2002 into fiscal year 2002-2003 shall lapse to the credit of the General Fund in fiscal year 2002-2003.

**Public Protection and Regulation
Secretary**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	268,200	278,600	261,200	261,200
Total General Fund	268,200	278,600	261,200	261,200
Restricted Funds				
Balance Forward	102,165,000	106,568,300	67,791,000	6,862,200
Current Receipts	6,694,900	6,929,200	1,685,500	144,500
Non-Revenue Receipts	44,835,000	46,372,300	-28,473,700	20,125,800
Total Restricted Funds	153,694,900	159,869,800	41,002,800	27,132,500
TOTAL SOURCE OF FUNDS	153,963,100	160,148,400	41,264,000	27,393,700
EXPENDITURES BY CLASS				
Personnel Cost	6,541,100	6,800,400	6,441,500	6,680,600
Operating Expenses	40,273,800	41,038,300	27,380,400	24,801,900
Capital Outlay	579,900	535,000	579,900	535,000
TOTAL EXPENDITURES	47,394,800	48,373,700	34,401,800	32,017,500
EXPENDITURES BY FUND SOURCE				
General Fund	268,200	278,600	261,200	261,200
Restricted Funds	47,126,600	48,095,100	34,140,600	31,756,300
TOTAL EXPENDITURES	47,394,800	48,373,700	34,401,800	32,017,500
EXPENDITURES BY UNIT				
General Operations	2,397,700	2,476,700	2,298,100	2,356,900
Petroleum Storage Tank Environmental Assur. Fund	44,997,100	45,897,000	32,103,700	29,660,600
TOTAL EXPENDITURES	47,394,800	48,373,700	34,401,800	32,017,500

The Office of the Secretary serves the Governor as advisor and liaison for the overall direction and coordination of the eleven departments, boards, commissions, and funds in this Cabinet as outlined in KRS 12.265. The Secretary guides Cabinet agencies in policy and program implementation and is responsible for operating each agency in the most efficient and cost effective manner possible while maintaining a high quality of service to the public.

The Office of the Secretary is comprised of two appropriations units: General Operations and the Petroleum Storage Tank Environmental Assurance Fund. General Operations incorporates all other functions in the Office which include the Secretary's Office, the Office of General Counsel, and the Division of Administrative Services. Also included in general operations is the Mine Safety Review Commission.

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

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

With the exception of Mine Safety Review Commission, the Secretary's Office funds its operations with 100 percent restricted funds by assessing the agencies in the Cabinet an administrative fee.

Policy

Notwithstanding KRS 224.60 to KRS 224.60-155, the Petroleum Storage Tank Environment Assurance Fund will transfer \$74,100,000 in fiscal year 2002-2003 and \$26,500,000 in fiscal year 2003-2004 to the General Fund.

The Budget of the Commonwealth includes General Fund support in the amount of \$261,200 in fiscal year 2002-2003 and \$261,200 in fiscal year 2003-2004 for the Mine Safety Review Commission.

Restricted funds in the amount of \$300,000 shall be transferred from the Secretary's Office to the General Fund in fiscal year 2002-2003.

**Public Protection and Regulation
Tax Appeals**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	495,400	517,600	478,100	498,600
Total General Fund	495,400	517,600	478,100	498,600
TOTAL SOURCE OF FUNDS	495,400	517,600	478,100	498,600
EXPENDITURES BY CLASS				
Personnel Cost	435,500	456,500	418,200	437,500
Operating Expenses	59,900	61,100	59,900	61,100
TOTAL EXPENDITURES	495,400	517,600	478,100	498,600
EXPENDITURES BY FUND SOURCE				
General Fund	495,400	517,600	478,100	498,600
TOTAL EXPENDITURES	495,400	517,600	478,100	498,600
EXPENDITURES BY UNIT				
Tax Appeals	495,400	517,600	478,100	498,600
TOTAL EXPENDITURES	495,400	517,600	478,100	498,600

The Board of Tax Appeals was created by the 1964 General Assembly through KRS 131 as an independent administrative review agency with exclusive jurisdiction to hear and resolve appeals arising from final rulings, orders, and determinations of any agency of state or county government relating to revenue and taxation.

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

**Public Protection and Regulation
Charitable Gaming**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	730,600	675,500	1,326,400	1,271,300
Current Receipts	3,405,700	3,410,500	3,405,700	3,410,500
Total Restricted Funds	4,136,300	4,086,000	4,732,100	4,681,800
TOTAL SOURCE OF FUNDS	4,136,300	4,086,000	4,732,100	4,681,800
EXPENDITURES BY CLASS				
Personnel Cost	2,879,200	3,022,200	2,879,200	3,022,200
Operating Expenses	521,600	521,600	521,600	521,600
Capital Outlay	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	3,460,800	3,603,800	3,460,800	3,603,800
EXPENDITURES BY FUND SOURCE				
Restricted Funds	3,460,800	3,603,800	3,460,800	3,603,800
TOTAL EXPENDITURES	3,460,800	3,603,800	3,460,800	3,603,800

KRS Chapter 238 establishes the Department of Charitable Gaming within the Public Protection and Regulation Cabinet. The Department is charged with the licensure and regulation of charitable organizations conducting gaming in the Commonwealth of Kentucky.

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

Reported charitable gaming gross receipts surpassed \$576,000,000 in fiscal year 2000 and \$592,000,000 in fiscal year 2001.

Policy

An increase of the Charitable Gaming Gross Receipts fee to .53 percent is included for fiscal year 2002-2003 and fiscal year 2003-2004.