

TEAM KENTUCKY™



2022-2024 EXECUTIVE BUDGET

Andy Beshear
GOVERNOR

John Hicks
STATE BUDGET DIRECTOR

Budget in Brief

PREFACE

The Executive Branch budget for the 2022-2024 biennium is the financial plan for Kentucky State Government as proposed by the Governor for consideration by the 2022 General Assembly. It is published by the Office of State Budget Director, Governor's Office for Policy and Management in accordance with KRS Chapter 48.

The 2022-2024 Budget is presented in three volumes:

- **Volume I:** State Agency Program Budget Detail

- **Volume II:** Capital Projects

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

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

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Kentucky's 2022-2024 Executive Budget

EXECUTIVE SUMMARY

THE FUTURE IS NOW

Kentucky's economy is surging. The Commonwealth is experiencing a rapid recovery from the economic impacts of the COVID-19 pandemic and saw record new private sector investment in 2021. These successes have vaulted Kentucky's finances to a historic position, and sets the table for game-changing and state-changing investments.

Fiscal year 2021 saw an all-time record-setting revenue surplus. The revenue estimates for the 2022-2024 biennium is bright, with \$1.9 billion more in General Fund revenues than budgeted in the current year, and a growth rate of 7.5 percent that follows the 10.9 percent growth rate last year. These are the best back-to-back years since 2005-2006. General Fund receipts have grown over 15 percent in the first half of the current fiscal year. The Consensus Revenue Forecasting Group predicts growth rates for fiscal years 2023 and 2024 to be 2.1 and 4.2 percent, respectively; in line with historical patterns.

For the past several decades, Kentucky has faced painful cuts. With the exception of funding full-day kindergarten last year, Kentucky has not invested in its education systems in meaningful ways. Fixed costs, such as pension liabilities have dominated the use of marginal revenue growth but only after exacting to-the-bone budget cuts to much of Kentucky state government year after year. The budgets for postsecondary education institutions were cut by nearly \$250 million from 2008 to 2020. In ten of the last twelve years, state employees have had no salary increment at all.

Governor Beshear's 2022-2024 budget recommendation embodies game-changing and state-changing investments. He proposes to deploy historic levels of resources to build the world-class education system that creates the world-class workforce. Such a workforce will continue Kentucky's success at attracting world-class companies.

This budget infuses a record amount of badly needed resources into education, funding universal pre-school for all four year olds and authorizing another round of bucks-for-brains in higher education. It shores up the system of protecting abused and neglected children. It directs funding to continue access to health care for the low-income and disabled. It establishes economic development initiatives to improve preparation for additional mega-investments and the growth in the economy. It targets workforce readiness to align with business needs and investments. It pays down our liabilities in pensions and deferred maintenance. It is responsible and disciplined in using one-time money for one-time uses. It fully funds our pension systems. It provides relief and recovery from the devastating storms and tornadoes of December 10, 2021 and prepares for future natural disasters. It raises pay for all state and school district employees, with higher amounts for those in critical shortage and public safety areas.

A RESPONSIBLE AND REAL BUDGET

Governor Beshear's 2022-2024 budget is both responsible and real. The Governor's budget:

- Is based on sound economic assumptions agreed to by the ten-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
- Creates the largest Budget Reserve Trust Fund, or rainy day fund, in state history
- Pays down on the deferred maintenance debt of the Commonwealth
- Is more than structurally balanced, with less recurring spending than recurring revenues, setting up positive outlooks and flexibility for future budgets
- Establishes a disaster relief and recovery fund to be better prepared for future natural disasters
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6% with a ratio of just 3.68%, the lowest debt ratio since the policy was adopted

PUBLIC EDUCATION

PRESCHOOL THROUGH HIGH SCHOOL EDUCATION

The Governor's budget adds nearly \$2 billion over the biennium to the current education budget, providing \$915 million in fiscal year 2023 and \$983 million in fiscal year 2024 more than the current budget amounts.

SEEK Funding - \$441.8 million in FY 2023 and \$517.5 million in FY 2024 – a 16.9% increase

The Governor's 2022-2024 budget provides a 16 percent increase in funding for SEEK. 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 12.5%

Kentucky's formula funding program for elementary and secondary schools, the SEEK program, had the same base per-pupil of \$4,000 for the last four years. The Governor's budget raises that to \$4,300 in fiscal year 2023 and to \$4,500 in fiscal year 2024, a 12.5 percent increase. This provides an additional \$159.7 million in fiscal year 2023 and \$237.3 million in fiscal year 2024 over the current budget.

Other SEEK Funding Components

School districts have not received the funding intended by the statutory formula for pupil transportation. This budget adds **\$175 million** each year to fully fund school district costs for **pupil transportation**, an 81 percent increase in funding. Another \$3 million each year is provided to fully fund vocational education transportation. The SEEK budget pays for all but the federal fund share of the teachers' retirement employer contributions for school districts, including the 5 percent pay raise: an additional \$25.5 million and \$35.9

million. The equalization of school district local tax levies dedicated to capital improvements continues to be a growing part of the SEEK budget. An additional \$49.2 million and \$38.1 million is funded. The budget also fully funds the national board certification salary supplement, which has been capped for many years.

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

The Governor's budget includes \$172 million each year to fund universal preschool for all four-year-old children, and continues the funding for full-day kindergarten. Combined with the \$140 million provided in the last budget for full-day kindergarten, Kentucky has now provided school districts with the state resources to fully implement a Preschool to 12th grade system. The Department of Education estimates that over 34,000 four-year-old children are not enrolled in public preschool or Head Start.

Teacher/School Employee Salary Increases, Benefits & Student Loan Forgiveness

The Governor's budget calls for a minimum 5 percent salary increase for all school personnel, in addition to the regular rank and step salary schedule increases for certified staff. This is the first identified pay increase in a state budget since the 2006-08 budget.

The Governor's budget fully funds the teachers' pension and medical benefits. An additional \$145,234,200 is provided in addition to the current budget in fiscal year 2023 and an additional \$137,312,900 in fiscal year 2024, primarily to cover the assumption changes made due to the five-year experience study. For years, the sick leave credit benefit liability has been amortized for up to 20 years. This budget pre-funds this benefit with an additional \$39,325,100 in each fiscal year. The Commonwealth's "shared responsibility" portion of funding the medical benefits requires \$71,200,000 in fiscal year 2023 and \$77,700,000 in fiscal year 2024.

There will be no health insurance premium increases for school employees. An additional \$24.4 million in fiscal year 2023 and \$96 million in fiscal year 2024 for a ten percent increase in employer contributions that will prevent any premium increases for school employees.

The Governor's budget provides \$26.3 million each year for a student loan forgiveness program that will provide a maximum \$3,000 annual award for student loan forgiveness for each year of employment in a public school as a teacher. This funding will provide at least 4,700 teachers this benefit.

Early Learning Initiative

An **early learning initiative** is funded at \$11 million each year to provide statewide professional learning for early literacy and numeracy and to implement a regional coaching program. Regional coaches will be focused in districts and schools with greatest need and will provide training and support for teachers, schools, and districts. Almost \$1.0 million is included each year for regional training centers to provide general education supports for at-risk children participating in the state's early learning programs.

Career and Technical Education

The budget includes **\$97.4 million** as a current year supplemental funding item to finance the renovation of another **11 local area vocational centers**. The funding is in the School Facilities

Construction Commission. These centers applied for a \$75 million competitive pool in the current year, but scored closely to the ones that were funded. This will provide timely resources for center renovations at the following school districts: Boyd County, Carter County, Edmonson County, Fleming County, Grayson County, Lewis County, Livingston County, McCreary County, Marshall County, Nelson County, and Union County.

The Governor included an additional pool of **\$75 million** for a new round of applications to renovate area vocational centers.

An additional \$8.0 million each year provides funding to **12 locally operated vocational education centers** that have not been a part of the formula funding in the last 12 years due to lack of funding. They include centers in the following school districts: Ashland Independent, Bardstown Independent, Boone County, Boyle County, Hardin County, Hopkins County, Hart County, Laurel County, Oldham County, Spencer County, Washington County, and Whitley County. Additional funding is provided for **state operated area technical schools** in the amount of \$3.2 million in fiscal year 2023 and \$3.6 million in fiscal year 2024.

Professional Development and Textbooks/Instructional Resources

Past budget cuts have nearly eliminated state funding for professional development and textbooks/instructional resources. The budget includes \$11.9 million each year for professional development and \$11 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 through statewide staff and eight regional Social Emotional Learning institutes for access to training of educators. Two new grant programs for 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

Funding is included to restore previous cuts and account for inflation for the Ky Education Technology system, \$4.6 million each year. The system funds technology, sets standards, and provides technical services for public schools.

Turnaround Schools

Under the current turnaround model for schools that are designated as needing improvement, schools in the state that chose the Department of Education to serve as the turnaround team require a three-member team to support leadership, literacy, and numeracy. This \$14.4 million each year will support all 48 schools identified as Comprehensive Support and Improvement schools.

Family Resource and Youth Service Centers (FRYSCs)

The Governor included almost \$6 million more each year to increase funding for Family Resource and Youth Service Centers. There are 874 Family Resource and Youth Services

Centers for 1,200 schools, serving 649,000 students and families. Funding for FRYSC’s has not been increased for many years.

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 – 11.7% INCREASE

Base Funding Increases

From 2008 to 2020, about \$250 million in General Fund has been cut from the nine public postsecondary education institutions. The Governor’s budget adds **\$67.5 million** in fiscal year 2023 and **\$90 million** in fiscal year 2024 to their base budgets, a nearly 12 percent increase over the biennium. While performance funding has its merits, the hollowing out of state funds from past budget cuts has 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). Restoring a significant share of past budget cuts will better position these institutions with the fiscal capacity to achieve that and other performance goals.

