


Forward, Together



2024-2026 **EXECUTIVE BUDGET**

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KENTUCKY®

Budget in Brief

PREFACE

The Executive Branch budget for the 2024-2026 biennium is the financial plan for Kentucky State Government as proposed by the Governor for consideration by the 2024 General Assembly. It is published by the Office of State Budget Director, Governor's Office for Policy and Management in accordance with KRS Chapter 48.

Budget in Brief:	Executive Summary
	Budget Overview and Summary Data
	Revenue Estimates
	Capital Financing

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Table of Contents

	<u>PAGE</u>
BUDGET IN BRIEF – BUDGET SUMMARY DATA	
Executive Summary	1
General Fund Summary.....	22
Road Fund Summary	23
Revenue Estimates - General Fund.....	24
Revenue Estimates - Road Fund	27
General Fund Revenue Receipts Bar Chart	29
General Fund Expenditures Bar Chart.....	30
Distribution of General Fund Appropriations Pie Chart.....	31
Distribution of All Funds Appropriations Pie Chart.....	32
Capital Projects Summary.....	33
Capital Financing Analysis	34
Acknowledgements	60

Kentucky's 2024-2026 Executive Budget

EXECUTIVE SUMMARY

FORWARD, TOGETHER

Kentucky's economy is surging. The Commonwealth has seen record new private sector investment in the last four years. These successes have vaulted Kentucky's finances to a historic position and sets the table for game-changing and state-changing investments.

Kentucky had three consecutive fiscal years of record-setting budget surpluses. The revenue estimates for the 2024-2026 biennium continue that momentum. The Consensus Revenue Forecasting Group's new, official estimate calls for \$1.4 billion more in General Fund revenues than budgeted in the current year. Even with a 20 percent reduction in income tax rates, from 5 to 4 percent effective January 2024, the revenue estimate for fiscal year 2025 is approximately the same as the current year, with a 2.9 percent growth rate in fiscal year 2026.

The current biennial budget incorporated significant investments in infrastructure, postsecondary education, economic development, and public safety. Governor Beshear's 2024-2026 budget recommendation devotes another round of resources into these areas that will improve Kentuckians lives.

Governor Beshear's budget captures the momentum of Kentucky's economy by proposing to deploy historic levels of resources to build the world-class education system that creates a world-class workforce. Such a workforce will continue Kentucky's success at attracting world-class companies.

Too few resources have been targeted to Kentucky's preschool through high school education system during this time of good fiscal health. This budget infuses a record amount of badly needed resources into education, funding an 11 percent pay raise for all school employees and universal pre-school for all four-year olds.

It is responsible and disciplined in using one-time money for one-time uses. It directs funding to continue access to health care for the low-income and disabled. It continues economic development initiatives to improve preparation for additional mega-investments and the growth in the economy. It pays down our liabilities in pensions and deferred maintenance. It fully funds our pension systems. It provides additional relief and recovery from the devastating flooding in Eastern Kentucky. It raises pay for all state government employees, including an initiative to address the effects of many years without pay raises.

Governor Beshear believes that this next two-year budget period is Kentucky's chance to put politics aside and instead choose progress, cooperation and continued economic momentum. By making these critical investments we can continue to move forward, together, and turn the last four years of progress into decades of prosperity.

A FISCALLY RESPONSIBLE BUDGET

Governor Beshear's 2024-2026 budget is both fiscally responsible and real. The Governor's budget:

- Is based on sound economic assumptions agreed to by the nine-member Consensus Forecasting Group of outside economists and financial experts who under state statute determine the official revenue estimates
- Devotes non-recurring resources solely to non-recurring uses
- Pays down on the Commonwealth's largest pension liability
- Does not use any of the \$3.7 billion balance of the Budget Reserve Trust Fund, or rainy day fund, the largest balance in state history
- Pays down on the deferred maintenance debt of the Commonwealth
- Is structurally balanced, with less recurring spending than recurring revenues, setting up positive outlooks and flexibility for future budgets
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6% with a ratio of just 4.43%, one of the lowest debt ratios since the policy was adopted, even with the record level of debt enacted by the 2022 General Assembly.

EDUCATION FIRST

PRESCHOOL THROUGH HIGH SCHOOL EDUCATION

The Governor's budget adds over \$2.5 billion over the biennium to the public education budget.

Teacher/School Employee Pay Increases and Benefits

The Governor's budget calls for an unprecedented **11 percent salary increase** for all school personnel, and an 11 percent increase in the minimum teacher salary. An additional \$545 million is provided each year to ensure that every school district has sufficient funding for this pay increase. The allocations to school districts are within the SEEK budget, but they are not allocated through the SEEK formula funding – which guarantees enough money for every school district. This is the first identified pay increase in a state budget since fiscal year 2008.

Based on the most recently available reports from the National Education Association (NEA), it would raise Kentucky's starting teacher pay ranking from 44th to 24th. It would bring Kentucky up to 25th in average teacher salary, from its current ranking of 40th in NEA's rankings.

The budget **fully funds the teachers' pension and retiree medical benefits**. An additional \$118.3 million is provided in fiscal year 2025 and an additional \$308.8 million in fiscal year 2026. The Commonwealth's "shared responsibility" portion of funding the medical benefits requires \$65.9 million in fiscal year 2025 and \$84.2 million in fiscal year 2026.

There will be **no health insurance premium increases** for school employees. An additional \$100.2 million in fiscal year 2025 and \$184.6 million in fiscal year 2026 is included for the increase in employer contributions will prevent any premium increases for school employees.

Universal Preschool for all Four-Year-Olds and Full-Day Kindergarten

The Governor's plan includes \$172 million each year to fund universal preschool for all 4-year-old children so every child is kindergarten ready. The Department of Education estimates that about 34,000 additional Kentucky 4-year-olds would be provided preschool education. This would be an unprecedented increase in investment for Kentucky's children. Early childhood education is proven to make sure children have long-term academic success.

SEEK Funding - an 18% increase

Inclusive of the funding for an 11 percent pay increase for school employees, the Governor's budget provides an 18 percent increase in funding for the SEEK budget. Only the 1990 Education Reform Act and associated tax increases provided a larger percentage increase in the formula funding for Kentucky's education system.

Increases the Base Per Pupil by 4.0%

Kentucky's formula funding program for elementary and secondary schools, the SEEK program, has a base per-pupil of \$4,200 in fiscal year 2024. The Governor's budget raises that to \$4,368 in each fiscal year, a 4.0 percent increase. The increase provides **\$126.4 million more** in fiscal year 2025 and **\$114.2 million more** in fiscal year 2026.

Fully Fund Pupil Transportation

The Governor's budget fully funds pupil transportation for school districts, including in the current fiscal year. School districts have not received the funding intended by the statutory formula for pupil transportation since 2004. This budget adds **\$124.4 million** each year to fully fund school district costs for **pupil transportation**, a 45 percent increase in funding.

Due to higher property valuations and lower pupil attendance, there will be unspent funding in the SEEK budget in the current fiscal year. The Governor's budget proposes to use \$125 million to fully fund pupil transportation in the current year as well.

Teachers' Retirement Funding in SEEK Budget

The SEEK budget pays for all but the federal fund share of the teachers' retirement employer contributions for every eligible school district employee, an additional \$9.7 million in fiscal year 2025 and \$19.3 million in fiscal year 2026.

Facilities Funding

The equalization of school district local tax levies dedicated to capital improvements continues to be a growing part of the SEEK budget. An additional \$43.1 million in fiscal year 2025 and \$12.8 million in fiscal year 2026 is funded.

Teacher Student Loan Forgiveness

The Executive Budget restores a teacher loan forgiveness program to be administered by the Kentucky Higher Education Assistance Authority by providing \$26.3 million each year.

Early Learning Initiative

Recent legislation requires intensive intervention to K-3 students toward proficient performance in reading for students identified as needing accelerated progress toward proficiency. An additional \$2 million each year will support ongoing statewide professional learning needs and the salaries of literacy coaches plus a director for the program.

Career and Technical Education

The Governor recommends another \$100 million pool of funding for the renovation and improvements of secondary career and technical education centers. This is in addition to the \$245 million provided over the last two biennial budgets. The improvements to these facilities have modernized these facilities, providing more up-to-date technical programs, and have generated greater interest from employers – improving the pipeline from school to career.

School Construction Funding Cost Overrun Pool

Like other construction projects, local school district construction projects have also been impacted by inflation, leaving districts unable to complete projects as originally planned and stalling projects currently underway. The budget includes **\$150 million** from the General Fund for a pool of funds to fill the gaps in funding necessary to complete school district construction projects. Funds will be awarded by the School Facilities Construction Commission on a competitive basis.

School Facilities Construction Commission – Additional Offers of Assistance

The Governor’s budget includes authorization for the School Facilities Construction Commission to make an additional \$100 million in Offers of Assistance. It also includes the necessary debt service to finance the \$85 million in Offers of Assistance authorized in the 2022-2024 budget.

Professional Development and Textbooks/Instructional Resources

Past budget cuts have nearly eliminated state funding for professional development for teachers and instructional resources. The Governor recommends adding \$12.4 million each year for professional development and \$17 million each year for textbooks/instructional resources.

Social Emotional Learning/Mental Health

Funding of \$6.2 million each year is included to address social emotional learning and mental health for students and school staff with funding for statewide staff and eight regional Social Emotional Learning institutes for access to training of educators. Two new grant programs will allow school districts to provide wrap-around services to students impacted by violence, substance abuse, child abuse or parental incarceration, and training, resources and technical assistance to reduce exclusionary discipline.

Education Technology

An additional \$9 million is provided each year to increase the Kentucky Education Technology System (KETS) offers of assistance. These funds are matched dollar-for-dollar by the districts to refresh student instructional devices, for technology staffing, and address the rapid increase and replacement of computers and other technical devices.

Education Recovery

To support statewide efforts for school improvement, \$4 million in state funding each year will supplement current federal funding that restricts school improvement services for only the highest need schools in the state. These state funds will be used to support the recovery of lost education attainment due to COVID-19, provide school improvement to more schools by providing greater access to professional learning for school leaders, additional staffing to support improvement efforts underway in schools other than the highest need schools.

Middle School Acceleration

The budget includes \$5.0 million in fiscal year 2025 for a middle school acceleration pilot program to improve student outcomes at five school sites. This program targets middle school students who need an accelerated learning recovery program.

Family Resource and Youth Service Centers (FRYSCs)

The Governor included \$7.9 million more each year to increase the number of Family Resource and Youth Service Centers, targeting those that serve more than one school. There are currently 888 Family Resource and Youth Services Centers for 1,200 schools.

Library Grants

The General Assembly eliminated the longstanding library grant program. The Governor's budget restores the \$2.5 million annually for grants to local libraries.

POSTSECONDARY EDUCATION – 8% INCREASE

Base Funding Increases

From 2008 to 2020, about \$250 million in General Fund was cut from the nine public postsecondary education institutions. In recognition of these historical cuts, and amidst ongoing pressure from inflation, the Governor's budget adds **\$60.0 million** in fiscal year 2025 and **\$78.9 million** in fiscal year 2026 to their base budgets, a nearly 8 percent increase over the biennium. The hollowing out of state funds from past budget cuts, along with ongoing inflationary pressure and declining enrollment, have led to tuition increases and retrenchment as Kentucky aspires to meet the goal of 60 by 30 (60% of Kentuckians have a postsecondary degree or credential by 2030). Additional state funding will better position these institutions with the fiscal capacity to achieve that and other performance goals as well as help address increased costs due to inflation. A portion of the increase requested by the institutions and included in the Governor's budget is significant growth in the cost of property and casualty insurance.

Asset Preservation

The Governor's budget includes **\$400 million** from Bond Funds to continue to address deferred maintenance for the Commonwealth's largest physical plant, the nine postsecondary education institutions. When combined with the \$700 million in Bonds Funds included in the 2022-2024 enacted budget, total state investment comes to \$1.1 billion over a four-year period. Prior to these two rounds of funding, the last time the state provided funding for asset preservation was 20 years ago in the amount of \$103 million. In addition to new state dollars, each institution will continue to deploy institutional funds toward deferred maintenance. The distribution to each

institution is based on a consensus formula developed by the Council on Postsecondary Education with the institutions.

Additional Funds for New Construction

Construction cost inflation has impacted the postsecondary education institutions' ability to complete new construction projects that were funded in the last biennium in the amount of \$780.5 million. The Governor's budget includes an additional **\$142.7 million** in Bond Funds and **\$7.2 million in General Fund** to accommodate cost overruns for nine of these projects, which amounts to an approximately 22% increase on average.

KCTCS Workforce Training Assistance

The KCTCS Workforce Solutions program, also known as TRAINS, has seen unprecedented demand in recent years, doubling its number of partnerships with employers to provide customized workforce training from 2021 to 2022. To further grow this program, the Governor's budget includes an additional **\$8 million** from the General Fund over the biennium. Partnering with companies to upskill workers in a post-pandemic, high-tech environment will open up additional economic development opportunities for Kentucky as well as allow KCTCS to continue to meet the needs of existing employers.

Student Loan Forgiveness

The Governor's budget includes **\$49.3 million** each year from the General Fund for three new student loan forgiveness programs, focusing on public service areas currently experiencing worker shortages. The budget includes \$52.6 million for Teacher Loan Forgiveness, \$6 million for Social Service Worker Loan Forgiveness, and \$40 million for State Employee Loan Forgiveness as recommended by the Personnel Cabinet. These new programs will aid in the recruitment and retention of workers in these high demand public service areas.

Need-Based Student Financial Aid

Kentucky's need-based aid programs, the College Access Program (CAP) and the Kentucky Tuition Grant program, have benefitted from the dedication and growth of Lottery receipts in the past several years, **funding all eligible applicants for the first time ever** in the most recent budget. The maximum grant award for CAP increased from \$2,900 to \$5,300 last biennium. When leveraging federal Pell Grant dollars, the CAP program covers full-time tuition and fees at KCTCS and nearly covers the average tuition and fees at four-year institutions. The FAFSA Simplification Act of 2021 is expected to grow the number of CAP-eligible Kentuckians significantly beginning in fiscal year 2025. The budget includes **\$54.5 million** from the General Fund and **\$104.9 million** from previous years' excess Lottery receipts currently being held in a trust and agency fund to support this expected increase in eligibility.

Kentucky Affordable Prepaid Tuition (KAPT) Program

Unappropriated excess Lottery funds currently held in a trust and agency account in the amount of **\$34.7 million** are appropriated in fiscal year 2024 to provide a lump-sum contribution to the Kentucky Affordable Prepaid Tuition (KAPT) Trust Fund. This lump-sum contribution will ensure that the promises made to Kentucky families are honored.

Kentucky State University Nursing and Social Worker Scholarship Program

To improve the pipeline for the need to recruit essential state government workers, the budget includes General Fund of **\$500,000** in fiscal year 2025 and **\$750,000** in fiscal year 2026 for a new scholarship program at Kentucky State University for Nursing and Social Work students. Each scholarship recipient would agree to maintain employment at a state agency as a nurse or social service worker/social service clinician on a year-for-year basis for each year receiving the scholarship.

Optometry Scholarship Program and Veterinary School Contract Spaces

The budget sustains funding for the Optometry Scholarship Program and ensures that Kentucky's reserved spaces in out-of-state veterinary professional degree programs are intact with sufficient additional funding for their increased prices.

Pikeville Medical Center Psychiatry Residency Program

General Fund of **\$16 million** in fiscal year 2025 is included to establish multi-year, start-up funding for a psychiatry residency program through the Pikeville Medical Center. Funds will be distributed over a four-year period to support the program based on a plan submitted to the Council on Postsecondary Education and approved by its President. The goal of the program is to establish a pipeline of mental healthcare providers in a severely underserved portion of the state to meet the needs of Eastern Kentuckians.

ENHANCING PUBLIC SAFETY AND VICTIM SERVICES

Kentucky State Police

Salary Increase for Troopers

In 2022, the Kentucky State Police was experiencing an unprecedented shortage of troopers, its lowest in over 30 years, but with actions to support increased pay for the State Police, the Trooper complement has reached 1,007. In the current budget, Trooper pay was increased by \$15,000 in fiscal year 2023 plus an additional six percent raise in fiscal year 2024. This has resulted in progress in the number of Troopers, but the State Police need to continue adding to their ranks. The Governor's budget includes an additional \$2,500 pay increase in fiscal year 2025 followed by an inflationary increase in fiscal year 2026. This will assist in both recruitment and retention efforts by setting the starting Trooper pay at \$68,621. The Governor's budget includes additional \$8.3 million in fiscal year 2025 and an additional \$14.1 million in fiscal year 2026.

Additional Troopers

The Governor's budget includes funding to add 75 Troopers in fiscal year 2025 and an additional 75 in fiscal year 2026 – 150 more over the biennium. The budget includes \$11.1 million in fiscal year 2025 and \$21.7 million in fiscal year 2026.

Returning State Police Retirement Plan to Previous Plan

To further improve the ability to recruit and retain State Police troopers the Governor's budget aligns funding with proposed legislation to roll back the State Police Retirement systems Tier III hybrid cash balance plan to the Tier II plan. The Tier III plan started January of 2014. The less

beneficial change in the retirement plan has contributed to the difficulty in competing with other law enforcement agencies in recruiting and retaining state troopers.

State Police Emergency Radio System Replacement

The first three phases of replacing the State Police's emergency radio system were funded in the last three budgets. Additional funding of \$47.9 million is needed for continued radio tower equipment and tower sites. Overall, the project will replace the existing statewide emergency radio communications network which has reached the end of its life-cycle after 17 years. The new system will ensure a common technology platform and interoperable communications for those on the network.

Improved Compensation for Law Enforcement and Firefighters

Local and state law enforcement officers and local firefighters will receive a \$500 stipend increase from the Kentucky Law Enforcement and Firefighters Foundation Program funds, bringing the stipend up to \$4,800. Approximately, 8,000 law enforcement officers and over 4,100 firefighters will receive this increase. For the first time, the Governor recommends the inclusion of certified part-time law enforcement officers to receive a proportional amount of the training incentive stipend.

Juvenile Justice

Juvenile Detention Centers

To transition to a regional model as required by Senate Bill 162 from the 2023 legislative session, safely segregate males and females, and separate violent and nonviolent offenders this budget provides for capital funding for two new female-only juvenile detention centers in Fayette County and Western Kentucky, to renovate the Jefferson County Youth Detention Center, and to retrofit four detention centers in Breathitt, McCracken County, Fayette County, and the Lyndon Detention Center in Jefferson County. Most of the retrofit projects are necessary to ensure safe segregation of male high-level offenders from male low-level offenders. These facility plans, in combination with the increased staffing enabled by raising correctional officer salaries, once completed, will permit a safe return to a regional model that continues to detain female offenders in separate facilities.

Alternatives to Detention

To keep more youth out of detention the Department of Juvenile Justice has a system of Alternative to Detention services. The Courts are continually asking for more placements with a waiting list. The number of placements is similar to the number of detention center beds. Additional funding, \$3.9 million each year, is included to add approximately 450 additional placements and staff to coordinate these services.

High-Acuity Youth – Juvenile Justice and Department for Community Based Services

The Governor's budget provides for a capital project to renovate an existing facility on the grounds of one of state government's psychiatric hospitals to establish psychiatric treatment services for juveniles needing these mental health and medical services. Youth under the care of both the Department for Juvenile Justice and the Department for Community Based Services may be referred to this facility based on an assessment of their medical needs.

Corrections

Operations of Expanded Little Sandy Correctional Complex

The expansion of the Little Sandy Correctional Complex which will enable the closing of the 84-year-old Kentucky State Reformatory, requires additional funds to open and operate the expansion. The budget includes \$9.8 million in fiscal year 2025 and \$19.8 million in fiscal year 2026. The expansion is slated to be completed in January 2025.

Expand Reentry Services

Only half of the inmate population are receiving reentry services. The biggest gap is state felons in county jails, where recidivism exceeds those released from institutions. There is also a long waiting list within the adult correctional institutions. To expand reentry efforts additional funding of \$5.3 million in fiscal year 2025 and \$5.2 million in fiscal year 2026 is provided to expand reentry services in jails and to the entire adult correctional institution inmate population.

Capital funding is included to construct a reentry skilled training facility on the grounds of the Eastern Kentucky Correctional Complex. The Department will enter into an agreement with an entity that will fit-up the training facility and provide the skills training with the goal of private sector employment upon their release back into society.

Expand Addiction and Assessment Services

To address a backlog in demand for substance abuse programs in the adult correctional institutions, and in jails, \$2.1 million in funding each year is included to expand medically assisted treatment, community assessment services, and approved provider services.

Returning Hazardous Duty Retirement Plan to Previous Plan

The Departments of Corrections and Juvenile Justice have significant staffing gaps to operate critical institutions. Previous pay increases for the security staff of adult correctional institutions and the youth workers in juvenile justice facilities have assisted in recruitment and retention. To further improve the ability to recruit and retain staffing, the Governor's budget proposes to transition the Kentucky Employees hazardous duty retirement plan's Tier III hybrid cash balance plan to the Tier II defined benefit plan. The Tier III plan started January of 2014. The less beneficial change in the retirement plan has contributed to the difficulty in recruiting and retaining staff at these facilities.

Probation and Parole – Caseload Increase

To accommodate an expected two percent increase in the probation and parole caseload, an additional 20 probation and parole officers is funded to maintain a caseload of 89 per officer, at a cost of \$1.3 million in fiscal year 2026.

Supporting State Prosecutors and Victim Services

Commonwealth Attorneys - The Governor's budget provides over \$4.8 million each year to implement Marsy's law.

County Attorneys - The Governor's budget provides over \$7.0 million each year to implement Marsy's law.

State Operation of the Jefferson County Public Defender Office

The Governor's budget provides \$10.5 million in each fiscal year for the state to take over the operation of the Jefferson County public defender office as required by House Bill 568 from the 2023 legislative session.

Public Advocacy – Conflict Cases

An additional \$2.2 million is added each year to the Department for Public Advocacy's budget for conflict cases; cases where multiple defendants require representation and outside attorneys provide defense services. This is a nearly 90 percent increase in the budget for conflict cases.

Expansion of Forensic Services

The Governor's budget includes \$3.1 million in General Fund each fiscal year to create competency and restoration programs. The programs include a community and jail-based competency and restoration program and a pilot step down residential program for individuals completing hospitalization at the Kentucky Correctional Psychiatric Center under KRS 202C and transitioning to the community.

Body Armor Grant Program for Local Governments

The Governor's budget provides \$35 million for a grant program for local law enforcement and first responder agencies to purchase high-quality body armor. These funds will provide law-enforcement agencies and first responders with the needed body armor equipment to do their jobs safely while protecting the citizens of the Commonwealth.

Urban Search and Rescue

The Governor's budget includes funding for a new, statewide Urban Search and Rescue program created in House Bill 157 during the 2023 legislative session. Recent disasters in the Commonwealth have required the use of eight federal Urban Search and Rescue Teams to aid Commonwealth citizens. The creation of a Commonwealth Urban Search and Rescue Team will allow for rapid response to disasters and provide Kentuckians with lifesaving assistance. The General Fund will provide \$8.3 million in fiscal year 2025 and \$7.8 million in fiscal year 2026.

Next Generation 911 System

For many years the Commonwealth and all of its 911 call centers at the local and state level have been implementing foundational project to prepare for Next Generation 911. The Governor's budget includes \$5.0 million each year which will support the Office of Homeland Security to complete the full statewide deployment of the Next Generation 911 system capability. The system will have the technology to route wireless calls based on the actual location of the caller needing 911 services. To complete the implementation this funding will support the procurement of IP connectivity for all Kentucky 911 call centers and geospatial call routing, statewide text control center (texting to/from 911), network diversity and to support the foundational projects including mapping, analytics and GIS validation/integration services.

Western Kentucky Regional Training Center

The Governor's capital budget provides \$146.1 million to construct a Western Kentucky Regional Training Center for the Department of Criminal Justice Training to expand law enforcement basic training, in-service training, and advanced skills training in the western part of the state.

Child Fatality and Near Fatality External Review Panel

Due to a near doubling of caseload since 2019, a required database merger, and the demand to implement recommendations, funding is provided for additional staffing, epidemiology support, and to support the development of an improved case management system.

PROTECTING AND EXPANDING HEALTH CARE

Fully Funding Medicaid

The Governor's budget fully funds the Medicaid program, including Medicaid expansion. During the national public health emergency resulting from COVID-19, the federal government provided all states with an enhanced federal share that has provided Kentucky with over \$2 billion in additional funding for the Medicaid program over the last four years. Those extra funds expire at the end of calendar year 2023. The Governor's budget addresses the return of Kentucky's higher portion of funding Medicaid and ensures that the health care provided for over 1.5 million Kentuckians continues. To do so, an additional \$395 million from the General Fund is required for fiscal year 2026.

Medicaid Waivers – Michelle P. and Supports for Community Living Slot Increases

The Governor's budget recommendation includes funding for 500 additional slots in the Michelle P. waiver program and 250 additional slots in the Supports for Community Living waiver program. These are health care services provided to populations who have mental or intellectual disabilities. Funding for these increases totals \$51.6 million each year, with \$14.7 million from the General Fund.

Medicaid-Nursing Home Facility Rate Rebasing

The Governor's budget provides \$220 million in fiscal year 2025 and \$235 million in fiscal year 2026 to provide for a rebase of nursing home reimbursement rates effective July 1, 2024. The periodic rebasing of nursing home reimbursement rates is mandated by the federal government. The General Fund amounts are \$62.5 million for fiscal year 2025 and \$67.0 million for fiscal year 2026.

Mobile Crisis Intervention Services

The Governor's budget advances an innovative model to expand mobile crisis intervention services statewide. Funding is included in the Medicaid and the Behavioral Health budgets for a community-based program with co-responder teams including trained behavioral health professionals, to respond to behavioral health or substance use disorder crisis in communities. The goal is to provide a response to crisis situations that address both the public safety and mental health needs of individuals in crisis and divert them from the emergency room or from jail and provide appropriate medical services. The budget includes \$41.2 million over the biennium to provide mobile crisis intervention services throughout the Commonwealth. The General Fund portion is \$10 million in fiscal year 2025 and \$15 million in fiscal year 2026.

Medicaid - Serious Mental Illness Waiver Expansion

The Governor's budget provides \$15.2 million in fiscal year 2025 and \$16.2 million in fiscal year 2026 to expand services for Medicaid's Serious Mental Illness Waiver, of which the

General Fund amount is \$4.3 million and \$4.6 million, respectively. This expansion of services creates a recuperative care pilot program. Services provided in this pilot include 3 meals a day, transportation for aftercare appointments, daily medical checks, medication monitoring, and a nursing assessment within 24 hours of admission.

Tim's Law

Tim's law authorizes state courts to order assisted outpatient treatment for the small number of individuals diagnosed with a serious mental illness but would not voluntarily agree. Federal funding for Central State and Western State Hospital ends this fiscal year. The Governor's budget provides \$1,000,000 each fiscal year to replace the grant funds.

Kentucky Pediatric Research Trust Fund

The Governor's budget continues funding to the Kentucky Pediatric Research Trust Fund by adding \$5,000,000 each year to the base funding of \$2,500,000. The Trust Fund serves as an umbrella organization to organize all pediatric cancer work across the state.

Medical Cannabis

The Governor's budget includes funding for the newly created Office of Medical Cannabis. This office will be responsible for the implementation, operation, oversight, and regulation of the medical cannabis program established from Senate Bill 47 in the 2023 legislative session. Beginning January 1, 2025, the use of medical cannabis by a patient cardholder will be considered lawful in the Commonwealth.

Central Lab Expansion

The Governor's capital budget includes \$185 million for the Central Lab Expansion capital project. The Central lab is over 30 years old and has serious structural and safety issues. The expansion of the lab will allow the Department of Public Health to carry out federal and state mandated programs without interruption.

PROTECTING CHILDREN & FAMILIES

100 Additional Social Workers

Community Based Services currently has about 1,120 caseload carrying Social Service Worker and Social Service Clinician staff. Current average caseload is 19 with an average caseload with past due cases of 27. Adding 100 more staff would bring the average caseload to 17 and the average caseload with past due cases to 25. This will allow Kentucky's families and children to have caseworkers that have the time and experience to move their cases along to better outcomes for them and for Kentucky.

Foster Care Rate Increase

The Governor's budget includes \$9.8 million each fiscal year for a 12 percent rate increase for the Department for Community Based Services foster homes that serve children which require the highest quality of care and cannot be placed in a family-based setting. This is the first rate increase since 2016.

Relative Caregiver Rate Increase

The federal government has issued a new rule which permits states to separately license relative (kin) foster care families from other foster care families. Kentucky plans to implement this new flexibility, as that will be an incentive to increase the number of relative caregivers. The federal rule requires that if a state chooses this new flexibility, it must provide the same financial assistance to relative caregivers as provided licensed foster care families. The Governor's budget includes \$10 million from the General Fund in each fiscal year to increase rates for relative caregivers who agree to take a child that is already in the state's custody.

Social Service Worker Student Loan Forgiveness

The Governor's budget provides \$3.0 million each year for a loan forgiveness program that will provide a maximum \$3,000 annual award for student loan forgiveness for each year of employment in the Department for Community Based Services as a social service worker.

Senior Meals – Continue to Ensure No Waitlist

The Governor's budget includes \$10 million from the General Fund in each fiscal year to continue providing nutritional meals for senior citizens in the community without having a waitlist.

State Long-Term Care Ombudsman

The Governor's budget includes \$1.1 million from the General Fund in each fiscal year to support the State Long-Term Care Ombudsman programs to finance the unfunded mandate to provide services to assisted living facilities as passed in Senate Bill 11 from the 2022 legislative session to work with residents, families, resident councils, and facility management to resolve issues.

CREATING AND ATTRACTING JOBS

Kentucky Product Development Initiative

The budget includes another \$100 million for the Kentucky Product Development Initiative, now codified in KRS 154.21. Similar to the \$100 million provided in the 2022-24 budget, the Governor recommends \$50 million each year to be allocated to each of Kentucky's 120 counties based on population. This new program has been successful and the additional funding will support local governments and regional economic development organizations to finance site acquisition, due diligence studies, and site preparation and development improvements. This initiative is implemented with the participation of the Kentucky Association for Economic Development. When companies are making decisions on where to expand or locate their operation, Kentucky's ability to provide location options which are "build-ready" is critical.

Mega Project Additional Funding

The budget includes \$100 million in fiscal year 2025 to support approved mega projects. Projects for consideration must involve the creation of at least 250 jobs paying an average of at least thirty dollars an hour. Funding will be used to ensure sites and infrastructure are attractive to projects considering no more than two other states, and at least one site in the Commonwealth.