Bucks for Brains Endowment Match

The budget includes \$60 million in bond funds for the Bucks for Brains program to be matched dollar-for-dollar with private donations. Funds are endowed, with investment proceeds used to provide a perpetual source of funding for research related activities, but can also be used to support research related capital projects. Funds would be distributed as follows:

University of Kentucky	\$33.3 million
University of Louisville	\$16.7 million
Comprehensive Universities	\$10.0 million

Asset Preservation

The Governor’s budget includes **\$500 million** from the General Fund to pay down the debt of deferred maintenance for the Commonwealth’s largest physical plant, the nine postsecondary education institutions. This has been an unfunded top priority of the postsecondary education system for years, and will provide the first significant funding for this since \$103 million was included 20 years ago. Each institution, with some exceptions for fiscal capacity, will match each General Fund dollar with 50 cents, bringing the potential investment in asset preservation to \$750 million. The distribution to each institution is based on a consensus formula developed by the Council on Postsecondary Education with the institutions.

Better Kentucky Promise Scholarship – Free Tuition & Fees for up to Associates Degree

The Governor’s budget combines the Work Ready Scholarship with a new program – the Better Kentucky Promise Scholarship, which fills the gap between tuition and federal and other state aid for all new Associate degree and certificate-seeking students. The scholarship is available to new Associate degree and certificate seeking students at public universities and private, non-profit Kentucky institutions, capped at the KCTCS tuition rate. Included in fiscal year 2023 is \$16,270,000 and \$27,725,000 in fiscal year 2024. The new program will provide aid for approximately 6,000 additional recipients in the first year and 9,700 in the second year.

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 application cycle. The maximum grant award for CAP has increased from \$2,000 to \$2,900 last biennium. When leveraging federal Pell Grant dollars, the CAP program now covers full-time tuition and fees at KCTCS and nearly covers the average tuition and fees at four-year institutions. However, tuition and fees are only part of the total cost of attendance. Additional General Fund will allow an increase in the maximum cap award to \$3,100 and \$3,300 in fiscal years 2023 and 2024 respectively while continuing to fund all eligible applicants.

Optometry and Veterinary School Contract Spaces

The budget ensures that Kentucky’s reserved spaces in out-of-state veterinary and optometry professional degree programs are intact with sufficient additional funding for their increased prices.

FEDERAL AMERICAN RESCUE PLAN ACT SPENDING

There is \$1.0 billion remaining to be appropriated from the State Fiscal Recovery Fund of the American Rescue Plan Act. The Governor proposes the following uses in this budget:

Premium pay for essential workers	\$400.0 million
Water and Wastewater infrastructure grants	250.0 million
Assistance to nonprofit organization (with \$10 million set aside for arts organizations)	75.0 million
COVID-19 mitigation	179.9 million
Nursing student loan forgiveness & media effort	27.0 million
Senior Meals	36.2 million
Child Care Assistance	24.0 million
Behavioral Health facilities testing	11.7 million
Kentucky travel industry	10.0 million

ENHANCING PUBLIC SAFETY AND VICTIM SERVICES

Kentucky State Police – Salary Increase for Troopers and Telecommunicators

The Kentucky State Police is experiencing an unprecedented shortage of troopers, its lowest in over 30 years, at 740 currently. Retirements and resignations are substantially above historic patterns, and the number of graduating cadets have declined. The Governor’s budget supports an immediate pay increase of \$15,000 increase for troopers with a 10 percent difference between ranks by years of service on the salary schedule. This will assist in both recruitment and retention efforts by targeting the starting pay at \$55,888, to be among the top five in Kentucky with an annual inflator to salary schedule. The Governor’s budget includes additional General Fund in the amount of \$3,106,400 in fiscal year 2022, \$34,942,800 in fiscal year 2023 and \$41,480,900 in fiscal year 2024.

Another area of critical staffing shortages due to low pay is State Police telecommunicators, the employees that provide dispatch services. It has become too commonplace for telecommunicators to learn the job at the State Police then move on to local government entities. An increase in pay of \$8,000 across-the-board is provided and moving to a 40-hour work week is supported in the Governor's budget through an additional \$334,700 in fiscal year 2022, \$3,902,600 in fiscal year 2023 and \$3,892,300 in fiscal year 2024 from the General Fund.

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 Representative Wheatley's proposed legislation to roll back the State Police Retirement system's 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.

Accountability - State Police Body Cameras

Funding for body cameras for state troopers is included for the first time in the Governor's budget. The costs are \$9,717,500 in fiscal year 2023 and \$2,429,800 in fiscal year 2024.

State Police Emergency Radio System Replacement

The first two phases of replacing the State Police's emergency radio system were funded in the last two budgets totaling \$87.6 million. The final phase is funded at \$80.9 million in the 2022-24 budget. 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 \$600 stipend increase from the Kentucky Law Enforcement and Firefighters Foundation Program funds, bringing the stipend up to \$4,600. Over 8,000 law enforcement officers and over 3,800 firefighters will receive this increase.

Supporting State Prosecutors and Victim Services

Commonwealth Attorneys - The Governor's budget provides over \$13 million each year for 139 additional positions to provide enhanced victim services including the implementation of Marsy's law and to address case backlogs and additional workload due to recent legislative changes. It also funds the conversion of the final four part-time offices to full-time.

County Attorneys - The Governor's budget provides over \$15 million each year for 165 additional positions to provide enhanced victim services including the implementation of Marsy's law and to address case backlogs and additional workload due to recent legislative changes. The budget also adds \$7,000 in operating expenses to each of the 120 County Attorney offices to supplement the \$3,000 per office currently provided for criminal justice related operating expenses.

Returning Corrections and Juvenile Justice Employees' Retirement Plan to Previous Plan

The Departments of Corrections and Juvenile Justice have significant staffing gaps to run these critical institutions. The Governor has approved a 10 percent pay increase for the security staff of adult correctional institutions and the youth workers in juvenile justice facilities. To further improve the ability to recruit and retain staffing, the Governor's budget aligns funding with Representative Wheatley's proposed legislation to roll back the hazardous duty retirement plan's Tier III hybrid cash balance plan to the Tier II plan. The Tier II 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. Maintaining public safety requires this multi-pronged approach.

Probation and Parole – Caseload Increase

To accommodate an expected two percent increase in the probation and parole caseload, an additional 25 probation and parole officers is funded to maintain a caseload of 99 per officer; \$2,585,900 in fiscal year 2023 and \$2,490,900 in fiscal year 2024.

Public Advocacy – Conflict Cases

An additional \$700,000 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 40 percent increase in the budget for conflict cases.

Replacement of the Kentucky State Reformatory

Due to the significant physical deterioration of the 84-year old Kentucky State Reformatory, and the inability to recruit and retain correctional staff in a competitive local labor market, the Governor's budget includes \$106 million in construction funding for the expansion of the Little Sandy Correctional Complex to add 816 beds and a separate \$171 million project to construct the corrections system's statewide medical facility currently housed at the Reformatory. Upon the completion of these two projects, the Kentucky State Reformatory will be closed. The multi-year design and construction timeline will enable the Department to transition Reformatory employees to other positions.

Court Security – Increase in Pay

The Governor's budget includes \$1.4 million each year for an increase in the hourly pay to sheriffs' offices for providing security at courthouses.

PROTECTING AND EXPANDING HEALTH CARE

Addressing Kentucky's Nursing Shortage

To supplement Governor Beshear's recent actions to address the nursing shortage in hospitals and other health care areas through an Executive Order, the budget includes additional efforts to address the need for attracting more nursing students into the pipeline, to retain existing nurses, and to promote the nursing profession as a critical component of Kentucky's health care system.

Promoting Nursing as a Career – Expanding the Pipeline

The existing Nursing scholarship program, financed by a portion of nursing license fees, can provide scholarships to only 150 students. The Governor's budget includes \$6 million each year

from the General Fund to significantly increase the number of scholarships awarded and to double the maximum award from \$1,500 per semester to \$3,000 per semester.

Nursing and Nursing Faculty Student Loan Forgiveness

To improve both the recruitment and retention of nurses in Kentucky, a new student loan forgiveness program financed from the American Rescue Plan Act State Fiscal Recovery Fund is proposed in the Governor's budget. Starting in May of 2022, it will provide \$5 million each year for five years to provide student loan forgiveness up to \$3,000 per year for each year a nurse or a nursing faculty member is employed in their positions in Kentucky.

Broadcasting the Benefits of the Nursing Profession

The Governor is proposing to use \$2 million from the American Rescue Plan Act State Fiscal Recovery Funds to finance a marketing and outreach program to highlight the nursing profession as part of a response to COVID-19 and the nursing shortage that became so apparent.

Fully Funding Medicaid

The Governor's budget fully funds the Medicaid program, including Medicaid expansion, based on an updated forecast. The impacts of actions to reduce the infection rate of COVID-19 has resulted in many more Kentuckians accessing health insurance through the Medicaid program. Due to the coronavirus public health emergency, the federal government provides states with a 6.2% enhancement to the federal medical assistance percentage (FMAP) which is assumed to be effective through March 31, 2022.

Medicaid Waiver – 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 100 additional slots in the Supports for Community Living waiver program.

Medicaid-Extend Temporary Nursing Home Facility Reimbursement Rate

The Governor's budget provides extends the \$29 per-diem reimbursement rate increase for nursing homes that expired December 31, 2021. This represents \$150 million annually to nursing homes. The current budget included one-time funding and the Governor's budget keeps the temporary increase through June 30, 2024. The General Fund amounts for the rest of fiscal year 2022 is \$18,100,000 and \$41,745,000 each of the next two years. Federal Medicaid funds provide the rest.