Talent Attraction Media Campaign

To ensure that the Commonwealth is competitive now and into the future, significant strides must be taken to attract talent to Kentucky's workforce. The Governor proposes to fund this with \$15 million. The campaign will serve two purposes: a statewide marketing campaign through the Economic Development Cabinet, to showcase the quality-of-life benefits and career opportunities of Kentucky, and to assist localities and/or regions to execute a more targeted talent attraction campaigns for the specific workforce and industry needs in their areas.

South Korea Office

The budget includes \$500,000 in each fiscal year to support contracting with the Cabinet for Economic Development representation in South Korea. Representation will attract new projects and expansion opportunities for South Korean businesses located in or considering Kentucky.

Local Economic Development Project Due Diligence Services

There are many instances in which a local community needs to perform some due diligence on an economic development project through a Request for Information or similar method but does not have funding to complete the due diligence risking their prospects of meeting project deadlines. The Cabinet for Economic Development seeks to improve this process by having access to funding to obtain the needed due diligence for a project as determined by the Cabinet Secretary. The budget includes \$350,000 in both fiscal years to assist local communities in this effort.

INFRASTRUCTURE INVESTMENT

Better Kentucky Cleaner Water Program

The Governor's budget includes \$500 million from the General Fund in fiscal year 2025 for the Better Kentucky Cleaner Water program to provide grants pertaining to utilities to complete various water and wastewater projects throughout the Commonwealth, which shall be allocated to each county based on population. The county's allocation shall be determined by each county's proportion of the state's population from the 2020 Census, with the exception of Jefferson County's share, which is discounted by 50 percent.

Water Management Assistance Fund

The Governor's budget includes \$30 million from the General Fund in fiscal year 2025 for the Water Management Assistance Fund to provide assistance for capital and non-capital expenses of governmental entities that provide drinking water and wastewater services to the public.

Major Transportation Infrastructure Projects

The Governor's Budget includes another historic investment of \$300 million from the General Fund for Major Transportation Infrastructure Projects. The intention of these one-time funds is to lock in an ability for Kentucky to meet an expected state share of potential federal competitive grants for major transportation infrastructure projects in combination with other resources. The two major projects targeted are the I-69 Ohio River crossing in Hendersonville in concert with the state of Indiana, and the completion of the Mountain Parkway project. These funds give Kentucky an improved prospect at leveraging new federal funding from the Infrastructure Investment and Jobs Act.

County and City Bridge Improvement Program

Included in the Governor’s budget is \$50 million over the biennium from the General Fund to fund a County and City Bridge improvement program. Currently there are 5,315 county and city bridges. The Transportation Cabinet conducts ongoing assessments of the condition of all these bridges. Currently 362 bridges or 6.8% are either closed or substandard, resulting in weight restrictions, 479 bridges are considered in poor condition, and 296 bridges are the only access to an area, referred to as Isolated Community Access bridges. While the responsibility for repair and replacement of these bridges falls on local governments, the size of the need far exceeds available local resources. This program will use the bridge condition data and other sources to develop a ranking process to determine prioritization for use of the \$50 million in state funds for the replacement and/or repair, provide data and education to increase bridge longevity, and focus on corrective action early to minimize more expensive future needs.

Highways Contingency Account

The Governor’s budget adds \$28 million from the General Fund to support the Highway Construction Contingency Account in addition to returning the Road Fund portion to \$31 million from \$16 million. The Highway Contingency Account is generally utilized for “worst condition” repairs to roads in the city and county road systems across the state.

Governor’s 2024-2026 Biennial Highway Construction Plan

The 2024-2026 biennial highway construction plan is based on \$8.8 billion in anticipated state and federal highway program revenues. Much of this funding is committed to continuing the development and construction of projects carried forward from the 2022 Highway Plan. Highlighted in the plan is a recommendation of almost \$600 million annually for investment in Kentucky’s existing pavements and bridges. This plan also charts a toll-free pathway for funding the I-71/75 Brent Spence Bridge project in Northern Kentucky, provides funding for continuing the development of the I-69 Ohio River crossing, and provides funding to extend the 4-lane Mountain Parkway from Salyersville to Prestonsburg.

High-Speed Internet – Broadband Expansion

Kentucky will receive nearly \$1.1 billion in federal Broadband Equity Access and Deployment (BEAD) funds based on 259,258 unserved locations as mapped by the Federal Communications Commission. Once Kentucky’s Initial Proposal, submitted in December 2023 to the National Telecommunications and Information Administration (NTIA), is approved Kentucky will have access to 20% of this funding. The BEAD Challenge Process will take place in the first quarter of 2024 to determine locations eligible for funding, then the subgrantee selection process will begin afterwards.

General Aviation Airports

The Governor recommends investing \$50 million in Kentucky’s to support the State’s 58 general aviation airports for the development, rehabilitation, and maintenance of public use aviation facilities, from the state’s General Fund. This is in addition to the Aviation Economic Development Fund financed from jet fuel tax revenues that is used to support Kentucky’s general aviation airports.

Paducah Riverfront Project

An additional \$3.5 million is provided to complete the Paducah Riverfront Project, which the City of Paducah will match with an additional \$1.5 million. In 2019, the City of Paducah was awarded a \$10.4 million BUILD grant from the U.S. Department of Transportation for a Riverport Infrastructure Project. Since the grant was awarded, the price of the project has increased significantly due to inflation, supply chain issues and labor shortages. This funding will allow them to complete the project as planned.

PREPARING A WORLD-CLASS WORKFORCE

Child Care Assistance

From a combination of efforts and in concert with the Governor’s proposal for universal preschool, the Governor’s budget includes about \$68 million in fiscal year 2025 and \$73 million in fiscal year 2026 for child care assistance. There are three components of this initiative. First, \$40 million each year from the General Fund to retain the average \$37 per day provider reimbursement rate for the Child Care Assistance Program (CCAP). Without this funding, the expiration of temporary federal funds would cause the average reimbursement rate to fall to \$24 per day. Second, it is expected that about \$13 million in existing federal child care development funds will be freed up due to universal preschool, making available the funding to target children ages 0 to 3 years in the CCAP program. Third, to encourage the availability of more private child care slots, an additional \$15 million in fiscal year 2025 and \$20 million in fiscal year 2026 from the General Fund is included for child care payments to providers who care for children ages 0 through 3 years who are not eligible for the federal child care assistance program.

Apprenticeship Expansion

The Education and Labor Cabinet’s apprenticeship program currently services 4,000 apprenticeships along with 3,000 new apprenticeships each year. Additional funding is included for 640 new apprenticeships, \$1.5 million each year.

Jobs on Day One

As a complement to the Department of Corrections’ reentry program, the Education and Labor Cabinet is provided \$450,000 in fiscal year 2025 and \$550,000 in fiscal year 2026 to provide career services orientation to state inmates in correctional institutions and in jails through reentry career success navigators who will provide career services plans, provide employment preparedness, support with job and career placement. The combined framework will prepare inmates for “Jobs on Day One” and focus on a system-wide approach to address the reentry population.

Unemployment Insurance – Restore Staffing and Public Services Capacity

The budget funds the restoration of 90 staff positions eliminated in past budgets. They are being restored to provide in-person services to unemployed persons with their unemployment insurance claims at the twelve career centers across the state. The employees will be cross-trained to also provide employment-related services to employers and job seekers including employment counseling and job search assistance. The funding for the 90 positions is \$3.5 million in fiscal year 2025 and \$7.7 million in fiscal year 2026 from the General Fund

Area Health Education Centers

Area Health Education Centers promote health careers at schools, prepare students for the Medical College Admission Test, and create a nursing pipeline. There are program offices at the University of Kentucky and the University of Louisville, eight Regional Centers, nine host institutions, and a host of community partners. In the current budget, \$2.5 million was provided from federal pandemic funds. The Governor's budget continues that increase by replacing the expiring federal dollars from the General Fund.

INVESTING IN OUR PUBLIC EMPLOYEES & RETIREES

Salary Increases for State Employees

The Governor's budget continues to improve the salaries of Kentucky state government employees. Throughout fiscal year 2023 and fiscal year 2024, the Personnel Cabinet has completed their job classification review process covering over 1,300 job classes. Through that process about 19,000 state employees received a salary increase associated with the review's conclusions.

The Governor proposes an innovative approach to a problem that has built since fiscal year 2011, when state employees received no pay increases for 10 of the following 12 years. The problem is referred to as salary compression. Because of the lack of pay increases, new employees can make a similar salary as more senior employees. To partially address the issue, the Governor is recommending nearly \$90 million each year to provide a variable percentage increase to state employees based upon months of service working for the Commonwealth. About half of the funding is from the General Fund. The percentage increases are:

- 1% for 24 to 83 months of continuous service
- 3% for 84 to 119 months of continuous service
- 5% for 120 to 155 months of continuous service
- 7% for 156 or more months of continuous service

All chapter 18A classified employees are eligible to receive the increase. This increase excludes most of the 18A unclassified positions, unclassified employees who have an annual salary of \$100,000 or more, and high-level positions within state agencies that do not participate in the 18A personnel system. A more specific list is included in Part IV of the Governor's recommended appropriations bill. These increases would be effective June 16, 2024.

Salary Increments for State Employees

In addition to addressing the compression of state employee salaries, the Governor proposes a 6 percent across-the-board increase effective July 1, 2024 and a 4 percent increase effective July 1, 2025.

When combined with the salary increases approved in the current budget for fiscal years 2023 and 2024, state employees who have been employed throughout fiscal years 2023-2026 will have received at least a 27 to 35 percent salary increase over that four-year period.

Health Insurance – No Premium Increases for State Employees

The Governor’s budget includes an additional \$19.2 million in fiscal year 2025 and \$42.4 million in fiscal year 2026 from the General Fund for the increase in health insurance employer contributions that will prevent any premium increases for state employees.

State Employee Loan Forgiveness Retention Program

To improve the recruitment and retention of state government employees, the Governor is proposing a new student loan forgiveness retention program.

Fully Funding Pensions

The Governor’s budget again fully funds the actuarially determined contributions for all state employees for all retirement system plans.

13th Check for Retirees from the Kentucky Employees Retirement System and the State Police Retirement System

The Governor is recommending \$100 million from one-time funds for a “13th check” in fiscal year 2025 to retired members in the Kentucky Employees Retirement System and the State Police Retirement System who retired prior to July 1, 2023. Retired members from these systems have not received any cost-of-living adjustments since 2012.

Paying Down Pension Liabilities

The Governor includes extra funding to pay down the pension liability of the Kentucky Retirement System’s nonhazardous pension plan, which has a \$13.9 billion unfunded actuarial liability. The budget includes \$209 million over the biennium. This amount is equal to the reduction in the Executive branch’s fixed allocation portion of the unfunded liability compared to the 2022-24 biennium.

Sports Wagering Tax Collections

The recently enacted Sports Wagering legislation directs the bulk of the sports wagering license and tax collections to the Permanent Pension Fund. The Governor’s budget directs all of the funds deposited into the Permanent Pension Fund to be transferred to the Kentucky Public Pensions Authority and applied to the unfunded pension liability of the Kentucky Employees Nonhazardous pension fund. These amounts are net of the costs of administering Sports Wagering and the 2.5 percent set aside for the Problem Gaming fund.

PARTNERING WITH LOCAL GOVERNMENTS

Returning Coal Severance Tax Revenues to Counties

The Governor’s budget proposes to return 100% of state coal severance tax revenues back to coal-producing counties. With this policy change, the Local Government Economic Development Fund would be \$13.4 million higher in fiscal year 2025 and \$13.1 million higher in fiscal year 2026. The Local Government Economic Assistance Fund would be \$5.7 million higher in fiscal year 2025 and \$5.6 million higher in fiscal year 2026. When combined, the two funds would be \$19.1 million higher in fiscal year 2025 and \$18.8 million higher in fiscal year 2025.

Additional Funding to Match Federal Grants – the “GRANT” Program

The Governor’s budget includes \$100 million in one-time funding from the General Fund to provide financing for the new GRANT program enacted by House Bill 9 from the 2022 legislative session. This program is for providing matching funds to local government and nonprofit entities for competitive federal grant applications.

East Kentucky SAFE Fund

The \$125.9 million portion of the East Kentucky SAFE Fund that was budgeted for counties, cities, school districts, nonprofit utilities, and state agencies has been exhausted. The Governor’s budget seeks to add \$75.0 million in the current fiscal year to shore up the fund and provide further resources for recovery. Eighteen requests for funding have been denied due to the lack of funds.

Affordable Housing

Governor Beshear is recommending \$10 million from the General Fund over two years to the Kentucky Housing Corporation’s Affordable Housing Trust Fund so the organization can provide more affordable housing to qualifying Kentuckians. This would be the first investment from the General Fund in this program in almost 20 years.

Property Valuation Administrators

The budget includes \$2.0 million each year for additional staff positions across the 120 PVA offices that have been lost due to past budget cuts. A formula is used to allocate funding for positions in PVA office across the state.

INVESTING IN VETERANS

Bowling Green Veterans Center – Beginning Operations

The budget includes funding to open the Bowling Green Veterans Center which is currently under construction, \$12.1 million in fiscal year 2025 and \$15.3 million in fiscal year 2026. In the second year, due to achieving Medicaid certification, \$10.0 million is from other funding sources.

TOURISM

State Parks Improvements

The Governor’s budget provides very specific details for projects in the Parks system to be funded from the \$71 million set-aside by the 2022 legislative session for improvements to the Parks properties. The funding covers building systems improvements, accommodation hospitality upgrades, and recreational amenities upgrades. The release of these funds is vital to maintain the momentum Parks has gained in revitalizing and restoring one of the Commonwealth’s greatest treasures, the Kentucky State Parks system. These parks provide tourists from all over the nation and around the world unique opportunities to take in the unsurpassed beauty of this great commonwealth and these funds will be used ensure an experience that keeps them coming back.

Additionally, the Governor is proposing capital funding of \$184 million for another set of projects needed for the Parks system to thrive – ranging from the reconstruction of marinas, new

conference centers, to updating and upgrading Parks' electrical distribution and wastewater treatment systems.

Preserving History and Heritage

Over the biennium, \$2.7 million is provided for the Martin Luther King, Jr. Commission, the Native American Heritage Commission, the Center for African American Heritage, and the Riverside, Farnsley-Moremey Landing to preserve the rich history and heritage of the Commonwealth and its people.

Tourism Marketing

An additional \$4.0 million is included in fiscal year 2025 and \$7.0 million in fiscal year 2026 from the Tourism, Meeting and Convention Marketing fund to broaden current efforts to market Kentucky as the world class tourist destination that it is.

Arts Programs and Education

The Governor's budget provides over \$1 million in fiscal year 2026 to the Governor's School for the Arts to maintain a second summer program serving an additional 256 creatively gifted students. This second program is currently supported by federal funds that are set to expire September 2024. An additional \$1.3 million is provided to the Arts Council to increase grants-in-aid to non-profit arts organizations that essentially function as the Commonwealth's arts infrastructure and are known as Kentucky Arts Partnership organizations.

ENHANCING FISCAL RESPONSIBILITY

Budget Reserve Trust Fund

The current balance of the Fund is a little over \$3.7 billion, the largest dollar amount ever and the highest ratio of balance to the enacted fiscal year 2022 revenue estimate, at 12.5 percent. The Governor's budget recommendation does not use any portion of the Budget Reserve Trust Fund.

Structural Balance

One measure of a fiscally responsible budget is how recurring revenues line up with recurring spending. The Governor's budget is structurally balanced, because the recurring spending in both fiscal years is less than recurring revenues.

PAYING DOWN THE DEBT OF STATE GOVERNMENT'S DEFERRED MAINTENANCE – Over \$800 Million

Governor Beshear's budget proposes a significant payment against the debt obligation of deferred maintenance to Kentucky state government's physical plant, second only to his budget recommendation in 2022. Including the \$400 million for asset preservation for the public postsecondary education institutions, over \$160 million for improvements and repairs to our state parks, and over \$240 million devoted to major maintenance, renovations and repairs for the rest of state government's large physical plant, the budget has a total of over \$800 million to reduce the debt of deferred maintenance. This includes replacing or repairing building systems which have determined by the Finance and Administration Cabinet as past their useful life, with some

in dire need. The funding covers correctional, mental health, veterans, military affairs, tourism, state police, and state office facilities.

ENERGY AND ENVIRONMENT

The Governor's budget includes additional staffing in the Energy and Environment Cabinet associated with an increase in workload and being prepared for changes. More oil and gas field inspectors, evaluating the vulnerability of drinking water and wastewater systems in Kentucky, contending with the oncoming regulatory framework for PFAS chemicals, the significant construction investment in drinking water and wastewater systems, and conducting timely dam inspections.

DOING WHAT IS RIGHT

Commission on Women

The budget reinstates funding for the Commission on Women, so that it can perform its statutory requirements to promote, encourage and provide advisory assistance in the establishment of local volunteer community improvement programs for, and of interest to women.

Commission on Human Rights

The Governor's budget restores funding cut from previous budgets for additional staffing so that the Commission can meet its requirements.

One-Time Louisville Bridge Toll Tax Credit

Governor Beshear proposes to use one-time funds to underwrite a one-year nonrefundable tax credit for Kentuckians equal to the aggregate amount of tolls paid for use of the three Louisville/Jefferson County bridges during calendar year 2024.

**2024-2026 EXECUTIVE BUDGET
GENERAL FUND SUMMARY**

	Revised FY 2024	FY 2025	FY 2026
RESOURCES			
Beginning Balance	1,818,364,800	1,885,111,000	287,141,800
Revenue Estimate	15,554,500,000	15,549,500,000	16,002,600,000
Revenue Changes		(32,500,000)	
FEMA Reimbursements	80,000,000	50,000,000	0
Fund Transfers	5,273,300	3,718,100	3,675,600
RESOURCES	17,458,138,100	17,455,829,100	16,293,417,400
Continued Appropriation Reserve			
Budget Reserve Trust Fund	2,260,597,200	3,713,518,600	3,713,518,600
Executive Branch	682,071,100	682,071,100	682,071,100
Judicial Branch	27,375,000	27,375,000	27,375,000
Legislative Branch	40,585,500	40,585,500	40,585,500
Continued Appropriation Reserve	3,010,628,800	4,463,550,200	4,463,550,200
TOTAL RESOURCES	20,468,766,900	21,919,379,300	20,756,967,600
APPROPRIATIONS			
Appropriations-Executive Branch	13,530,479,300	16,651,984,200	15,749,166,800
Special Appropriations-Executive Branch	105,074,900		
Appropriations-Legislative Branch	89,891,200	72,569,200	74,605,400
Appropriations-Judicial Branch	443,259,300	452,121,600	474,739,700
Current Year Appropriations	90,790,800		
Reserve for Necessary Government Expense	100,000,000		
Enacted Lapse	(8,895,700)	(7,987,700)	(6,917,100)
Unbudgeted Lapse	(243,090,300)		
Contingent Appropriation of Lottery Receipts	3,000,000		
Dedicated Revenues-Severance Taxes	9,596,200		
TOTAL APPROPRIATIONS	14,120,105,700	17,168,687,300	16,291,594,800
BALANCE	6,348,661,200	4,750,692,000	4,465,372,800
Continued Appropriation Reserve			
Budget Reserve Trust Fund	3,713,518,600	3,713,518,600	3,713,518,600
Executive Branch	682,071,100	682,071,100	682,071,100
Judicial Branch	27,375,000	27,375,000	27,375,000
Legislative Branch	40,585,500	40,585,500	40,585,500
Continued Appropriation Reserve	4,463,550,200	4,463,550,200	4,463,550,200
ENDING BALANCE	1,885,111,000	287,141,800	1,822,600

**2024-2026 BIENNIAL BUDGET
ROAD FUND SUMMARY**

	Revised FY 2024	Recommended FY 2025	Recommended FY 2026
RESOURCES			
Beginning Balance	12,259,900	157,587,300	51,517,600
Official Revenue Estimate	1,881,700,000	1,825,000,000	1,894,300,000
Fund Transfers	835,300	838,500	837,500
TOTAL RESOURCES	1,894,795,200	1,983,425,800	1,946,655,100
APPROPRIATIONS			
Appropriations	1,694,798,700	1,934,176,900	1,948,629,500
Dedicated Revenue Adjustments	42,462,200		
Current Year Appropriations	2,500,000		
Budgeted Lapse	(2,553,000)	(2,268,700)	(1,974,400)
TOTAL APPROPRIATIONS	1,737,207,900	1,931,908,200	1,946,655,100
ENDING BALANCE	157,587,300	51,517,600	0

**General Fund
Official Revenue Estimate FY2024 - FY2026
(Millions of Dollars)**

	<u>FY23</u>	<u>FY24</u>		<u>FY25</u>		<u>FY26</u>	
	Actual	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income	\$5,843.9	\$5,778.3	-1.1	\$5,548.1	-4.0	\$5,742.1	3.5
Sales & Use	5,576.3	5,828.4	4.5	6,082.1	4.4	6,315.9	3.8
Corp. Inc. & LLET	1,221.6	1,277.4	4.6	1,283.3	0.5	1,313.4	2.3
Property	774.4	808.6	4.4	837.2	3.5	861.9	3.0
Lottery	337.0	343.6	2.0	360.0	4.8	370.0	2.8
Cigarettes	299.3	272.2	-9.0	249.5	-8.3	231.7	-7.1
Coal Severance	96.6	84.9	-12.1	74.4	-12.3	57.7	-22.5
Other	998.7	1,161.2	16.3	1,114.9	-4.0	1,110.0	-0.4
Total General Fund	\$15,147.7	\$15,554.5	2.7	\$15,549.5	0.0	\$16,002.6	2.9

General Fund Detailed Consensus Estimates

Source	Actual 2023	Estimate 2024	Estimate 2025	Estimate 2026
Individual Income Tax	\$5,843,883,534	\$5,778,300,000	\$5,548,100,000	\$5,742,100,000
Sales & Use	\$5,576,312,025	\$5,828,400,000	\$6,082,100,000	\$6,315,900,000
Corporate Income & LLET	\$1,221,612,834	\$1,277,400,000	\$1,283,300,000	\$1,313,400,000
Corporation Income Tax	\$1,006,250,613	\$1,052,400,000	\$1,063,300,000	\$1,093,400,000
Limited Liability Entity Tax	\$215,362,221	\$225,000,000	\$220,000,000	\$220,000,000
Property Taxes	\$774,375,669	\$808,600,000	\$837,200,000	\$861,900,000
Real Property	\$338,783,090	\$351,700,000	\$365,000,000	\$378,900,000
Tangible Personal Property	\$129,621,021	\$136,800,000	\$138,500,000	\$141,400,000
Motor Vehicles	\$197,506,861	\$211,900,000	\$223,600,000	\$230,700,000
Omitted and Delinquent	\$17,215,367	\$17,000,000	\$17,000,000	\$17,000,000
Apportioned Vehicles	\$6,884,786	\$6,000,000	\$6,000,000	\$6,000,000
Public Service Companies	\$80,924,768	\$81,800,000	\$83,600,000	\$84,400,000
Other Property	\$3,439,776	\$3,400,000	\$3,500,000	\$3,500,000
Lottery	\$336,974,700	\$343,600,000	\$360,000,000	\$370,000,000
Cigarette	\$299,280,936	\$272,200,000	\$249,500,000	\$231,700,000
Coal Severance Tax	\$96,553,542	\$84,900,000	\$74,400,000	\$57,700,000
Other	\$998,668,930	\$1,161,100,000	\$1,114,900,000	\$1,109,900,000
Cigarette Floor Stock Tax	\$2,666	\$1,500	\$1,000	\$800
Distilled Spirits Case Sales	\$234,898	\$2,419,000	\$248,800	\$255,300
Insurance Tax Foreign Companies	\$49,232,686	\$52,700,000	\$55,800,000	\$58,900,000
Insurance Tax Companies Other Than Life	\$138,794,935	\$134,500,000	\$136,700,000	\$138,800,000
Insurance Tax Fire Prevention Fund	\$7,967,397	\$8,400,000	\$8,900,000	\$9,400,000
Pari-Mutuel	\$56,281,309	\$62,500,000	\$65,900,000	\$68,300,000
Race Track Admission	\$63,820	\$0	\$0	\$0
Beer Consumption	\$6,064,945	\$6,150,000	\$6,200,000	\$6,300,000
Distilled Spirits Consumption	\$18,828,726	\$19,450,000	\$19,990,000	\$20,587,000
Wine Consumption	\$3,159,312	\$3,330,000	\$3,350,000	\$3,375,000
Beer Wholesale	\$69,440,398	\$72,100,000	\$75,700,000	\$78,800,000
Distilled Spirits Wholesale	\$73,923,974	\$78,150,000	\$81,960,000	\$84,880,000
Wine Wholesale	\$20,382,672	\$20,730,000	\$21,000,000	\$21,200,000
Other Tobacco Products and Snuff	\$41,979,246	\$43,500,000	\$44,200,000	\$46,100,000
Telecommunications Taxes	\$75,663,030	\$77,500,000	\$78,700,000	\$79,950,000
Car Sharing/Rental	\$15,772,771	\$39,000,000	\$39,500,000	\$39,750,000
Mineral Severance Tax	\$26,321,853	\$25,800,000	\$24,700,000	\$25,000,000
Natural Gas Severance Tax	\$16,590,229	\$4,800,000	\$7,300,000	\$9,600,000
Oil Production	\$7,565,799	\$5,300,000	\$4,400,000	\$4,600,000
Corporate License	\$7,280	\$10,000	\$9,000	\$8,500
Cigarette License	\$186,471	\$196,000	\$176,000	\$184,000
Race Track License	\$199,400	\$225,000	\$232,500	\$242,300
Marijuana and Controlled Substance Tax	\$103,330	\$119,700	\$139,200	\$156,200
Bank Franchise Tax	(\$1,240,636)	(\$100,000)	(\$75,000)	(\$25,000)
Corporation Organization	\$321,434	\$318,500	\$269,800	\$259,000
Alcoholic Beverage License Suspension	\$601,000	\$550,000	\$560,000	\$575,000
Inheritance Tax	\$71,809,112	\$73,500,000	\$74,500,000	\$76,000,000
Public Service Commission Assessments-	\$11,910,522	\$13,177,300	\$14,130,500	\$14,491,200
Insurance - Retaliatory Taxes & Fees-	\$6,897,096	\$7,065,000	\$7,640,000	\$8,220,000

General Fund Detailed Consensus Estimates

<u>Source</u>	<u>Actual 2023</u>	<u>Estimate 2024</u>	<u>Estimate 2025</u>	<u>Estimate 2026</u>
Other (Continued)				
Circuit Court Clk. - Bond Filing Fee-	\$2,341,693	\$2,500,000	\$2,675,000	\$2,835,000
Circuit Court Clk. - 10% Bond Fee-	\$347,354	\$323,000	\$342,000	\$361,000
Circuit Court Clk. - Receipts for Services-	\$3,632,235	\$3,850,000	\$3,975,000	\$4,050,000
Strip Mining & Reclamation - Fines Coll.	\$800,000	\$825,000	\$795,000	\$775,000
Miscellaneous - Pub Advoc; Sec State Fee	\$1,239,667	\$1,465,000	\$1,356,000	\$1,525,000
General Depository Investment Income **	\$150,510,534	\$289,100,000	\$219,000,000	\$186,700,000
Legal Process - Clk. Supreme Court	\$79,838	\$84,600	\$89,500	\$94,400
Dept. of Rev. Legal Process Taxes - Co. Clk.	\$2,399,922	\$2,606,000	\$2,580,000	\$2,550,000
Dept. of Rev. Penalty & Int. of Co. Officials	(\$23,003)	(\$27,000)	(\$29,000)	(\$30,500)
TVA - In Lieu of Taxes - State Portion	\$5,018,465	\$7,250,000	\$7,985,000	\$8,125,000
F.H.A. - In Lieu of Taxes	\$57,868	\$59,000	\$67,900	\$58,000
R.E.C.C. and R.T.C.C. In Lieu of Taxes	\$310	\$300	\$300	\$300
Business Development - In Lieu of Taxes	\$311,096	\$300,000	\$300,000	\$300,000
Abandoned Property	\$50,369,405	\$51,700,000	\$52,300,000	\$53,700,000
Circuit Court Clk. - Fish & Wildlife Fines	\$65,960	\$79,800	\$80,400	\$81,100
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$15,068,062	\$15,200,000	\$15,400,000	\$15,600,000
Circuit Court Clk. - Bond Forfeitures	\$1,151,911	\$1,015,000	\$1,033,000	\$1,051,000
Fines Dept Insurance	\$128,000	\$150,000	\$175,000	\$200,000
Other Fines & Unhonored Checks	\$8,007,975	\$9,500,000	\$10,750,000	\$11,360,000
Court Costs	\$11,169,179	\$11,856,000	\$12,542,000	\$13,330,000
Transient Room Tax	\$1,310,867	\$1,550,000	\$1,665,000	\$1,700,000
Miscellaneous (Legal Settlements, etc.)	\$15,967,363	\$703,500	\$0	\$0
Misc Revenues not in estimates	\$8,094,791	\$8,767,800	\$8,811,100	\$8,725,400
TOTAL GENERAL FUND	\$15,147,662,170	\$15,554,500,000	\$15,549,500,000	\$16,002,600,000

Road Fund
Official Revenue Estimate FY2024 - FY2026
(Millions of Dollars)

	<u>FY23</u>	<u>FY24</u>		<u>FY25</u>		<u>FY26</u>	
	Actual	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Motor Fuels	\$798.3	\$905.1	13.4	\$866.8	-4.2	\$923.6	6.5
Motor Vehicle Usage	660.3	672.2	1.8	650.1	-3.3	660.3	1.6
Motor Vehicle License	126.7	126.8	0.1	128.1	1.0	130.9	2.2
Motor Vehicle Operators	29.7	31.2	4.9	32.0	2.6	32.3	0.9
Weight Distance	87.7	87.7	0.0	89.7	2.3	91.7	2.2
Investment	6.3	11.8	87.1	9.5	-19.5	6.2	-34.7
Other	44.2	46.8	5.8	48.7	4.1	49.3	1.2
Total Road Fund	\$1,753.3	\$1,881.7	7.3	\$1,825.0	-3.0	\$1,894.3	3.8