Local Health Department Transformation

Substantial funding of \$17.7 million in fiscal year 2023 and \$19.1 million in fiscal year 2024 is recommended to fund the intent of Public Health Transformation legislation that was enacted in 2020. These funds will be allocated to the 60 local health departments to add support for their workforce and operations in delivering foundational programs and services to Kentuckians in all areas of the state.

988 Crisis Support Line Implementation

Effective July 1, 2022 the three-digit calling number of 988 will become active and replace the 1-800-273-8255 number currently used for the National Suicide Prevention Lifeline. The number of calls are expected to increase 56% from approximately 120,000 per year to 190,000.

The budget includes \$3.4 million in fiscal year 2023 and \$9.9 million to phase in 120 additional staff of Kentucky's Community Mental Health Centers for 24/7/365 crisis support line support. Currently, the Centers use \$1.7 million to support crisis services for those who have a serious mental illness from existing federal and state funds, but none of those funds are specifically designated for the operation of the crisis line.

Tim's Law Pilot Expansion to Two Other Psychiatric Hospitals

Tim's law, which passed in 2017 but not funded, 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. This program currently exists at Central State and Eastern State hospitals, and soon at Western State Hospital, funded with federal funds. State funding of \$500,000 and \$1,000,000 during the two fiscal years will expand the program to Eastern State Hospital and Appalachian Regional Hospitals.

Kentucky Pediatric Research Trust Fund

The Governor's budget increases funding to the Kentucky Pediatric Research Trust Fund by adding \$1,250,000 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.

PROTECTING CHILDREN & FAMILIES

350 New Social Workers to Fight Abuse and Neglect

Community Based Services currently has 1,019 Social Service Worker staff and is funded for 1,246. Current average caseload is 21 with an average caseload with past due cases of 28. Adding 350 more staff would bring the average caseload to 16 and the average caseload with past due cases to 21.

Social Service Worker Student Loan Forgiveness

The Governor's budget provides \$2.1 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.

Child Care Assistance - \$2 Per Day Increase

Due to COVID-19, the fiscal year 2022 budget included one-time funding to provide a \$2 per child per day increase in the Child Care Assistance Program provider reimbursement rate. The Governor proposes the use of American Rescue Plan Act State Fiscal Recovery Fund to continue this temporary increase through June 30, 2024, \$12 million each year.

Prevention Services for Abused & Neglected Children

The Governor's budget in each fiscal year includes additional funding of \$19.6 million each year, \$10.0 million from the General Fund and \$9.6 million from federal funds to sustain and

expand prevention services that work with families to mitigate issues when a child is at imminent risk for removal.

Child Advocacy Centers, Domestic Violence Centers, Rape Crisis Centers

The Governor's budget includes a 34 percent increase in funding direct to Domestic Violence Centers (\$2,550,200 each year), Rape Crisis Centers (\$1,788,200 each year), and Child Advocacy Centers (\$1,349,600 each year).

Senior Meals – Continue to Ensure No Waitlist

Federal pandemic funds have eliminated a waitlist of about 7,000 meals. These funds expire December 31, 2021. The Governor's budget includes \$36.2 million over the next two and a half years to continue providing an additional 49,000 meals per week fully meeting the current need for meals to Kentucky's senior citizens age 60 and older living in the community. The wait list prior to the use of federal pandemic funding was approximately 7,000 Kentuckians.

New Office of Dementia Services

Funding is provided to support staffing for the new Office of Dementia Services established in the 2021 legislative session. There are approximately 73,000 Kentuckians with Alzheimer's disease and other dementias, projected to increase to 86,000 by 2025. The Office of Dementia Services will administer programs related to dementia care services and coordinate and manage the Alzheimer's Disease and Related Disorders Advisory Council.

Kentucky Caregiver and Hart-Supported Living Programs

The Governor's budget expands funding the Kentucky Family Caregiver Program by \$1,000,000 in each fiscal year to, and expands funding to expand the Hart-Supported Living program by \$2,000,000 in each fiscal year.

Residential & Therapeutic Foster Care Rate Increase

The Governor's budget includes a 17 percent rate increase for residential/congregate care providers that serve children which require the highest quality of care and cannot be placed in a family based setting.

PREPARING A WORLD-CLASS WORKFORCE

Workforce Initiative – Connecting a Guaranteed Job with Education and Training

The Governor includes \$20 million each year for a competitive workforce initiative grant program administered by the Education and Labor Cabinet. Public and private education entities can apply for one-time funds for new or expanded programs that incorporate a commitment from employers to hire the student completers. Programs that lead to a licensed credential or degree will be eligible.

Unemployment Insurance – Restore Staffing and Public Services Capacity

The budget funds the restoration of 90 staff positions eliminated in past budgets, phased in at 45 in fiscal year 2023 and another 45 in fiscal year 2024. 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 \$5,650,000 in fiscal year 2023 and \$11,300,000 in fiscal year 2024 from the General Fund

Urban League of Louisville – Commercial Drivers License Training

Nearly \$700,000 is provided each year to the Urban League of Louisville for a program that provides training to disadvantaged individuals toward a commercial drivers license that will result in jobs with good wages.

Area Health Education Centers-Health Care Workforce Development

At a time when promoting health care career preparation was badly needed, state funding for Area Health Education Centers was eliminated in the 2018-20 budget. 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. \$2.5 million is provided each year.

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. Aligned with the Kentucky Chamber of Commerce's 2022 legislative priorities to build a competitive Kentucky, the Talent Attraction Media Campaign will contribute to the creation of a globally competitive talent development system. The campaign will include national outreach to recruit top talent to Kentucky, local coverage to retain talent in Kentucky - utilizing various media platforms. Funding is \$10 million each year from the General Fund.

Everybody Counts Expansion

The Governor's budget supports the expansion of the Everybody Counts program. This program recently began in Jefferson County public schools which aims to have every Jefferson County public school senior, before they graduate, hired into a job at one of four participation companies including Ford Motor Company, United Parcel Service, General Electric, and Kroger, or enrolled in post-secondary program, or both. The funding provides for outreach efforts to work with other Kentucky communities to install a similar program with their schools and employers. The funding is \$1.5 million each year.

CREATING AND ATTRACTING JOBS

Kentucky Site Identification & Development Program

The Governor's budget includes \$250 million in one-time funds for Kentucky's Site Identification and Development program. 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. The types of funding uses include land acquisition, site assembly, site preparation and improvement, infrastructure-water, wastewater, utilities, broadband; construction or improvement of buildings, environmental remediation, architectural/engineering/surveying professional services.

Northern Kentucky Life Sciences Lab

An investment of \$10 million is proposed to the city of Covington to support the construction and fit-out of a shared research and development lab facility to serve the rapidly expanding life sciences research and development sector in the region. This initiative is a collaboration among the City of Covington, several life sciences companies, the regional economic development organization, the entrepreneurship ecosystem and higher education.

AgriTech Research and Development Facility

The Governor's budget includes \$75 million to assist in the establishment to support a state-of-the-art AgriTech research and development center in the heart of Eastern Kentucky focusing on controlled-environment agricultural production, horticultural innovation, and technological solutions to the agricultural and food supply challenges facing North America. This project, along with companion initiatives, will attract well-paying jobs and national and international investment in Kentucky's most coal-dependent and economically disadvantaged region.

Worker Training

General Fund of \$2.5 million each year is included for training for Ford workers to be up-skilled on robotics and other advanced manufacturing technologies as they continue to add new technology and features to their products.

INVESTING IN OUR PUBLIC EMPLOYEES

Salary Increases for State Employees

For the first time in over 20 years, state employees will receive a five percent salary increase, effective May 1, 2022. In ten of the last twelve years, state employees have had no salary increment at all. This increase applies to all state employees that were not a part of the other salary increases provided in November or December, 2021, or January, 2022, to social service and family support workers, correctional institution security staff, juvenile facility youth workers, unemployment insurance program employees, and state police troopers and a few other state police personnel.

Fully Funding Pensions

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

Paying Down Pension Liabilities

The Governor includes substantial funding to pay down the pension liability of the Kentucky Retirement System's nonhazardous pension plan, which has a \$16.3 billion unfunded liability. The budget includes \$250 million in fiscal year 2023 and \$500 million in fiscal year 2024. The extra funding will be applied to reduce the amortization period that was extended by six years by the 2021 General Assembly. Actuaries have estimated that these payments will address two of the extra six years added to the amortization period.

Health Insurance – No Premium Increases for State Employees

The Governor’s budget includes additional \$13 million in fiscal year 2023 and \$29 million in fiscal year 2024 from the General Fund for a ten percent increase in employer contributions that will prevent any premium increases for state employees.

INFRASTRUCTURE INVESTMENT

Transportation – Roads and Bridges

The Governor’s Budget includes an historic investment of \$250,000,000 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 three major projects targeted are the replacement of the Brent Spence bridge, 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.

Federal Infrastructure Legislation – Additional Road and Bridge Funding

The new Infrastructure Investment and Jobs Act provided states with a 22 percent increase in funding from the federal Highway Trust Fund in federal fiscal year 2022 and an additional two percent increase in the subsequent four years. The Highway Trust Fund provides an 80 percent share and states must provide the other 20 percent. Additional Road Fund in the amount of \$57,216,100 in fiscal year 2022, \$61,617,600 in fiscal year 2023, and \$66,107,100 in fiscal year 2024 is included in the budget to provide Kentucky’s share of the increased federal funding. This additional state match of \$184.9 million will leverage around \$774.7 million of additional federal dollars over federal fiscal years 2022-2024 from the Highway Trust Fund and a new bridge program, yielding an additional \$959.6 million in combined road and bridge funding over the three-year span.