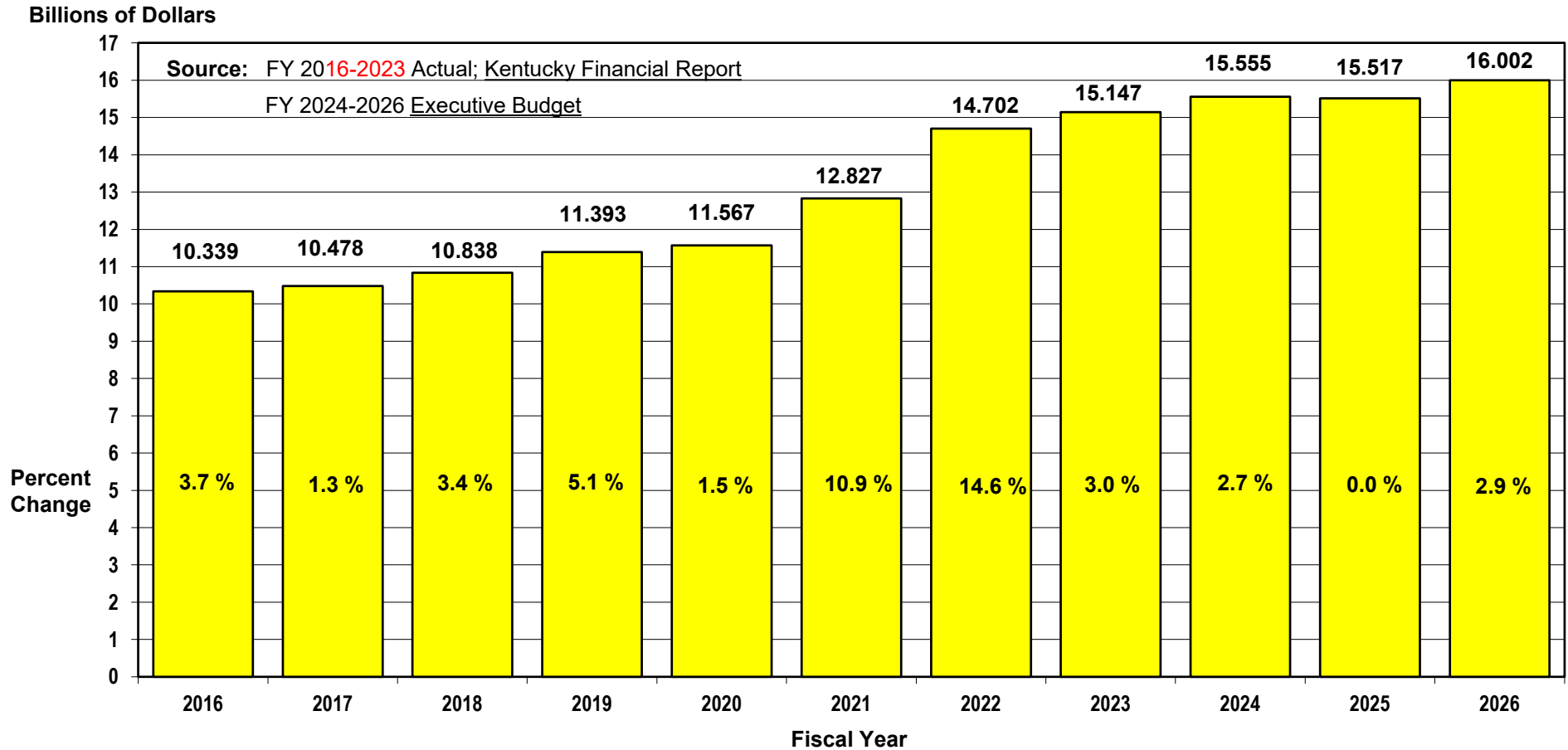
Road Fund Detailed Consensus Estimates

Source	Actual <u>2023</u>	Estimate <u>2024</u>	Estimate <u>2025</u>	Estimate <u>2026</u>
Sales and Gross Receipts	1,458,609,862	1,577,300,000	1,516,900,000	1,583,900,000
Motor Fuels	798,263,863	905,100,000	866,800,000	923,600,000
MV Usage	660,345,999	672,200,000	650,100,000	660,300,000
License and Privilege	258,807,784	260,836,000	265,092,500	270,496,000
Motor Vehicle License	126,713,604	126,800,000	128,100,000	130,900,000
Motor Vehicle Operators	29,736,792	31,200,000	32,000,000	32,300,000
Weight Distance	87,722,299	87,700,000	89,740,000	91,745,000
Truck Decal Fees	240,000	265,000	270,000	280,000
Other Special Fees	14,395,089	14,871,000	14,982,500	15,271,000
Nontax Receipts	35,523,095	42,893,000	42,197,500	39,199,000
Departmental Fees	24,785,707	26,830,000	28,734,000	29,035,000
In Lieu of Traffic Fines	443,040	250,000	250,000	250,000
Income on Investment	6,308,931	11,800,000	9,500,000	6,200,000
Miscellaneous	3,985,418	4,013,000	3,713,500	3,714,000
Redeposit	382,540	671,000	810,000	705,000
Total State Road Fund	1,753,323,281	1,881,700,000	1,825,000,000	1,894,300,000

General Fund Revenue Receipts

Fiscal Years **2016-2026**

(Billions of dollars – rounded)



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

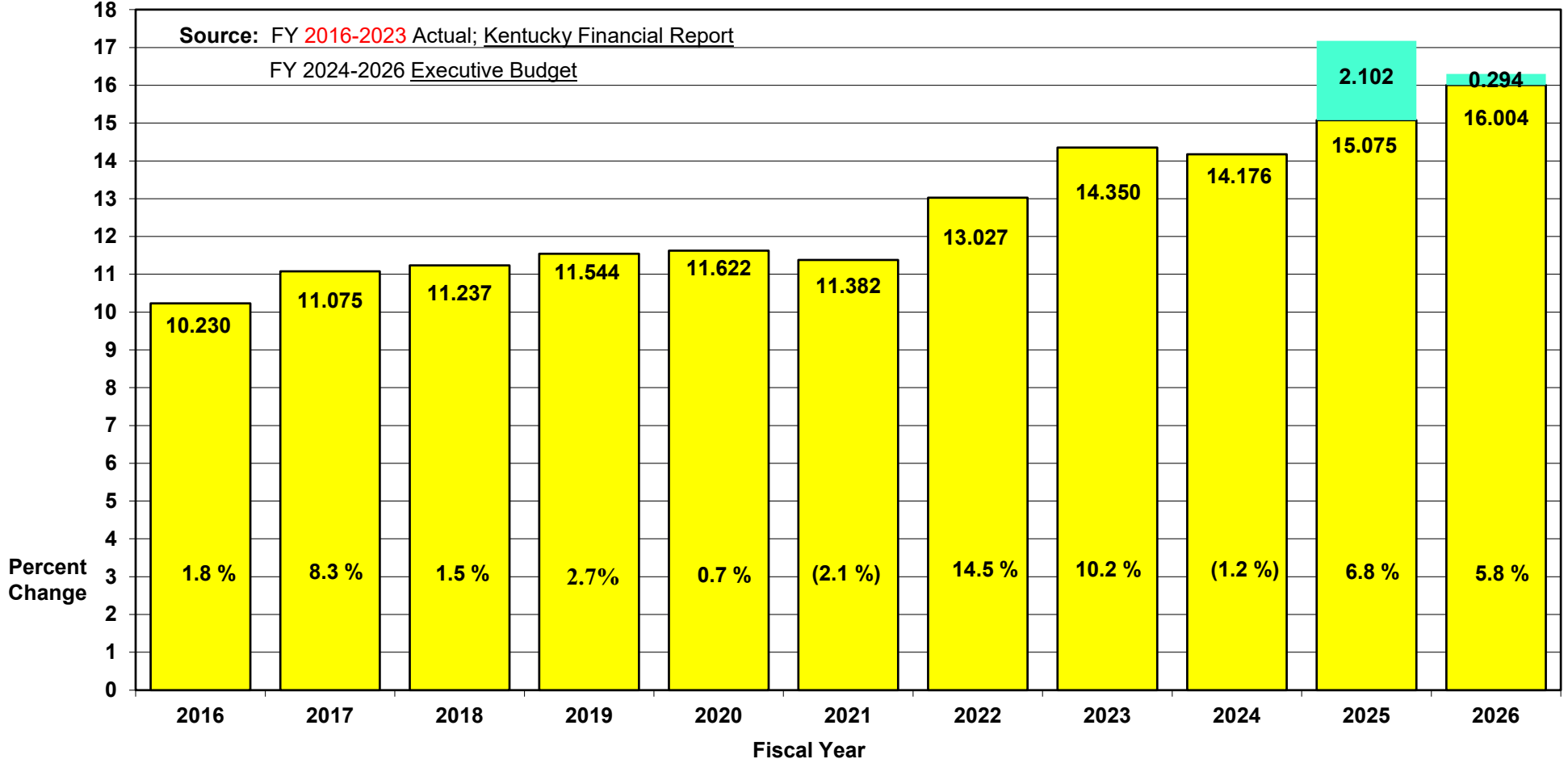
General Fund Expenditures

Fiscal Years **2016-2026**

(Billions of dollars – rounded)

Billions of Dollars

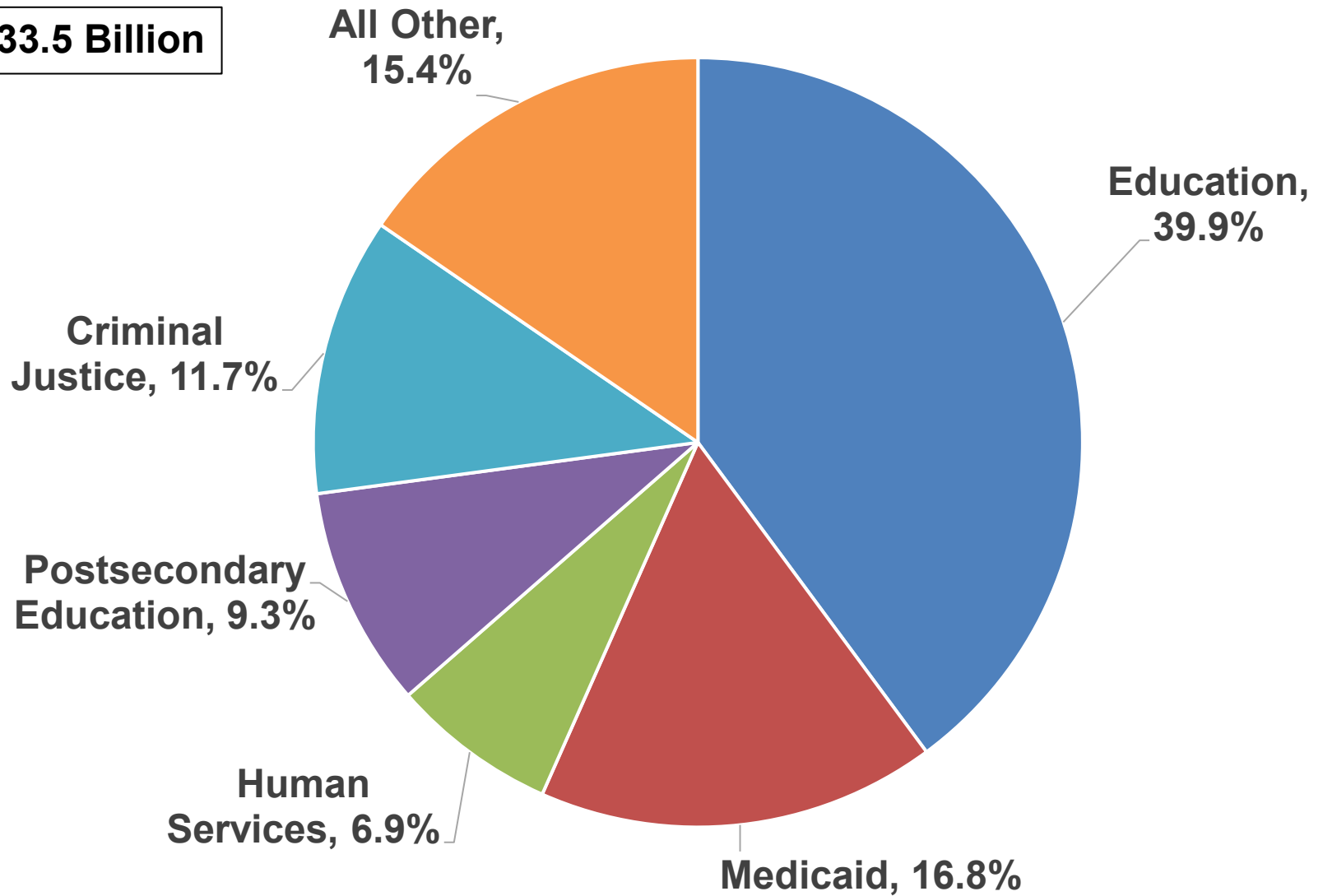
■ Recurring ■ Non-Recurring



• Excludes Tobacco Settlement – Phase I Funds

2024 - 2026 Executive Budget Distribution of General Fund Appropriations

Total = \$33.5 Billion



Excludes Tobacco Settlement - Phase I Funds

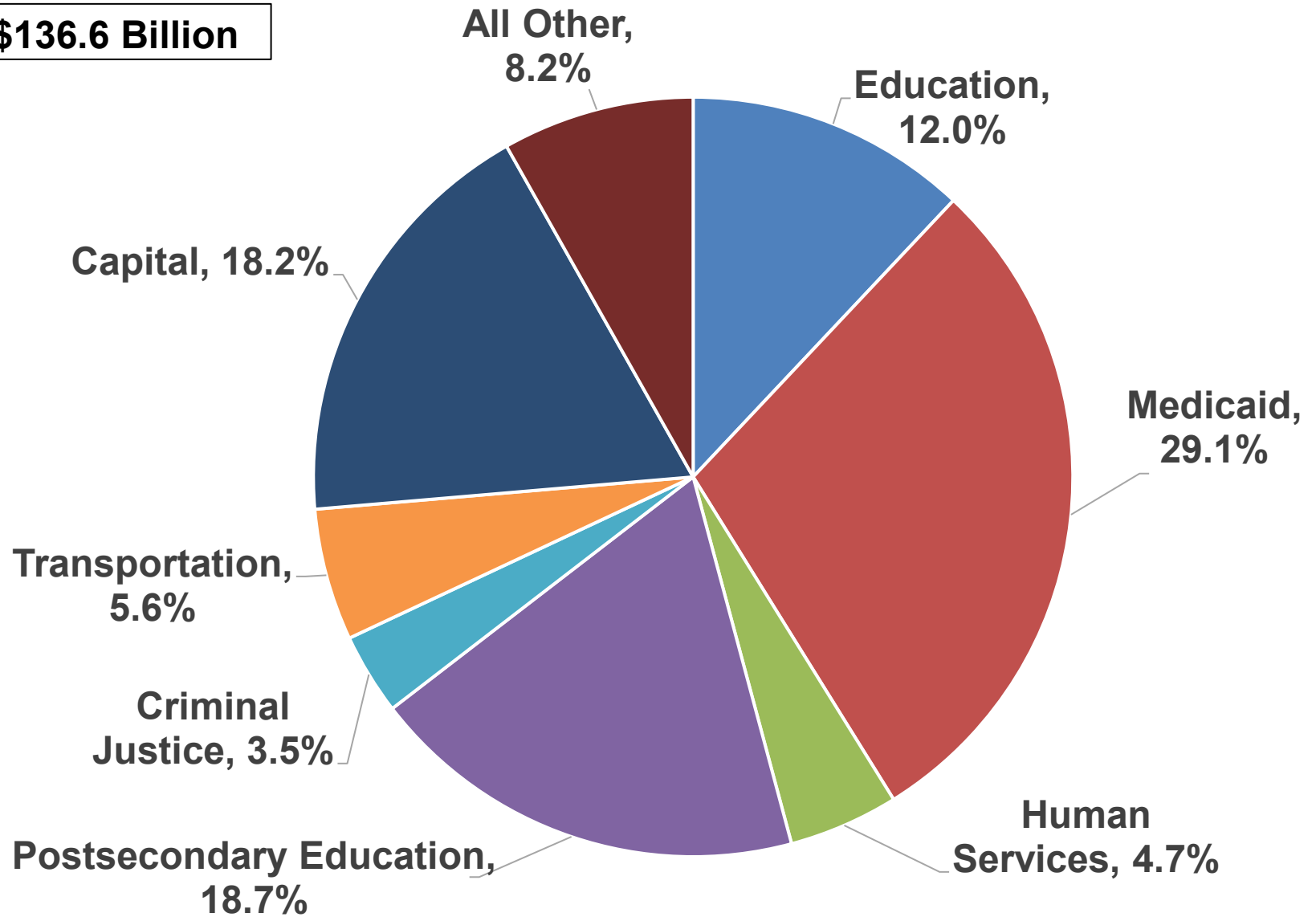
* Education includes the Department of Education Teachers' Retirement System, and the School Facilities Construction Commission

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

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

2024 - 2026 Executive Budget Distribution of All Funds Appropriations

Total = \$136.6 Billion



Excludes Tobacco Settlement - Phase I Funds

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

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

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

**2024-2026 EXECUTIVE BUDGET
CAPITAL PROJECTS SUMMARY**

	Recommended FY 2024	Recommended FY 2025	Recommended FY 2026
SOURCE OF FUNDS			
Executive Branch			
General Fund	5,400,000	371,380,300	56,630,800
Restricted Funds	2,775,000	14,805,198,000	77,254,000
Federal Funds	0	341,105,400	147,836,100
Road Fund	2,500,000	31,650,000	20,600,000
Bond Funds	67,012,500	1,451,579,700	287,705,000
Agency Bonds	0	1,337,386,000	0
Investment Income	0	50,000,000	50,000,000
Other - Cash	0	612,469,000	0
Other - Third Party Financing	0	5,193,800,000	0
SOURCE OF FUNDS	77,687,500	24,194,568,400	640,025,900
APPROPRIATIONS BY CABINET			
Executive Branch			
General Government	9,000,000	408,911,800	172,586,100
Economic Development	0	170,500,000	30,000,000
Department of Education	0	3,000,000	3,000,000
Education and Labor	0	52,930,000	2,950,000
Energy and Environment	275,000	36,291,000	500,000
Finance and Administration	0	76,787,000	9,000,000
Health and Family Services	0	71,961,600	161,050,000
Justice and Public Safety	65,912,500	598,692,000	45,035,800
Postsecondary Education	0	22,468,297,000	0
Public Protection	0	1,944,000	1,644,000
Tourism, Arts and Heritage	0	259,854,000	171,150,000
Transportation	2,500,000	45,400,000	43,110,000
TOTAL APPROPRIATIONS	77,687,500	24,194,568,400	640,025,900

Capital Financing Analysis

EXECUTIVE SUMMARY

The Governor proposes \$1,806,297,200 in new General Fund supported debt and \$1,337,386,000 in new Agency Fund supported debt. The proposal for the 2024-2026 biennium is compared to previous biennia in Table 1, and the bond funded projects are described in more detail in Appendix D.

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

Assumptions

This analysis is premised on the following assumptions:

- FY24-26 General Fund revenues are based on the December 8, 2023 Consensus Forecasting Group's Official Revenue Estimates. FY24 is projected to be \$1.4 billion higher than the official General Fund revenue estimate enacted in the 2022-24 budgets during the 2022 Regular Session. FY25 and FY26 General Fund revenues are projected using a 0.0 percent and a 2.9 percent growth rate, respectively.
- FY24-26 Road Fund revenues are based on the December 8, 2023 Consensus Forecasting Group's Official Revenue Estimates. FY24 is projected to be \$202.5 million higher than the official Road Fund revenue estimate enacted in the 2022-24 budgets during the 2022 Regular Session. FY24-26 Road Fund revenues are projected using a -3.0 percent and a 3.8 percent growth rate, respectively.
- Agency Fund revenues are based on actual FY23 revenue from the Draft Supplementary Information to the FY23 Annual Comprehensive Financial Report, and for FY24, FY25, and FY26, estimated amounts are obtained from the 2024-2026 biennial budget submissions.
- Tobacco Settlement Funds are based on the Official Revenue Estimates and are listed as General Fund revenue.
- Interest rate subsidies of 35% on bonds that were issued as Build America Bonds (BABs) as well as interest rate subsidies of 70% on bonds that were issued as Qualified Energy Conservation Bonds (QECBs) from the American Recovery and Reinvestment Act (ARRA) of 2009 are included in the General Fund, Road Fund, and Agency Fund Revenues. Note: Due to Federal Sequestration, interest subsidy payments during October 1, 2022 through September 30, 2024 were reduced by 5.7%. Estimated interest subsidy payments during October 1, 2024 through September 30, 2026 were reduced by 5.7%.
- Currently authorized but un-issued debt is assumed to be issued during the balance of FY24 with no additional debt service to be paid in FY24 but with debt service payments to be made in FY25 and FY26 using the revised template rates. Where actual debt service is unknown, required debt service is estimated from amortization schedules using the revised debt service template rates.
- Cost of issuance is assumed to be approximately two percent (2%) of the estimated bond size.
- Previously authorized Agency Fund Bonds of \$536,393,118 are assumed to have their authorizations lapse.

Table 1
DEBT AUTHORIZED BY RECENT SESSIONS OF THE GENERAL ASSEMBLY

<u>Biennium</u>	<u>Principal Debt Authorized</u>	<u>Biennium</u>	<u>Principal Debt Authorized</u>
2002-04 ¹	828,936,380	2014-16 ⁷	1,496,548,200
2004-06 ²	1,906,315,300	2016-18 ⁸	1,266,242,500
2006-08 ³	2,110,528,000	2018-20 ⁹	1,047,702,000
2008-10 ⁴	2,015,494,000	2020-22 ¹⁰	1,204,657,300
2010-12 ⁵	1,553,199,800	2022-24 ¹¹	3,792,204,000
2012-14 ⁶	630,258,000	2024-26 ¹²	3,143,683,200

¹Debt Enacted in the 2002-2004 Budget of the Commonwealth.

General Fund Authorization:	\$621,936,380
Agency Fund Authorization:	\$207,000,000

²Debt Enacted in the 2004-2006 Budget of the Commonwealth.

General Fund Authorization:	\$1,204,589,300
Road Fund Authorization:	\$ 450,000,000
Agency Fund Authorization:	\$ 251,726,000

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

³Debt Enacted in the 2006-2008 Budget of the Commonwealth and subsequent 2007 Second Extraordinary Session of the General Assembly.

General Fund Authorization:	\$1,492,991,000
Road Fund Authorization:	\$ 350,000,000
Agency Fund Authorization:	\$ 267,537,000

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

⁴Debt Enacted in the 2008-2010 Budget of the Commonwealth.

General/Tobacco Fund Authorization:	\$ 657,281,000
Road Fund Authorization:	\$ 535,000,000
Agency Fund Authorization:	\$ 743,213,000
Other Authorization:	\$ 80,000,000

The 2008 Session of the Kentucky General Assembly also authorized \$231,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds. The Agency Fund bond authorization includes \$230,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund.

⁵Debt Enacted in the 2010-2012 Budget of the Commonwealth.

General/Tobacco Fund Authorization:	\$ 507,395,800
Road Fund Authorization:	\$ 522,500,000
Agency Fund Authorization:	\$ 523,304,000

The 2010 Extraordinary Session of the Kentucky General Assembly also authorized \$435,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds for the Lake Barkley and Kentucky Lake Bridges Project and the Louisville-Southern Indiana Ohio River Bridges Project. The Agency Fund bond authorization includes \$125,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2010 Regular Session authorized \$4,000,000 of Agency Bonds for the Department of Military Affairs.

⁶Debt Enacted in the 2012-2014 Budget of the Commonwealth and 2013 Regular Session of the General Assembly.

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

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

⁷Debt Enacted in the 2014-2016 Budget of the Commonwealth and 2015 Regular Session of the General Assembly.

General Fund Authorization:	\$ 770,273,200
Road Fund Authorization:	\$ 5,000,000
Agency Fund Authorization:	\$ 721,275,000

The 2014 Regular Session authorized \$742,773,200 for new projects and deauthorized \$105,000,000. The Agency Fund bond authorization includes \$125,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking

Water Revolving Fund. The 2015 Regular Session authorized General Fund bonds of \$132,500,000 for the University of Kentucky Research Building.

⁸Debt Enacted in the 2016-2018 Budget of the Commonwealth and 2017 Regular Session of the General Assembly.

General Fund Authorization	\$ 588,986,500
Agency Fund Authorization	\$ 677,256,000

The 2016 Regular Session authorized \$582,986,500 for new projects and deauthorized \$9,000,000. The Agency Fund bond authorization includes \$125,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2017 Regular Session of the General Assembly authorized General Fund bonds of \$15,000,000 for the Economic Development Cabinet.

⁹Debt Enacted in the 2018-2020 Budget of the Commonwealth and 2019 Regular Session of the General Assembly.

General Fund Authorization:	\$ 444,817,000
Agency Fund Authorization:	\$ 602,885,000

The 2018 Regular Session authorized \$369,817,000 for new projects. The Agency Fund bond authorization includes \$60,000,000 of authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund. The 2019 Regular Session of the General Assembly authorized General Fund bonds of \$25,000,000 for the Economic Development Cabinet and \$50,000,000 for Parks.

¹⁰Debt Enacted in the 2020-2022 Budget of the Commonwealth and 2021 Regular Session of the General Assembly.

General Fund Authorization	\$ 425,519,300
Agency Fund Authorization	\$ 779,138,000

The total General Fund bonds listed above include \$35,000,000 in bonds for the Economic Development Cabinet that were authorized in House Bill 99 from the 2020 Session of the General Assembly; \$302,672,300 authorized in the Executive Branch appropriations act by the 2020 General Assembly; and an additional \$87,847,000 authorized in the Executive Branch appropriations act by the 2021 General Assembly. The Agency Fund Authorization includes \$422,138,000 authorized by the 2020 General Assembly and an additional \$357,000,000 authorized by the 2021 General Assembly.

¹¹Debt Enacted in the 2022-2024 Budget of the Commonwealth and 2023 Regular Session of the General Assembly.

General Fund Authorization	\$ 2,834,124,000
Agency Fund Authorization	\$ 958,080,000

The 2022 Regular Session authorized \$2,834,124,000 for new projects. The 2022 General Assembly also authorized \$150,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds. The 2023 Regular Session of the General Assembly authorized Agency Bonds of \$25,000,000 for Western Kentucky University.

¹²\$3,143,683,200 New Debt Recommended in the 2024-2026 Executive Budget

General Fund Authorization	\$ 1,806,297,200
Agency Fund Authorization	\$ 1,337,386,000

Also included in the Executive Budget is \$150,000,000 for Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

DEBT CAPACITY ANALYSIS

Purpose

This report provides a review of pertinent historical information about the Commonwealth's debt and debt management goals. The Governor's recommendation for new debt-financed capital projects for the FY24 – FY26 biennium is evaluated against various measures of debt affordability and previous biennial authorizations.

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

1. Maintain debt at levels that eliminate questions concerning the state's willingness or ability to make timely payments on appropriation supported obligations.
2. Use debt to finance projects prudently, while addressing the capital investment needs of the state.
3. Issue debt only for those projects that will provide benefits equal to or longer than the life of the obligation.
4. Amortize debt consistent with the useful life of the project. Monitor principal levels by Fund source within the broader parameters of 27-30 percent maturing in 5 years and 55-60 percent maturing within 10 years.
5. Maintain or improve the state's current A1/A/AA-/A+ State Property and Buildings Commission General Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's, Fitch Ratings and Kroll Bond Rating Agency, respectively.
6. Maintain or improve the state's current Aa3/A/AA-/AA- Turnpike Authority of Kentucky Road Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.
7. Initiate reviews of debt management processes that are consistent with reviews by external entities such as rating agencies.
8. Continue to develop the program to manage the interest expense of the Commonwealth.
9. Continually strive to reduce the expense of debt through ongoing management of outstanding debt and analysis of low-cost alternatives.
10. Use tax-exempt rather than taxable funding sources for project financing whenever possible to minimize overall governmental operating costs.

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

Structure

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

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

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

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

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

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

Default Record

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

**Table 2
ACTIVE DEBT ISSUING ENTITIES**

ENTITY	STATUTORY AUTHORITY/PURPOSE	DEBT LIMITATIONS	RATINGS¹
State Property and Buildings Commission	KRS 56.450 Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	A1/A/AA-/A+
Kentucky Asset/Liability Commission	KRS 56.860 Provide interim financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies***
Turnpike Authority of Kentucky	KRS 175.410-175.990 Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A/AA-/AA-
The State Universities (consisting of nine)	KRS 56.495 Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	See Appendix C
Kentucky Housing Corporation	KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents of the State.	Limited to \$5.0 billion of debt outstanding.	Aaa/AAA/NR/NR
Kentucky Infrastructure Authority	KRS 224A Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million.	Aaa/AAA/AAA/NR (Leverage Loan)
Kentucky Higher Education Student Loan Corporation	KRS 164A Make guaranteed student loans to residents of the state to attend postsecondary institutions and to make loans to students attending postsecondary schools within the state.	Limited to \$5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission	KRS 157.611-157.665 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	A1/NR/NR/NR
Kentucky Economic Development Finance Authority	KRS 154 Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None	Varies
Kentucky Public Transportation Infrastructure Authority	KRS 175B.005-175B.115 Facilitate construction, financing, operation, and oversight of significant transportation projects within the Commonwealth by entering into bi-state agreements and by creating bi-state authorities and project authorities.	Cannot incur debt prior approval of projects by General Assembly.	Baa2/NR/BBB/NR

¹ Ratings, where applicable, include Moody's, Standard & Poor's, Fitch, and Kroll. Certain State Property and Buildings Commission Agency Fund Revenue Bonds and Road Fund Revenue Bonds may have ratings different from those identified above. NR denotes not rated.

Notes

Following are recent ratings for the referenced issuer or obligations; this is not a comprehensive history of all rating changes:

State Property and Buildings Commission

- On July 20, 2017, Moody's downgraded the Commonwealth's issuer credit rating to "A1" from "Aa3" and its rating on the Commonwealth's appropriation debt to "A2" from "A1". At the same time, Moody's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A1" from "Aa3". The outlook on all is stable.
- On May 11, 2023, Fitch Ratings ("Fitch") upgraded the Commonwealth's Long-Term Issuer Default Rating ("IDR") to "AA" from "AA-" and its rating on the Commonwealth's appropriation-backed debt to "AA-" from "A+". At the same time, Fitch upgraded its rating on the Next Generation and Public Private Partnership counterparty obligations for the Kentucky Wired Project to "A+".
- On June 28, 2023, Standard & Poor's ("S&P") upgraded the Commonwealth's issuer credit rating to "A+" from "A" and its rating on the Commonwealth's appropriation-backed debt to "A" from "A-". At the same time, S&P upgraded the Commonwealth's appropriation-backed lease debt from the Administrative Office of the Courts to "A-" from "BBB+" and its long-term rating on certain issues linked to the state intercept programs for schools and universities to "A" from "A-".