Governor’s 2022-2024 Biennial Highway Construction Plan

The 2022-2024 biennial highway construction plan is based on \$8.5 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 2020 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 begins the roadway widening work necessary to extend the 4-lane Mountain Parkway along KY 114 from Salyersville to Prestonsburg.

Electric Vehicle Charging Stations – \$100 million - Preparing for the Future

The new Infrastructure Investment and Jobs Act includes an estimated \$69.5 million for Kentucky to install electric vehicle charging stations. The Governor adds \$30.5 million from the General Fund, for a total investment of \$100 million. The state funds are necessary to meet the 20 percent state match and to provide funding for the purchase of electric vehicles for the state government fleet.

Better Kentucky Cleaner Water Program

The Governor’s budget includes nearly \$500 million over the biennium for the Better Kentucky Cleaner Water program that finances drinking water and wastewater projects, \$250 million from the federal American Rescue Plan Act State Fiscal Recovery Fund and \$247.7 million from the new federal Infrastructure Investment Jobs Act. These funds will be matched with \$11.3 million from the General Fund for drinking water and wastewater low-interest loan projects. The Infrastructure bill provides \$159.3 million more than the baseline federal program over the biennium.

Broadband Expansion

The budget includes new staffing within the Kentucky Infrastructure Authority to create an Office for Broadband. Kentucky is one of the few states without an Office to provide strategic direction, coordination, and planning for deployment of the significant federal funds flowing to states for the last mile of broadband access.

Broadband funding in the amount of \$200 million is provided in the Governor’s budget. It is comprised of \$100 million from the federal Infrastructure Investment Jobs Act and another \$100 million comprised of \$55,769,300 from the American Rescue Plan Act Coronavirus Capital Projects Fund and \$44,230,700 from the General Fund. These funds go to the Broadband Deployment Fund which assists private sector entities and government agencies in the cost of constructing the last mile of broadband access to unserved and underserved households and businesses across Kentucky. These funds will supplement the \$300 million of the State Fiscal Recovery Fund portion of the American Rescue Plan Act that was appropriated in the 2021 Regular Session of the General Assembly, as modified by proposed action of the 2022 Regular Session.

General Aviation Airports and Paducah Airport Terminal Project

The Governor recommends investing \$50 million in Kentucky’s general aviation airports for the development, rehabilitation, and maintenance of public use aviation facilities, from the state’s General Fund. An additional \$6 million is provided to support the construction of the new Airport terminal building at the Barkley Regional Airport in Paducah.

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. Based on revenue estimates, a total of \$74.5 million in fiscal year 2023 and \$77.2 million in fiscal year 2024, substantial increases from the fiscal 2022 budget which appropriated \$26.4 million.

County Clerks – \$50 Million of Investment

The Governor’s budget includes \$25 million from the General Fund, for grants to County Clerks grants that will enable them to transition their processing of recorded instruments to electronic forms and processes. Another \$25 million is included for grants to County Clerks to acquire replacement election equipment.

Property Valuation Administrators

The budget includes over \$2.8 million each year for an additional 45 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. By statute, the minimum number of employees per county is two. There are 24 counties with only two employees.

Area Development Districts – Additional Funding to Match Federal Grant

The Governor’s budget includes additional funding of \$250,000 from the General Fund in each fiscal year for affected Area Development Districts to match the increase in the Appalachian Regional Commission grants.

INVESTING IN VETERANS

Veterans Services-Homeless Program, Additional Staff, Veterans Service Organization Outreach

The Governor’s budget includes additional \$200,000 each year for the Homeless Veterans Program, over \$700,000 each year to increase the number of veteran benefit field representatives, nearly \$300,000 each year to fund an expanded outreach program.

Veterans Cemeteries-Addressing More Interments

The number of veteran interments has grown from about 1,300 in 2019 to about 1,700 in 2021. Additional positions at four of the Veterans Cemeteries are funded to bring them up to a staffing level that is appropriate for the number of committal services conducted annually.

Kentucky Medal of Honor Renovation/Redication

Funding is provided to replace the fiberglass obelisk honoring Kentucky’s Medal of Honor recipients with a permanent one at the Campus of Freedom’s Foundation in Valley Forge, Pennsylvania. Most state memorials have been replaced with stone or granite often native to that state; however, Kentucky is one of the few remaining that have not.

Bowling Green Veterans Center – Beginning Operations

The budget includes about \$1 million in fiscal year 2024 to phase in the operations of the newest state Veterans Center in Bowling Green.

TOURISM

State Parks Improvements

The Governor is proposing \$200 million in one-time General Funds as a significant and needed investment in our State Parks. A Parks Improvement Pool will fund essential preservation projects to include maintenance, renovation, demolition, repair, replacement, expansion and new projects various Parks across the Commonwealth. The goal is both to preserve capital assets and to enhance the State Park facilities to attract and build upon its important role in Kentucky tourism.

Kentucky Tourism Industry Marketing

The Governor recommends using \$10 million from the State Fiscal Recovery Fund of the American Rescue Plan Act to market the safe return of visitors to Kentucky's many tourism destinations.

ENHANCING FISCAL RESPONSIBILITY

Budget Reserve Trust Fund

The current balance of the Fund is a little over \$1.5 billion, the largest dollar amount ever and the highest ratio of balance to the enacted fiscal year 2022 revenue estimate, at 12.5 percent. To further build the Budget Reserve Trust Fund and maintain a similar share of the General Fund that currently exists, the Governor's budget recommendation provides \$250 million in a direct appropriation in fiscal year 2023. This will bring the balance to \$1,756,919,700, 12.5 percent of the fiscal year 2023 estimated revenues.

Structural Balance

One measure of a fiscally responsible budget is how recurring revenues line up with recurring spending. The Governor's budget is more than structurally balanced, because the recurring spending in both fiscal years is less than recurring revenues. In fiscal year 2024, recurring revenues exceed recurring spending by 4.5 percent.

Preparing for Natural Disasters

The Governor's budget includes a new financial structure to address the costs that Kentucky state government incurs in responding and recovering from natural disasters. Till now, Kentucky has relied on its savings account, the Budget Reserve Trust Fund, as the financial source to pay for activating the National Guard and paying the state match for FEMA disaster grants. Governor Beshear proposes a Disaster Relief and Recovery Fund to be managed by the Emergency Management function of the Department for Military Affairs and provides \$100 million as initial seed funding. Many states have established such funds for this purpose. This fund will also include a no-and-low interest revolving loan program for local governments when their fiscal liquidity is strained by their response to a natural disaster as they await federal funding through FEMA or insurance claim proceeds. This action of fiscal responsibility will preserve the state's rainy day fund for addressing recessionary times and revenue shortfalls, and affirmatively budget for natural disaster response.

PAYING DOWN THE DEBT OF STATE GOVERNMENT'S DEFERRED MAINTENANCE – \$1.2 BILLION

Governor Beshear's budget proposes the most significant payment against the debt obligation of deferred maintenance to Kentucky state government's physical plant in any budget ever presented. Including the \$500 million for asset preservation for our public postsecondary education institutions, which will be matched with up to \$250 million from the institutions, and \$200 million for improvements and repairs to our state parks. An additional \$256 million is devoted to major maintenance, renovations and repairs for the rest of state government's large physical plant. The \$256 million are for building systems which have determined by the Finance and Administration Cabinet as past their useful life, some in dire need. The funding covers

correctional, mental health, veterans, military affairs, tourism, education, state police, and state office facilities. When combined, the budget has a total of about \$1.2 billion to reduce the debt of deferred maintenance.

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 the base cut of \$100,300 in the enacted in the current budget and provides an additional \$200,000 in General Fund to support the Commission on Human Rights.

Office of Minority Empowerment

The budget reinstates the Office of Minority Empowerment, whose capacity to carry out their responsibilities were diminished in recent years and provides \$185,000 each year.

REST OF GOVERNMENT

Military Affairs

The budget includes additional funding to replace other funds that have expired or reduced, but were supporting the primary missions of the Department of Military Affairs, to cover higher fixed costs, and to fully match federal grants.

Board of Elections

The Governor's budget includes additional General Fund for to improve Kentucky's election process, including funding to maintain voter registration lists, to meet the state match for federal election security grants, to obtain electronic poll books, and to cover the state share of the cost of local elections.

Enterprise-Wide Revenue and Financial Administration

The Finance and Administration Cabinet includes the functions of revenue and taxation administration, controller, and facilities support. All play critical central government roles in administering and managing the state's tax system, financial, procurement, and budget systems, and manage its large physical plant. Funding is provided to ensure the proper implementation of the first comprehensive, modernized revenue information technology system, to restore unexplained budget cuts from the last budget, and to provide staffing to implement multiple tax law changes that were unfunded. Funding is also included for the costs associated with the abrupt movement of 170 state employees from the Capitol Annex Building required by the legislative branch.

**2022-2024 EXECUTIVE BUDGET
GENERAL FUND SUMMARY**

	<u>Revised FY 2022</u>	<u>Recommended FY 2023</u>	<u>Recommended FY 2024</u>
RESOURCES			
Beginning Balance	1,516,043,100	1,618,979,100	23,067,200
Official Revenue Estimate	13,791,900,000	14,085,800,000	14,684,000,000
Tax Changes		(9,250,000)	(9,250,000)
Fund Transfers	77,123,700	2,427,400	2,459,300
RESOURCES	15,385,066,800	15,697,956,500	14,700,276,500
Continued Appropriations Reserve			
Budget Reserve Trust Fund	600,000,000	1,506,919,700	1,756,919,700
Executive Branch	78,057,100	78,057,100	78,057,100
Legislative Branch	23,677,200	23,677,200	23,677,200
Judicial Branch	13,920,800	13,920,800	13,920,800
Continued Appropriations Reserve	715,655,100	1,622,574,800	1,872,574,800
TOTAL RESOURCES	16,100,721,900	17,320,531,300	16,572,851,300
APPROPRIATIONS			
Executive Branch			
Appropriations-Operating	12,085,044,600	14,979,023,200	14,243,737,600
Special Appropriations	191,724,400		
Reserve for Necessary Government Expense	10,000,000		
Dedicated Revenue Adjustments	39,101,000		
Current Year Appropriations	143,361,800		
Lapses	(77,263,500)	(17,012,600)	(16,080,900)
Total Executive Branch	12,391,968,300	14,962,010,600	14,227,656,700
Judicial Branch			
Appropriations	396,752,600	382,652,300	392,385,100
Current Year Appropriations	793,800		
Lapses	(10,000,000)		
Total Judicial Branch	387,546,400	382,652,300	392,385,100
Legislative Branch			
Appropriations	79,653,300	80,226,400	80,234,700
Total Legislative Branch	79,653,300	80,226,400	80,234,700
TOTAL APPROPRIATIONS	12,859,168,000	15,424,889,300	14,700,276,500
BALANCE	3,241,553,900	1,895,642,000	1,872,574,800
Continued Appropriations Reserve			
Budget Reserve Trust Fund	1,506,919,700	1,506,919,700	1,756,919,700
Appropriations to Budget Reserve Trust Fund		250,000,000	
Subtotal-Budget Reserve Trust Fund	1,506,919,700	1,756,919,700	1,756,919,700
Executive Branch	78,057,100	78,057,100	78,057,100
Legislative Branch	23,677,200	23,677,200	23,677,200
Judicial Branch	13,920,800	13,920,800	13,920,800
Continued Appropriations Reserve	1,622,574,800	1,872,574,800	1,872,574,800
ENDING BALANCE	1,618,979,100	23,067,200	0

**2022-2024 EXECUTIVE BUDGET
ROAD FUND SUMMARY**

	Revised FY 2022	Recommended FY 2023	Recommended FY 2024
RESOURCES			
Beginning Balance	58,400	6,099,300	
Official Revenue Estimate	1,680,100,000	1,719,900,000	1,676,700,000
Fund Transfers	837,400	836,100	835,300
TOTAL RESOURCES	1,680,995,800	1,726,835,400	1,677,535,300
APPROPRIATIONS			
Appropriations	1,515,952,300	1,729,664,000	1,680,088,300
Surplus Appropriations	97,267,300		
Dedicated Revenue Adjustments	9,137,500		
Current Year Appropriations	61,262,200		
Budgeted Lapse	(8,722,800)	(2,828,600)	(2,553,000)
TOTAL APPROPRIATIONS	1,674,896,500	1,726,835,400	1,677,535,300
ENDING BALANCE	6,099,300	0	0

General Fund
Official Revenue Estimate FY2022 - FY2024
(Millions of Dollars)

	<u>FY21</u>	<u>FY22</u>		<u>FY23</u>		<u>FY24</u>	
	Actual	Estimate	%Chg	Estimate	%Chg	Estimate	%Chg
Individual Income	\$5,143.8	\$5,424.7	5.5	\$5,650.3	4.2	\$5,868.8	3.9
Sales & Use	4,561.0	4,950.7	8.5	5,239.4	5.8	5,519.0	5.3
Corp. Inc. & LLET	882.8	970.5	9.9	912.0	-6.0	967.5	6.1
Property	702.5	714.0	1.6	740.0	3.6	765.6	3.5
Lottery	289.1	319.3	10.4	335.0	4.9	347.0	3.6
Cigarettes	349.9	334.7	-4.3	322.0	-3.8	309.1	-4.0
Coal Severance	56.1	64.1	14.3	76.6	19.5	75.2	-1.8
Other	842.2	1,014.0	20.4	810.6	-20.1	831.8	2.6
Total	\$12,827.4	\$13,791.9	7.5	\$14,085.8	2.1	\$14,684.0	4.2

General Fund Detailed Consensus Revenue Estimate

<u>Source</u>	<u>Actual 2021</u>	<u>Estimate 2022</u>	<u>Estimate 2023</u>	<u>Estimate 2024</u>
Individual Income Tax	\$5,143,769,886	\$5,424,700,000	\$5,650,300,000	\$5,868,800,000
Sales & Use	\$4,561,017,999	\$4,950,700,000	\$5,239,400,000	\$5,519,000,000
Corp. Inc. & LLET	\$882,849,382	\$970,400,000	\$911,900,000	\$967,500,000
Corporation Income Tax	\$608,017,501	\$701,000,000	\$712,800,000	\$775,500,000
Limited Liability Entity Tax	\$274,831,881	\$269,400,000	\$199,100,000	\$192,000,000
Property Taxes	\$702,475,524	\$714,000,000	\$740,000,000	\$765,600,000
Real Property	\$317,378,436	\$330,500,000	\$344,100,000	\$357,900,000
Tangible Personal Property	\$118,631,611	\$123,700,000	\$127,700,000	\$130,400,000
Motor Vehicles	\$166,267,116	\$165,000,000	\$175,000,000	\$183,800,000
Bank Deposits	\$836,189	\$800,000	\$750,000	\$710,000
Distilled Spirits Ad Valorem	\$1,751,298	\$1,500,000	\$1,450,000	\$1,290,000
Building and Loan Association Capital Stock	\$51,057	\$0	\$0	\$0
Omitted and Delinquent	\$17,994,932	\$17,000,000	\$15,000,000	\$14,000,000
Apportioned Vehicles	\$6,590,892	\$5,000,000	\$5,000,000	\$5,000,000
Public Service Companies	\$72,960,107	\$70,500,000	\$71,000,000	\$72,500,000
Other Property	\$13,885	\$0	\$0	\$0
Lottery	\$289,100,000	\$319,300,000	\$335,000,000	\$347,000,000
Cigarette Taxes	\$349,946,619	\$334,700,000	\$322,000,000	\$309,100,000
Coal Severance Tax	\$56,073,988	\$64,100,000	\$76,600,000	\$75,200,000
Other	\$842,198,930	\$1,014,000,000	\$810,600,000	\$831,800,000
Cigarette Floor Stock Tax	\$0	\$9,000	\$2,500	\$1,000
Distilled Spirits Case Sales	\$202,034	\$223,313	\$237,592	\$245,871
Insurance Tax Foreign Companies	\$43,464,620	\$44,142,618	\$45,874,919	\$47,607,220
Insurance Tax Companies Other Than Life	\$126,095,973	\$109,480,132	\$120,100,000	\$121,600,000
Insurance Tax Fire Prevention Fund	\$6,976,661	\$6,841,445	\$6,991,056	\$7,140,667
Pari-Mutuel	\$31,229,897	\$46,053,007	\$47,459,075	\$49,357,438
Race Track Admission	\$21,551	\$195,000	\$200,000	\$201,000
Beer Consumption	\$6,200,831	\$6,393,432	\$6,551,325	\$6,709,217
Distilled Spirits Consumption	\$17,520,621	\$17,808,121	\$18,628,714	\$19,449,306
Wine Consumption	\$3,461,261	\$3,606,137	\$3,714,770	\$3,843,404
Beer Wholesale	\$63,363,832	\$65,700,000	\$67,560,000	\$69,250,000
Distilled Spirits Wholesale	\$62,862,108	\$68,525,000	\$73,350,000	\$79,200,000
Wine Wholesale	\$19,936,744	\$20,789,310	\$21,453,568	\$22,617,826
Other Tobacco Products and Snuff	\$41,174,942	\$48,350,000	\$49,750,000	\$50,900,000
Telecommunications Taxes	\$73,910,160	\$79,231,691	\$83,193,276	\$86,437,814
Mineral Severance Tax	\$20,607,726	\$19,200,000	\$20,300,000	\$22,200,000
Natural Gas Severance Tax	\$3,563,561	\$11,800,000	\$10,000,000	\$7,400,000
Oil Production	\$4,200,401	\$7,400,000	\$6,800,000	\$6,000,000
Corporate License	\$197,340	\$50,000	\$40,000	\$37,500
Cigarette License	\$207,975	\$209,842	\$185,000	\$165,000
Race Track License	\$242,691	\$243,000	\$243,000	\$243,000
Marijuana and Controlled Substance Tax	\$64,324	\$70,000	\$68,000	\$66,000
Bank Franchise Tax	\$116,008,780	\$25,000	\$0	\$0
Alcoholic Beverage License Suspension	\$225,350	\$235,000	\$233,000	\$231,000
Inheritance Tax	\$62,068,793	\$73,861,864	\$82,725,287	\$86,447,925
Circuit Court Clk. - Civil Filing Fee Receipts-	\$135,605	\$2,250,000	\$2,230,250	\$2,300,000
Circuit Court Clk. - Bond Filing Fee-	\$1,697,524	\$1,900,000	\$1,950,000	\$2,000,000
Circuit Court Clk. - 10% Bond Fee-	\$177,518	\$225,000	\$235,000	\$245,000
Strip Mining & Reclamation - Fines Coll.	\$511,401	\$500,000	\$500,000	\$525,000
Miscellaneous - Pub Advoc; Sec State Fee	\$803,752	\$775,000	\$765,000	\$725,000
Legal Process - Clk. Supreme Court	\$83,394	\$100,000	\$99,000	\$102,500
Dept. of Rev. Legal Process Taxes - Co. Clk.	\$2,959,548	\$2,766,542	\$2,809,042	\$2,851,543