Turnpike Authority of Kentucky

- On July 20, 2017, Moody's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "Aa3" from "Aa2".
- On August 23, 2021 Kroll assigned a rating of "AA-" to the Turnpike Authority of Kentucky. The outlook is stable.
- On May 11, 2023, Fitch upgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "AA-" from "A+".
- On June 28, 2023, S&P upgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "A" from "A-".

Kentucky Asset/Liability Commission – GARVEEs

- On February 18, 2014, Moody's downgraded certain stand-alone GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A1" from "Aa3" with a negative outlook.
- On June 16, 2014, Moody's downgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A2" from "A1" and changed the outlook from negative to stable.
- On May 11, 2023, Fitch upgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "AA-" from "A+".
- On June 28, 2023, S&P upgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A" from "A-".

Kentucky Infrastructure Authority

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

Kentucky Public Transportation Infrastructure Authority

- On March 26, 2021, Fitch upgraded the rating on the Kentucky Public Transportation Infrastructure Authority's First Tier Revenue Bonds and Transportation Infrastructure Finance and Innovation Act loan to "BBB" from "BBB-".
- On March 30, 2021, Moody's upgraded the rating on the Kentucky Public Transportation Infrastructure Authority's First Tier Revenue Bonds and Transportation Infrastructure Finance and Innovation Act loan to "Baa2" from "Baa3".

Public Private Partnerships

- The Commonwealth of Kentucky has financed three capital construction projects through the Public-Private Partnership ("P3") structure as of January 1, 2024. The Commonwealth of Kentucky State Office Building project was financed through the issuance of \$68,757,000 tax-exempt Certificates of Participation ("COPs"). The Next Generation-Kentucky Information Highway project was funded from proceeds of a conduit issue of \$231,950,000 of tax-exempt senior bonds, \$57,996,000 of taxable senior bonds and \$15,229,110 of subordinate bonds via the Kentucky Economic Development Finance Authority. The Mayo-Underwood State Office Building project was financed through the issuance of \$107,260,000 tax-exempt and \$3,415,000 taxable COPs. The Commonwealth has never defaulted on any payments relative to a P3 obligation.

<u>PROJECT</u>	<u>Structure</u>	<u>Status</u>	<u>Principal Outstanding</u>
Commonwealth of Kentucky State Office Building (300 Building)	Capital lease payments, consisting of base rent and additional rent, made pursuant to a facilities lease agreement under a 30-year, tax-exempt structure.	Project commenced in March 2015 and achieved substantial completion on April 1, 2016 and final completion on May 15, 2016. Full occupancy was achieved by August 23, 2016.	\$59,830,000
Next Generation - Kentucky Information Highway 2015 Series A and B	Availability payments under a taxable, tax-exempt and subordinate structure for a 30-year term.	Project commenced in 2015, and as of October 13, 2021, the System is deemed complete and the Construction Period has ended.	\$279,038,600

2018 Commonwealth of Kentucky State Office Building (Mayo-Underwood)	Capital lease payments, consisting of base rent and additional rent, made pursuant to a facilities lease agreement under a taxable and tax-exempt structure for 30-year term.	Site work commenced in December 2017 and achieved substantial completion on February 27, 2020. Full occupancy was achieved on December 17, 2019.	\$98,615,000
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Definitions

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

Revenue is defined to include the General Fund, Road Fund, and Agency Funds and is reported on an actual cash (budgetary) basis. Although the state adopted a modified accrual basis of accounting in 1983, the use of the cash basis for both General and Road Funds allows for an analysis of debt for a longer time period. Revenues for the General Fund and the Road Fund for FY25 and FY26 are based upon the Consensus Forecasting Group's December 8, 2023 Official Revenue Estimates. Agency Fund estimates are based upon actual results for FY23, and for FY24, FY25, and FY26, estimated amounts are from the 2024-2026 biennial budget requests. Interest rate subsidies of 35% on bonds issued as BABs and interest rate subsidies of 70% on bonds issued as QECBs are also included in the revenues for the General Fund, Road Fund, and Agency Fund. – See Note under Assumptions regarding subsidy reductions.

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

Debt capacity is the total amount of new asset bonds that can be supported by a calculated amount of state appropriations (assuming a 20-year term with a tax-exempt interest rate of 4.79 percent or with a taxable interest rate of 6.14 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance and assume no debt service reserves.

Historical Information

Table 3 displays the historical comparison of debt outstanding in current and constant dollars.

Table 4 displays the comparison of debt outstanding and required debt service as a percent of assessed property, personal income, and on a per capita basis.

Table 5 provides an update of Table 10 to include the Governor's proposed debt financed projects as it relates to personal income.

Table 6 provides the comparison of total appropriation required debt service as a percentage of total revenue. This is the key indicator of debt affordability for the Commonwealth and is used to assess the impact of any capital program.

Table 7 provides an update of Table 12 to include the Governor's proposed debt financed projects.

Table 8 provides the comparison of total appropriated debt service as a percentage of anticipated available revenue as well as an update to include the Governor's proposed debt financed projects.

Table 3
APPROPRIATION SUPPORTED DEBT
PRINCIPAL DEBT OUTSTANDING
(000,000)

Fiscal Year	Current	Percent Change	CPI Constant Dollar Adjustment	Constant (1984)	Percent Change
1998	3,600.08	1.19	1.630	2,208.64	-0.36
1999	3,589.95	-0.28	1.666	2,154.83	-2.44
2000	3,556.97	-0.92	1.722	2,065.60	-4.14
2001	3,966.22	11.51	1.771	2,239.53	8.42
2002	4,423.93	11.54	1.799	2,459.10	9.80
2003	4,102.63	-7.26	1.840	2,229.69	-9.33
2004	4,483.53	9.28	1.889	2,373.49	6.45
2005	4,658.95	3.91	1.953	2,385.53	0.51
2006	5,103.48	9.54	2.016	2,531.49	6.12
2007	5,455.69	6.90	2.073	2,631.25	3.94
2008	6,300.18	15.48	2.153	2,926.19	11.21
2009	6,831.16	8.43	2.145	3,184.14	8.82
2010	7,815.33	14.41	2.181	3,584.09	12.56
2011	8,763.50	12.13	2.249	3,895.95	8.70
2012	8,974.39	2.41	2.296	3,908.81	0.33
2013	8,792.92	-2.02	2.330	3,774.48	-3.44
2014	9,121.34	3.74	2.367	3,852.96	2.08
2015	8,899.69	-2.43	2.370	3,754.87	-2.55
2016	9,019.27	1.34	2.400	3,757.92	0.08
2017	8,987.05	-0.36	2.460	3,653.12	-2.79
2018	9,031.73	0.50	2.517	3,588.72	-1.76
2019	8,281.28	-8.31	2.575	3,216.53	-10.37
2020	7,889.27	-4.73	2.614	3,018.08	-6.88
2021	7,504.34	-4.88	2.677	2,803.27	-7.12
2022	6,931.11	-7.64	2.741	2,528.68	-9.80
2023	6,761.04	-2.45	2.805	2,410.35	-4.68
2024*	9,102.51	34.63	2.700	3,371.30	39.87
2025*	8,439.91	-7.28	2.000	4,219.95	25.17
2026*	7,788.91	-7.71	2.500	3,115.57	-26.17

*Estimated

Assumes remaining un-issued debt authorization is issued in FY24.

Assumes no additional debt authorization for the 2024-2026 Biennium.

Table 4
APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS
(Current Dollars)

Fiscal Year	Debt as a % of Assessed Property	Required Debt Service as a % of Assessed Property	Debt as a % of Personal Income	Required Debt Service as a % of Personal Income	Debt Per Capita (\$)	Required Debt Service Per Capita (\$)
1997	1.51	0.19	4.31	0.56	900.07	116.26
1998	1.43	0.18	4.08	0.52	903.32	114.78
1999	1.36	0.17	3.94	0.50	893.46	114.50
2000	1.29	0.20	3.62	0.57	878.52	137.44
2001	1.35	0.19	3.92	0.55	974.78	135.95
2002	1.33	0.16	4.22	0.50	1,080.88	128.75
2003	1.17	0.17	3.82	0.56	996.31	145.26
2004	1.24	0.16	4.00	0.52	1,081.43	141.46
2005	1.22	0.14	3.93	0.47	1,116.34	132.37
2006	1.49	0.18	4.08	0.50	1,213.36	148.04
2007	1.49	0.15	4.15	0.42	1,286.27	131.65
2008	1.66	0.18	4.54	0.50	1,475.71	163.02
2009	1.76	0.16	4.89	0.46	1,583.44	147.73
2010	1.97	0.10	5.54	0.29	1,798.17	92.57
2011	2.19	0.17	5.96	0.45	2,005.67	151.44
2012	2.19	0.17	5.84	0.46	2,048.75	162.74
2013	3.02	0.32	5.62	0.60	2,000.53	213.35
2014	3.10	0.34	5.73	0.62	2,066.71	223.61
2015	2.98	0.34	5.33	0.60	2,008.96	227.42
2016	2.94	0.33	5.25	0.60	2,033.20	230.84
2017	2.83	0.33	5.15	0.60	2,017.75	233.42
2018	2.60	0.32	4.76	0.59	2,021.43	251.40
2019	2.29	0.33	4.19	0.60	1,853.88	263.76
2020	2.15	0.41	3.83	0.74	1,762.08	339.12
2021	2.00	0.30	3.51	0.52	1,664.16	245.99
2022	1.61	0.25	3.00	0.47	1,536.05	240.41
2023	1.54	0.21	2.82	0.39	1,498.72	208.59
2024*	2.03	0.25	3.63	0.45	2,018.29	249.52
2025*	1.84	0.24	3.23	0.42	1,871.83	242.18
2026*	1.65	0.23	2.87	0.39	1,727.87	236.27

*Estimated

Assumes remaining un-issued debt authorization is issued in FY24.

Assumes no additional debt authorization for the 2024-2026 Biennium.

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

Table 5
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF PERSONAL INCOME
(000,000)

Fiscal Year	Debt as a % of Personal Income Assuming No New Authorization	Required Debt Service as a % of Personal Income Assuming No New Authorization	Debt as a % of Personal Income with \$3,143,683,200 Executive Budget Recommended New Authorization	Required Debt Service as a % of Personal Income with \$3,143,683,200 Executive Budget Recommended New Authorization
1997	4.31	0.56		
1998	4.08	0.52		
1999	3.94	0.50		
2000	3.62	0.57		
2001	3.92	0.55		
2002	4.22	0.50		
2003	3.82	0.56		
2004	4.00	0.52		
2005	3.93	0.47		
2006	4.08	0.50		
2007	4.15	0.42		
2008	4.54	0.50		
2009	4.89	0.46		
2010	5.54	0.29		
2011	5.96	0.45		
2012	5.84	0.46		
2013	5.62	0.60		
2014	5.73	0.62		
2015	5.33	0.60		
2016	5.25	0.60		
2017	5.15	0.60		
2018	4.76	0.59		
2019	4.19	0.60		
2020	3.83	0.74		
2021	3.51	0.52		
2022	3.00	0.47		
2023	2.82	0.39		
2024*	3.63	0.45		
2025*	3.23	0.42	4.82**	0.51**
2026*	2.87	0.39	4.34**	0.49**

*Estimated

Assumes remaining un-issued debt authorization is issued in FY24.

**Assumes new debt authorization for the 2024-2026 Biennium with full year debt service in FY25 and FY26.

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

Table 6
APPROPRIATION SUPPORTED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE
(000,000)

<u>Fiscal Year</u>	<u>Revenue (\$)</u>	<u>Debt Service (\$)</u>	<u>Debt Service/ Revenue (%)</u>
		with no new authorization	
1997	8,188.69	459.56	5.61
1998	8,675.09	457.44	5.27
1999	9,104.41	460.08	5.05
2000	9,427.31	556.47	5.90
2001	9,920.62	553.15	5.58
2002	10,172.25	526.97	5.18
2003	10,499.22	598.16	5.70
2004	10,877.02	586.47	5.39
2005	11,749.64	552.42	4.70
2006	12,746.44	622.68	4.89
2007	13,022.81	558.39	4.29
2008	13,490.88	695.96	5.16
2009	13,249.29	637.34	4.81
2010	13,525.62	402.34	2.97
2011	14,529.38	661.71	4.55
2012	15,741.19	712.87	4.53
2013	15,775.73	937.73	5.94
2014	15,994.20	986.90	6.17
2015	16,740.11	1,007.48	6.02
2016	17,912.90	1,024.02	5.72
2017	18,473.09	1,039.64	5.63
2018	19,534.17	1,123.28	5.75
2019	20,656.38	1,178.23	5.70
2020	20,163.98	1,518.32	7.53
2021	21,717.87	1,109.26	5.11
2022	24,009.14	1,084.82	4.52
2023	26,018.80	940.99	3.62
2024*	27,786.80	1,125.34	4.05
2025*	28,576.70	1,091.98	3.82
2026*	29,799.01	1,065.06	3.57

*Estimated

Assumes remaining un-issued debt authorization is issued in FY24.

Assumes no additional debt authorization for the 2024-2026 Biennium.

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

Table 7
APPROPRIATION SUPPORTED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE (%)

Fiscal Year	Assuming No New Authorization	\$3,143,683,200 Executive Budget Recommended New Authorization
1997	5.61	
1998	5.27	
1999	5.05	
2000	5.90	
2001	5.58	
2002	5.18	
2003	5.70	
2004	5.39	
2005	4.70	
2006	4.89	
2007	4.29	
2008	5.16	
2009	4.81	
2010	2.97	
2011	4.55	
2012	4.53	
2013	5.94	
2014	6.17	
2015	6.02	
2016	5.72	
2017	5.63	
2018	5.75	
2019	5.70	
2020	7.53	
2021	5.11	
2022	4.52	
2023	3.62	
2024*	4.05	
2025*	3.82	4.64**
2026*	3.57	4.43**

*Estimated

Assumes remaining un-issued debt authorization is issued in FY24.

**Assumes new debt authorization for the 2024-2026 Biennium with full year debt service in FY25 and FY26.

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

**Table 8
 APPROPRIATION SUPPORTED DEBT SERVICE
 AS A PERCENT OF AVAILABLE REVENUE (%)**

Fiscal Year	Available Revenue (000,000)	Appropriated Debt Service/ Revenue (%)	\$3,143,683,200 Executive Budget Recommended New Authorization
1997	6,397.46	7.18	
1998	6,834.06	6.69	
1999	7,042.47	6.53	
2000	7,396.68	7.19	
2001	7,648.48	7.78	
2002	7,622.59	7.96	
2003	7,912.92	7.46	
2004	8,079.32	7.79	
2005	8,681.45	6.40	
2006	9,444.88	7.69	
2007	9,716.66	7.78	
2008	9,851.17	8.53	
2009	9,557.71	8.96	
2010	9,339.15	9.49	
2011	9,986.71	8.06	
2012	10,402.47	8.19	
2013	10,687.89	9.84	
2014	10,905.21	10.61	
2015	11,313.18	9.72	
2016	11,727.54	10.11	
2017	11,889.24	9.59	
2018	12,280.80	10.24	
2019	12,941.58	9.19	
2020	13,018.40	9.20	
2021	14,435.78	7.97	
2022	16,326.61	7.07	
2023	17,236.93	5.82	
2024*	17,824.31	6.10	
2025*	17,784.56	6.14	7.45**
2026*	18,304.84	5.82	7.21**

*Estimated

Assumes remaining un-issued debt authorization is issued in FY24.