General Fund Detailed Consensus Revenue Estimate

<u>Source</u>	<u>Actual</u> <u>2021</u>	<u>Estimate</u> <u>2022</u>	<u>Estimate</u> <u>2023</u>	<u>Estimate</u> <u>2024</u>
Other (continued)				
Dept. of Rev. Penalty & Int. of Co. Officials	(\$19,837)	(\$21,318)	(\$23,477)	(\$22,957)
TVA - In Lieu of Taxes - State Portion	\$3,252,452	\$3,400,000	\$3,350,000	\$3,300,000
F.H.A. - In Lieu of Taxes	\$59,534	\$59,534	\$59,534	\$59,534
R.E.C.C. and R.T.C.C. In Lieu of Taxes	\$423	\$400	\$400	\$400
Abandoned Property	\$52,359,657	\$69,000,000	\$54,500,000	\$54,000,000
Circuit Court Clk. - Fish & Wildlife Fines	\$67,097	\$68,500	\$66,619	\$67,570
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$9,642,604	\$12,572,274	\$12,650,000	\$13,000,000
Other Fines & Unhonored Checks	\$13,434,687	\$12,500,000	\$12,750,000	\$13,000,000
Court Costs	\$7,567,439	\$9,394,953	\$9,900,000	\$10,300,000
Transient Room Tax	\$505,423	\$725,000	\$750,000	\$760,000
Miscellaneous Revenues not in estimate	\$18,962,697	\$239,707,660	\$14,412,066	\$14,025,121
TOTAL GENERAL FUND	\$12,827,432,328	\$13,791,900,000	\$14,085,800,000	\$14,684,000,000

Road Fund
Official Revenue Estimate FY 2022 - FY 2024
(Millions of Dollars)

	FY21	FY22		FY23		FY24	
	<u>Actual</u>	<u>Estimate</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>	<u>Estimate</u>	<u>%Chg</u>
Motor Fuels	\$748.4	\$788.3	5.3	\$833.8	5.8	\$817.2	-2.0
Motor Vehicle Usage	620.9	619.7	-0.2	603.7	-2.6	569.1	-5.7
Motor Vehicle License	125.5	116.6	-7.1	119.1	2.1	121.0	1.6
Motor Vehicle Operator's	22.1	25.8	16.8	27.1	5.0	28.3	4.4
Weight Distance	83.2	90.5	8.7	94.6	4.6	96.6	2.1
Other	42.4	39.4	-0.1	41.7	0.1	44.6	0.1
Total	\$1,642.3	\$1,680.1	2.3	\$1,719.9	2.4	\$1,676.7	-2.5

Road Fund Detailed Consensus Revenue Estimate

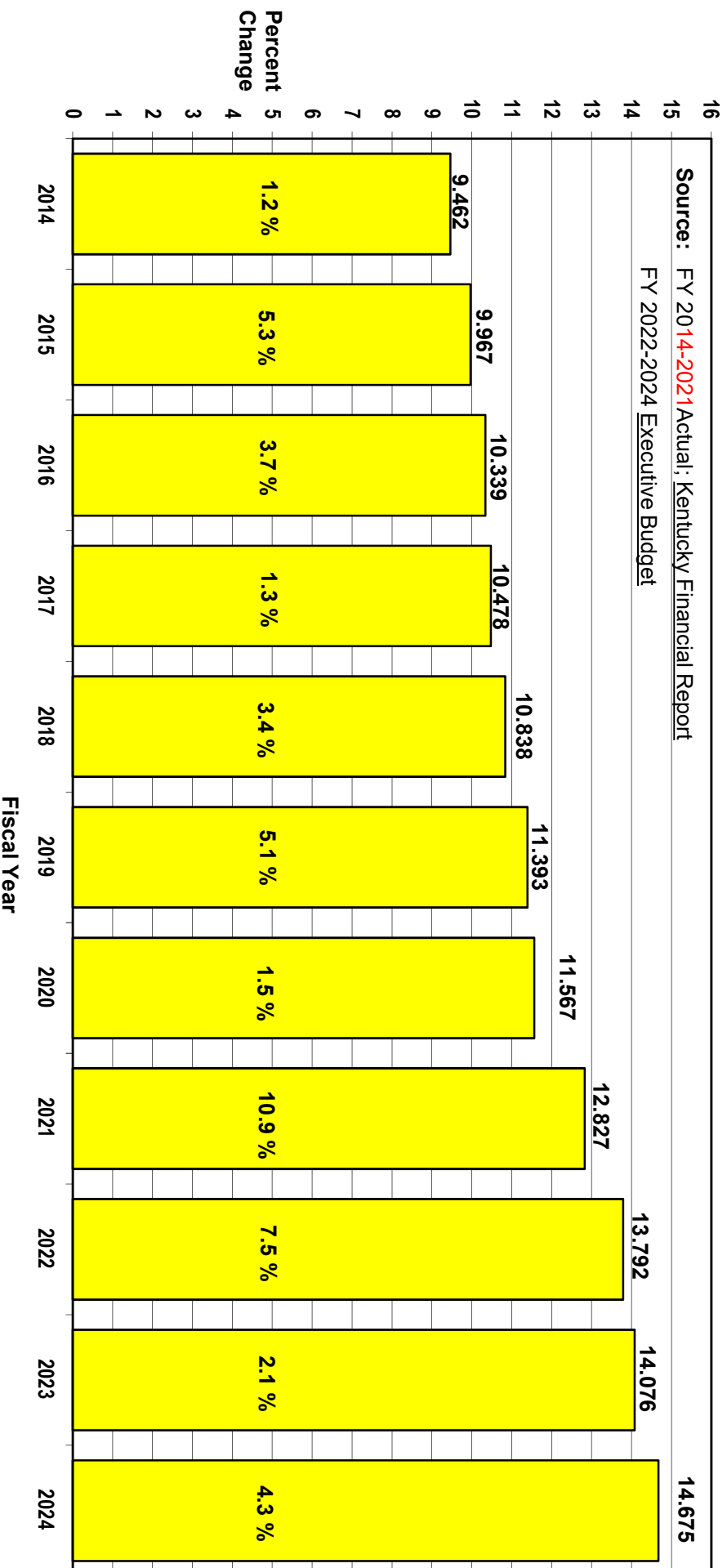
<u>Source</u>	<u>FY 2021</u> <u>Actual</u>	<u>FY2022</u> <u>Estimate</u>	<u>FY 2023</u> <u>Estimate</u>	<u>FY 2024</u> <u>Estimate</u>
Sales and Gross Receipts	\$1,369,253,236	\$1,407,900,000	\$1,437,450,000	\$1,386,250,000
Motor Fuels Taxes	748,377,115	788,250,000	833,750,000	817,200,000
Motor Vehicle Usage	620,876,121	619,650,000	603,700,000	569,050,000
License and Privilege	\$245,273,458	\$245,318,275	\$254,202,175	\$259,936,575
Motor Vehicles	125,481,646	116,600,000	119,100,000	120,950,000
Motor Vehicle Operators	22,080,766	25,800,000	27,100,000	28,300,000
Weight Distance	83,185,252	90,400,000	94,550,000	96,600,000
Truck Decal Fees	145,500	140,000	140,000	140,000
Other Special Fees	14,380,295	12,378,275	13,312,175	13,946,575
Nontax Receipts	\$26,934,560	\$26,081,725	\$27,447,825	\$29,713,425
Departmental Fees	21,907,240	22,031,725	22,297,825	22,563,425
In Lieu of Traffic Fines	210,555	300,000	300,000	300,000
Income on Investments	(118,008)	(1,000,000)	100,000	2,100,000
Miscellaneous	4,934,773	4,750,000	4,750,000	4,750,000
Redeposit of State Funds	\$879,051	\$800,000	\$800,000	\$800,000
TOTAL STATE ROAD FUND	\$1,642,340,305	\$1,680,100,000	\$1,719,900,000	\$1,676,700,000

General Fund Revenue Receipts

Fiscal Years 2014-2024

(Billions of dollars – rounded)

Billions of Dollars



Source: FY 2014-2021 Actual; Kentucky Financial Report

FY 2022-2024 Executive Budget

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

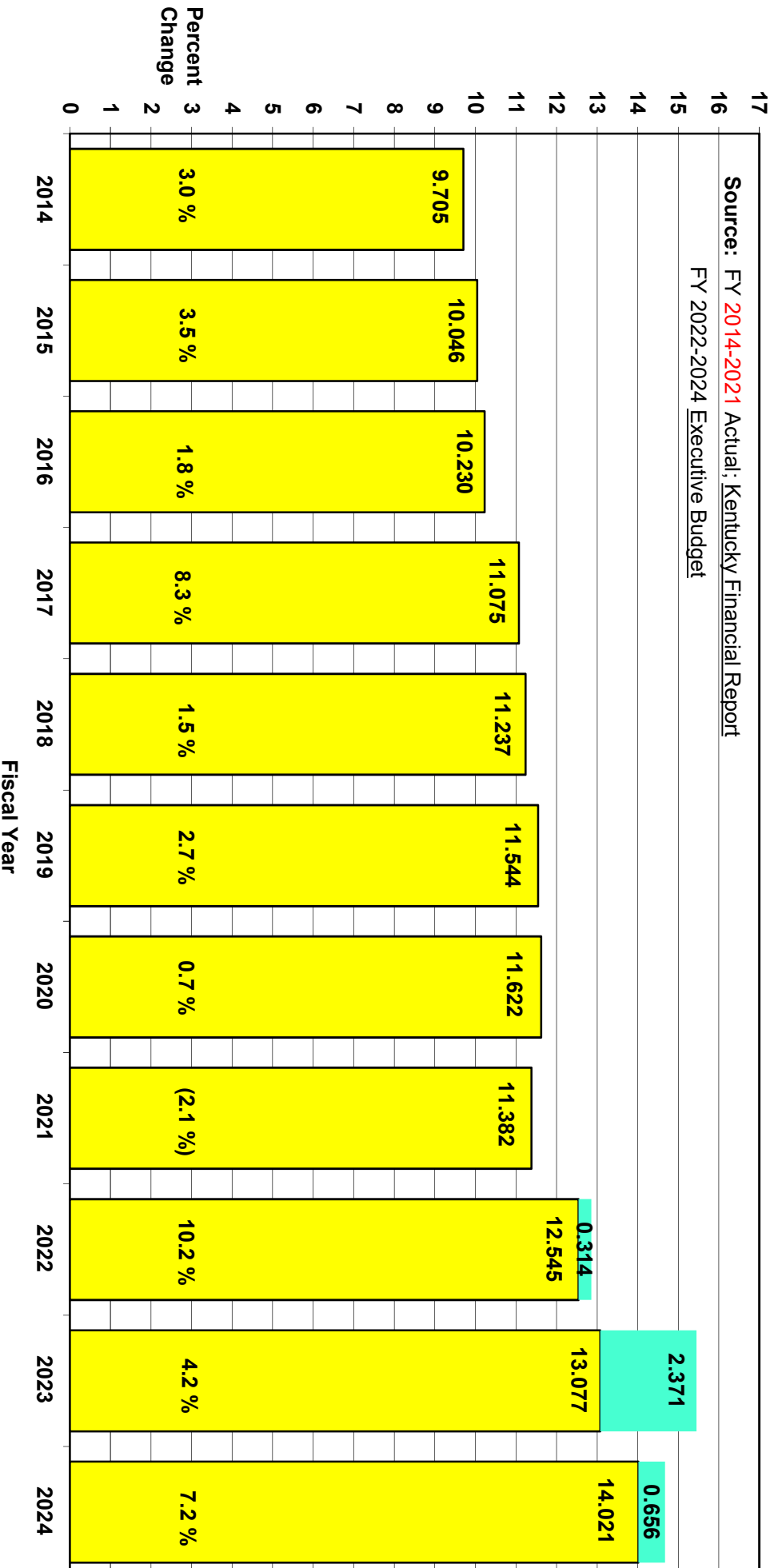
General Fund Expenditures

Fiscal Years 2014-2024

(Billions of dollars – rounded)

Billions of Dollars

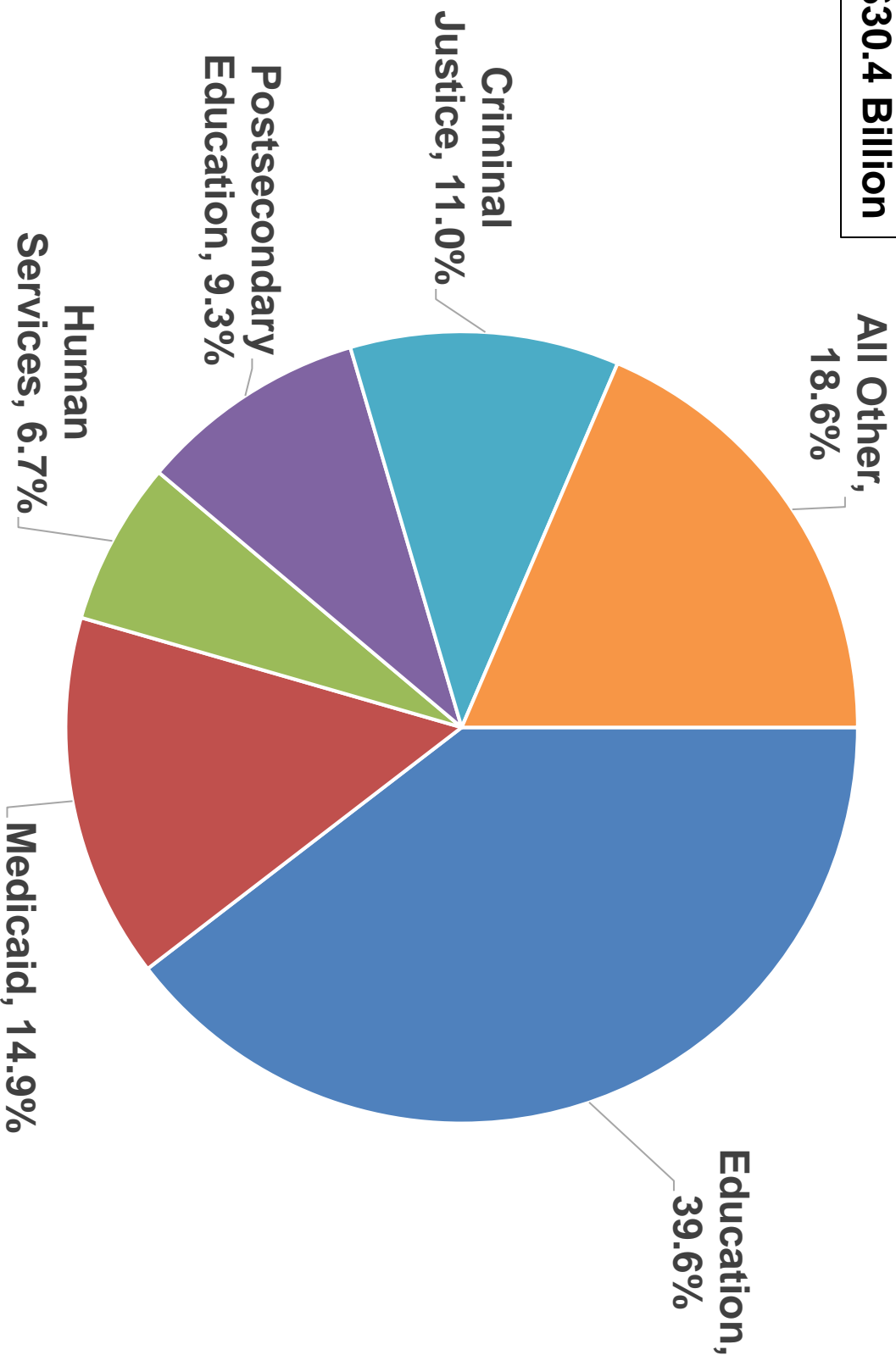
■ Recurring ■ Non-Recurring



• Excludes Tobacco Settlement – Phase I Funds

2022 - 2024 Executive Budget Distribution of General Fund Appropriations

Total = \$30.4 Billion



Excludes Tobacco Settlement - Phase I Funds

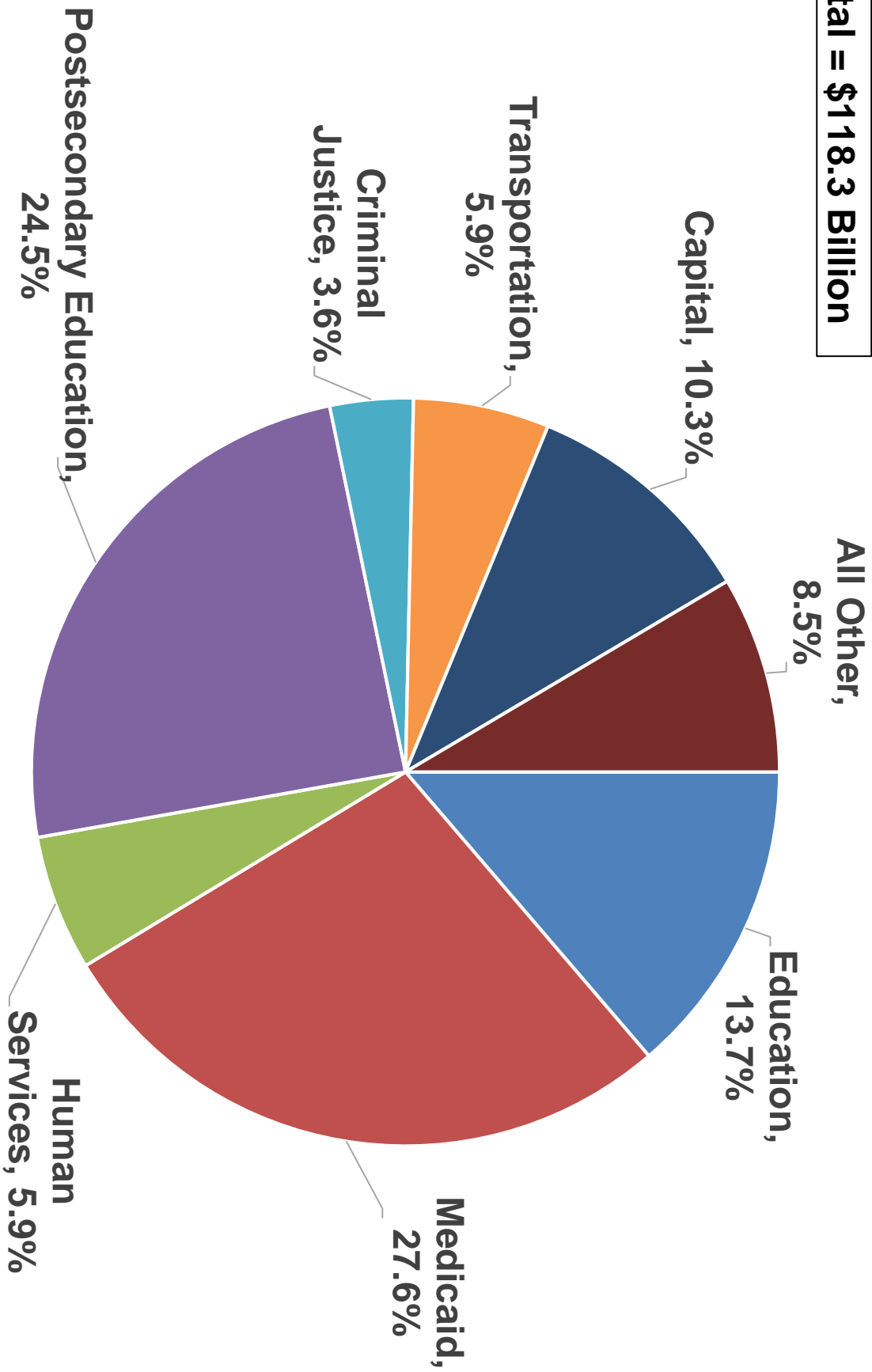
* Education includes the Department of Education Teachers' Retirement System, and the School Facilities Construction Commission