**Assumes new debt authorization for the 2024-2026 Biennium with full year debt service in FY25 and FY26.

Appendix A – Economic Indicators

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

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

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

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

Table A-4 reflects Kentucky's non-appropriation supported debt in relation to the economic variables of assessed property value, personal income and population. Non-appropriation supported debt is the debt of those authorities for which appropriation of state funds is not used to pay the debt service. The authorities include the Kentucky Housing Corporation, Kentucky Higher Education Student Loan Corporation, Kentucky Local Correctional Facilities Construction Authority, and certain debt of the Kentucky Infrastructure Authority. The final debt service payment for the Kentucky Local Correctional Facilities Construction Authority was made on November 1, 2014.

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

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Required Debt Service as a % of Assessed Property</u>	<u>Appropriated Debt Service as a % of Assessed Property</u>	<u>Actual Debt Service as a % of Assessed Property</u>
2008	1.66	0.18	0.22	0.19
2009	1.76	0.16	0.22	0.19
2010	1.97	0.10	0.22	0.22
2011	2.19	0.17	0.20	0.21
2012	2.19	0.17	0.21	0.21
2013	3.02	0.32	0.36	0.36
2014	3.10	0.34	0.39	0.36
2015	2.98	0.34	0.37	0.37
2016	2.94	0.33	0.39	0.37
2017	2.83	0.33	0.36	0.36
2018	2.60	0.32	0.36	0.36
2019	2.29	0.33	0.33	0.36
2020	2.15	0.41	0.33	0.33
2021	2.00	0.30	0.31	0.34
2022	1.61	0.25	0.27	0.28
2023	1.54	0.21	0.23	0.23

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

<u>Fiscal Year</u>	<u>Debt as a % of Personal Income</u>	<u>Required Debt Service as a % of Personal Income</u>	<u>Appropriated Debt Service as a % of Personal Income</u>	<u>Actual Debt Service as a % of Personal Income</u>
2008	4.54	0.50	0.61	0.52
2009	4.89	0.46	0.61	0.52
2010	5.54	0.29	0.63	0.62
2011	5.96	0.45	0.55	0.56
2012	5.84	0.46	0.55	0.57
2013	5.62	0.60	0.67	0.67
2014	5.73	0.62	0.73	0.67
2015	5.33	0.60	0.66	0.66
2016	5.25	0.60	0.69	0.66
2017	5.15	0.60	0.65	0.66
2018	4.76	0.59	0.66	0.66
2019	4.19	0.60	0.60	0.66
2020	3.83	0.74	0.58	0.59
2021	3.51	0.52	0.54	0.60
2022	3.00	0.47	0.50	0.52
2023	2.82	0.39	0.42	0.42

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

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

Fiscal Year	Debt Per Capita (\$)	Required Debt Service Per Capita (\$)	Appropriated Debt Service Per Capita (\$)	Actual Debt Service Per Capita (\$)
2008	1,475.71	163.02	196.79	168.44
2009	1,583.44	147.73	198.57	169.03
2010	1,798.17	92.57	203.94	201.78
2011	2,005.67	151.44	184.14	188.24
2012	2,048.75	162.74	194.47	200.56
2013	2,000.53	213.35	239.34	239.60
2014	2,066.71	223.61	262.23	241.87
2015	2,008.96	227.42	248.14	249.07
2016	2,033.20	230.84	267.27	257.19
2017	2,017.75	233.42	256.01	256.88
2018	2,021.43	251.40	281.44	280.31
2019	1,853.88	263.76	266.14	293.94
2020	1,762.08	339.12	267.40	272.68
2021	1,664.16	245.99	255.11	285.03
2022	1,536.05	240.41	255.75	264.39
2023	1,498.72	208.59	222.45	222.45

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

Fiscal Year	Debt as a % of Assessed Property	Debt as a % of Personal Income	Debt Per Capita (\$)
2008	1.16	3.18	1,034.74
2009	1.14	3.16	1,024.85
2010	0.90	2.54	824.22
2011	0.84	2.27	764.60
2012	0.78	2.08	728.60
2013	1.04	1.94	691.18
2014	1.15	2.12	763.82
2015	1.01	1.80	679.69
2016	0.64	1.15	444.81
2017	0.57	1.03	405.36
2018	0.51	0.94	397.15
2019	0.50	0.91	404.29
2020	0.55	0.98	452.50
2021	0.54	0.95	452.58
2022	0.45	0.85	433.08
2023	0.42	0.77	407.74

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

Appendix B: Fiscal Debt Indicators

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

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

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

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

Fiscal Year	Total Revenue (\$Millions)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
2008	13,490.88	5.16	6.23	5.33
2009	13,249.29	4.81	6.47	5.50
2010	13,525.62	2.97	6.55	6.48
2011	14,529.38	4.55	5.54	5.66
2012	15,741.19	4.53	5.41	5.58
2013	15,775.73	5.94	6.67	6.68
2014	15,994.20	6.17	7.24	6.67
2015	16,740.11	6.02	6.57	6.59
2016	17,912.90	5.72	6.62	6.37
2017	18,473.09	5.63	6.17	6.19
2018	19,534.17	5.75	6.44	6.41
2019	20,656.38	5.70	5.76	6.36
2020	20,163.98	7.53	5.94	6.05
2021	21,717.87	5.11	5.30	5.92
2022	24,462.41	4.43	4.72	4.88
2023	26,291.05	3.58	3.82	3.82

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

Fiscal Year	Available Revenue (\$Millions)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
2008	9,851.17	7.06	8.53	7.30
2009	9,557.71	6.67	8.96	7.63
2010	9,339.15	4.31	9.49	9.39
2011	9,986.71	6.63	8.06	8.24
2012	10,402.47	6.85	8.19	8.45
2013	10,687.89	8.77	9.84	9.85
2014	10,905.21	9.05	10.61	9.79
2015	11,313.18	8.91	9.72	9.75
2016	11,727.57	8.73	10.11	9.73
2017	11,889.24	8.74	9.59	9.62
2018	12,280.80	9.15	10.24	10.20
2019	12,941.58	9.10	9.19	10.15
2020	13,018.40	11.66	9.20	9.38
2021	14,435.78	7.68	7.97	8.90
2022	16,326.61	6.64	7.07	7.31
2023	17,236.93	5.46	5.82	5.82

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

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

Fiscal Year	Available Road Fund Revenue	Debt Service	Debt Service as a Percent of Available Revenue
2008	995.91	153.60	15.42
2009	918.62	118.86	12.94
2010	916.43	31.01	3.38
2011	1,012.51	97.07	9.59
2012	1,089.41	99.77	9.16
2013	1,112.92	135.50	12.17
2014	1,158.34	142.42	12.29
2015	1,141.20	149.60	13.11
2016	1,147.46	150.05	13.08
2017	1,168.30	153.29	13.12
2018	1,170.03	154.82	13.23
2019	1,221.84	154.41	12.64
2020	1,161.93	142.49	12.26
2021	1,301.60	142.48	10.95
2022	1,304.56	141.29	10.83
2023	1,753.32	134.08	7.65

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

Appendix C: University Rating Agency Information

University	Moody's				S&P				Fitch			
	Underlying		Enhanced		Underlying		Enhanced		Underlying		Enhanced	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
Eastern Kentucky University <i>General Receipts</i>	A2	stable	A1	stable	A-	Stable	A	Stable	-	-	-	-
KCTCS <i>General Receipts</i>			A1	stable	-	-	-	-	A+	stable	AA-	
Kentucky State University <i>General Receipts</i>	-	-	A1	stable			-	-	-	-	-	-
Morehead State University <i>General Receipts</i>	A3	stable	A1	stable			-	-	-	-	-	-
Murray State University <i>General Receipts</i>	A2	stable	A1	stable	AA	Stable			-	-	-	-
Northern Kentucky University <i>General Receipts</i>	A1	stable	A1	stable	AA	Stable			-	-	-	-
University of Kentucky <i>General Receipts</i>	Aa2	stable	-	-	AA+	stable	-	-	-	-	-	-
University of Louisville <i>General Receipts</i>	Baa1	stable	A1	stable	A+	stable	-	-	-	-	-	-
Western Kentucky University <i>General Receipts</i>	A2	stable	A1	stable	A-	stable	A	stable	-	-	-	-

Appendix D: Recommended Bond Funded Projects

<u>AGENCY</u>	<u>PROJECT</u>	<u>GENERAL FUND</u>
Military Affairs	P3 Airport/Airpark Bluegrass Station Acquisition	55,000,000
Ky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program	15,095,600
Ky Infrastructure Authority	KIA Fund F- Drinking Water Revolving Loan Program	11,744,800
Local Government	Flood Control Local Match	10,000,000
Veterans Affairs	Radcliff Veterans Center HVAC System Replacement	9,000,000
Veterans Affairs	Thompson Hood-Interior/Exterior Renovations	7,000,000
SFCC	Offers of Assistance - 2022-2024	85,000,000
Economic Development	KY Economic Development Finance Authority Loan Pool - 2024-2026	20,000,000
Economic Development	Economic Development Bond Programs - 2024-2026	20,000,000
Economic Development	High-Tech Construction/Investment Pool - 2024-2026	20,000,000
Environmental Protection	State-Owned Dam Repair - 2024-2026	10,000,000
Environmental Protection	Wiley Property Remediation and Cleanup	9,480,000
Finance	Transportation Building Roof Replacement	8,000,000
Finance	Central Lab Roof Replacement	8,000,000
Finance	CHR Building Renovation-Phase I	5,000,000
Public Health	Central Lab Expansion	185,000,000
Behavioral Health	Western State Hospital Replacement of HVAC Piping	12,019,300
Corrections	Relocate Medical Services Additional	58,012,500
Corrections	Eastern Kentucky Correctional Complex - HVAC Replacement	80,000,000
	Eastern Kentucky Correctional Complex - Façade & Structural Repair/Replacement	85,400,000
Corrections	Western Kentucky Regional Training Center	146,115,000
Criminal Justice Training	Renovate Jefferson County Youth Detention Center Additional Reauthorization	25,500,000
Juvenile Justice	Female Juvenile Detention Center - Fayette County	45,000,000
Juvenile Justice	Female Juvenile Detention Center - Western Kentucky	45,000,000
Juvenile Justice	Retrofit Breathitt County Juvenile Detention Center	9,600,000
Juvenile Justice	Retrofit McCracken County Juvenile Detention Center	11,000,000
State Police	Emergency Radio System Replacement Additional	47,900,000
EKU	Construct New Model Laboratory School Additional	18,000,000
EKU	Asset Preservation - 2024-2026	32,728,300
KSU	Asset Preservation - 2024-2026	9,496,300
Morehead St	Construct Science and Engineering Building Additional	19,600,000
Morehead St	Asset Preservation - 2024-2026	20,151,000
Murray St	Construct School of Nursing and Health Professional Building Additional	11,600,000
Murray St	Asset Preservation - 2024-2026	28,161,400
NKU	Expand Herrmann Science Center Additional Reauthorization	15,980,000
	Renovate/Expand Civic Center for Northern Kentucky Medical Examiner and Kentucky State Police Crime Lab Relocation	17,300,000
NKU	Asset Preservation - 2024-2026	27,689,800
UK	Construct Health Education Building Additional	50,000,000
UK	Asset Preservation - 2024-2026	96,401,100
UofL	Construct Multidisc Engine Bldg 1 Speed School Addition Additional Reauth	15,000,000
UofL	Asset Preservation - 2024-2026	48,095,800
	Construct New Gordon Ford College of Business Additional Reauthorization	12,500,000
WKU	Asset Preservation - 2024-2026	37,477,100
KCTCS	Asset Preservation - 2024-2026	99,799,200
Parks	Jenny Wiley Marina Reconstruction	12,200,000
Parks	Cumberland Falls Lodge Room Upgrade/Reconfiguration	10,000,000
Parks	Utility Infrastructure Replacement-Phase 2	75,000,000
Parks	Wastewater Treatment System Upgrades	18,000,000
Parks	Lake Barkley-Lodge Wing Exterior Repair	6,000,000
Parks	Historic Home Restoration-Perryville, Lincoln Homestead, General Butler	5,200,000
Parks	Ft Harrod Restoration and Repair	6,000,000
Parks	Cumberland Falls New Conference Center	5,000,000
Parks	JJ Audubon Museum Restoration	5,150,000
Parks	Kenlake Pickleball Conversion	4,400,000
Parks	JJ Audubon New Conference Center	7,500,000
Parks	Yatesville Marina Replacement	15,000,000
Horse Park	Entertainment Pavilion	7,000,000
Horse Park	Renovate Campground Sites and Bathhouses	5,000,000
Horse Park	Replace Competition Barns and Stalls	15,000,000
Ky Center for the Arts	Replace Technical Equipment-theaters/all spaces	6,000,000
TOTAL-NEW 2024-26		
GENERAL FUND BONDS		<u>1,806,297,200</u>

<u>AGENCY</u>	<u>PROJECT</u>	<u>AGENCY FUND</u>
KIA	Fund A-Federally Assisted Wastewater Program	30,000,000
KIA	Fund F-Federally Assisted Drinking Water Program	30,000,000
UK	Construct/Improve Medical/Administrative Facility 3 Additional Reauthorization	800,000,000
UK	Improve Johnson Center	75,000,000
UK	Acquire Land	25,000,000
EKU	Athletics Capital Improvements Pool - 2024-2026	25,000,000
EKU	Begley Building Comprehensive Maintenance and Expansion	40,000,000
EKU	Improve Campus Pedestrian, Parking and Transportation Pool - 2024-2026	8,000,000
Morehead	Construct New Residence Hall #1	49,800,000
Morehead	Construct New Residence Hall #2	40,350,000
Morehead	Renovate & Replace Ext Precast Panels-Nunn Hall Add'l Reauth	630,000
Morehead	Capital Renewal & Maintenance Pool-Auxiliary	6,428,000
Morehead	Renovate Fields Residence Hall Additional Reauthorization	4,124,000
Morehead	Renovate Grote-Thompson Residence Hall Additional Reauthorization	4,124,000
Morehead	Renovate Normal Residence Hall Additional Reauthorization	580,000
Murray	Replace College Courts Apartments	15,000,000
Murray	Athletic Facilities Improvement Pool - 2024-2026	20,000,000
Murray	Asset Preservation Pool-Residence Halls	6,000,000
Murray	Construct New Auxiliary Services Building	1,350,000
NKU	Renew/Repair Parking Garage Pool - 2024-2026	3,000,000
UofL	Construct Residence Hall	80,000,000
UofL	Renovation-Exterior Envelope Replacement-55A	20,000,000
UofL	Renovate College of Business Academic Space	15,000,000
UofL	Construct Connector Speed School to Research Park	10,000,000
UofL	ADA Building Upgrade Pool - 2024-2026	3,000,000
UofL	Purchase Land	15,000,000
WKU	Construct Parking Structure IV Additional Reauthorization	10,000,000
TOTAL-AGENCY BOND PROJECTS		1,337,386,000
TOTAL - ALL BOND PROJECTS		3,143,683,200

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