** 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

2022 - 2024 Executive Budget Distribution of All Funds Appropriations

Total = \$118.3 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

**2022-2024 EXECUTIVE BUDGET
CAPITAL PROJECTS SUMMARY**

	Recommended FY 2022	Recommended FY 2023	Recommended FY 2024
SOURCE OF FUNDS			
Executive Branch			
General Fund	675,000	1,062,254,200	30,764,500
Restricted Funds		5,790,159,200	52,776,000
Federal Funds		345,946,500	155,747,000
Road Fund	3,000,000	12,919,000	7,190,000
Bond Funds		1,723,727,000	
Agency Bonds		676,069,700	
Investment Income			11,222,000
Other - Cash	6,000,000	885,877,800	
Other - Third Party Financing	6,000,000	1,069,010,000	
SOURCE OF FUNDS	15,675,000	11,565,963,400	257,699,500
APPROPRIATIONS BY CABINET			
Executive Branch			
General Government		246,867,600	160,990,300
Department of Education		26,995,000	1,200,000
Education and Labor		17,286,000	4,100,000
Energy and Environment		20,606,000	350,000
Finance and Administration		154,404,800	19,629,200
Health and Family Services	675,000	229,337,000	
Justice and Public Safety		478,662,000	5,500,000
Postsecondary Education	12,000,000	10,058,515,000	
Tourism, Arts and Heritage		313,161,000	58,040,000
Transportation	3,000,000	20,129,000	7,890,000
TOTAL APPROPRIATIONS	15,675,000	11,565,963,400	257,699,500

Capital Financing Analysis

EXECUTIVE SUMMARY

The Governor proposes \$1,723,727,000 in new General Fund supported debt and \$676,069,700 in new Agency Fund supported debt. The proposal for the 2022-2024 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:

- FY22-24 General Fund revenues are based on the December 17, 2021 Consensus Forecasting Group's Official Revenue Estimates, as modified by less than \$10 million per year in policy changes, that are included in the Governor's recommended budget. FY22 is projected to be \$1,942.1 million higher than the official General Fund revenue estimate enacted in the 2020-22 budgets during the 2020 and 2021 Regular Sessions. FY23 and FY24 General Fund revenues are projected using a 2.1 percent and a 4.2 percent growth rate, respectively.
- FY22-24 Road Fund revenues are based on the December 17, 2021 Consensus Forecasting Group's Official Revenue Estimates. FY22 is projected to be \$70.9 million higher than the official Road Fund revenue estimate enacted in the 2020-22 budgets during the 2020 and 2021 Regular Sessions. FY22-24 Road Fund revenues are projected using a 2.4 percent and a -2.5 percent growth rate, respectively.
- Agency Fund revenues are based on actual FY21 revenue from the Supplementary Information to the FY21 Annual Comprehensive Financial Report, and for FY22, FY23, and FY24, estimated amounts are obtained from the 2022-2024 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, 2020 through September 30, 2022 were reduced by 5.9%. Estimated interest subsidy payments during October 1, 2022 through September 30, 2024 were reduced by 5.7%.
- Currently authorized but un-issued debt is assumed to be issued during the balance of FY22 with no additional debt service to be paid in FY22 but with debt service payments to be made in FY23 and FY24 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 two percent (2%) of bond size.
- Previously authorized Agency Fund Bonds of \$567,225,144 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>
2000-02 ¹	1,046,927,600	2012-14 ⁷	630,258,000
2002-04 ²	828,936,380	2014-16 ⁸	1,496,548,200
2004-06 ³	1,906,315,300	2016-18 ⁹	1,266,242,500
2006-08 ⁴	2,110,528,000	2018-20 ¹⁰	1,047,702,000
2008-10 ⁵	2,015,494,000	2020-22 ¹¹	1,204,657,300
2010-12 ⁶	1,553,199,800	2022-24 ¹²	2,399,796,700

¹Debt Enacted in the 2000-2002 Budget of the Commonwealth.

General Fund Authorization:	\$901,202,600
Road Fund Authorization:	\$ 28,200,000
Agency Fund Authorization:	\$117,525,000

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

²Debt Enacted in the 2002-2004 Budget of the Commonwealth.

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

³Debt 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.

⁴Debt 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.

⁵Debt 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.

⁶Debt 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.

⁷Debt 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.

⁸Debt 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.

⁹Debt 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.

¹⁰Debt 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.

¹¹Debt 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.

¹²\$2,399,796,700 New Debt Recommended in the 2022-2024 Executive Budget

General Fund Authorization	\$ 1,723,727,000
Agency Fund Authorization	\$ 676,069,700

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 FY22 – FY24 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-/A+/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-/A+/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 net interest expense of the Commonwealth.
9. Continually strive to reduce the expense of debt through ongoing management of outstanding debt and analysis of low-cost alternatives.
10. Use tax-exempt rather than taxable funding sources for project financing whenever possible to minimize overall governmental operating costs.

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

Structure

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

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

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

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

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

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. Some issues covenant that in the event of a shortfall, the issuer will request from the Secretary of the Finance and Administration Cabinet or the Governor and the General Assembly in the next regular session sufficient amounts to pay debt service or to replenish the debt service reserves, as applicable. Certain Kentucky Higher Education Student Loan Corporation bonds, Kentucky Housing Corporation Multi-Family conduit bonds, 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-/A+/A+
Kentucky Asset/Liability Commission	KRS 56.860 Provide interim financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies***
Turnpike Authority of Kentucky	KRS 175.410-175.990 Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A-/A+/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 18, 2018, Standard & Poor's downgraded the Commonwealth's issuer credit rating to "A" from "A+" and its rating on the Commonwealth's appropriation debt to "A-" from "A". At the same time, Standard & Poor's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A-" from "A" and on lease debt issued by various Kentucky county public properties corporations backed by appropriations from Administrative Office of the Courts to "BBB+" from "A-". The outlook on all ratings is stable.

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 29, 2018, Standard & Poor's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "A-" from "AA-". The outlook is stable.
- On August 23, 2021 Kroll assigned a rating of "AA-" to the Turnpike Authority of Kentucky. The outlook is stable.

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.

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, 2022. 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.	\$65,520,000
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, the system completion date was October 29, 2020, and the Longstop date was 12 months after the Target System Completion Date (October 30, 2021).	\$284,024,006
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 with a substantial completion date of October 30, 2019. Full occupancy was achieved by December 2019.	\$103,375,000

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 FY23 and FY24 are based upon the Consensus Forecasting Group's December 17, 2021 Official Revenue Estimates, as modified by less than \$10 million per year in policy changes affecting the General Fund. Agency Fund estimates are based upon actual results for FY21, and for FY22, FY23, and FY24, estimated amounts are from the 2022-2024 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 Comprehensive Annual Financial Report* and the supplementary information reports for the various years.

Debt capacity is the total amount of new asset bonds that can be supported by a calculated amount of state appropriations (assuming a 20-year term with a tax-exempt interest rate of 3.46 percent or with a taxable interest rate of 4.74 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
1996	3,775.38	-0.89	1.569	2,406.23	-3.73
1997	3,557.74	-5.76	1.605	2,216.66	-7.88
1998	3,600.08	1.19	1.630	2,208.64	-0.36
1999	3,589.95	-0.28	1.666	2,154.83	-2.44
2000	3,556.97	-0.92	1.722	2,065.60	-4.14
2001	3,966.22	11.51	1.771	2,239.53	8.42
2002	4,423.93	11.54	1.799	2,459.10	9.80
2003	4,102.63	-7.26	1.840	2,229.69	-9.33
2004	4,483.53	9.28	1.889	2,373.49	6.45
2005	4,658.95	3.91	1.953	2,385.53	0.51
2006	5,103.48	9.54	2.016	2,531.49	6.12
2007	5,455.69	6.90	2.073	2,631.25	3.94
2008	6,300.18	15.48	2.153	2,926.19	11.21
2009	6,831.16	8.43	2.145	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*	7,507.45	0.04	2.741	2,738.95	-2.29
2023*	6,839.45	-8.90	2.805	2,438.31	-10.98
2024*	6,190.52	-9.49	2.871	2,156.22	-11.57

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes no additional debt authorization for the 2020-2022 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 (\$)
1995	1.49	0.17	5.11	0.57	979.88	109.24
1996	1.48	0.17	4.83	0.56	963.22	111.17
1997	1.51	0.19	4.31	0.56	900.07	116.26
1998	1.43	0.18	4.08	0.52	903.32	114.78
1999	1.36	0.17	3.94	0.50	893.46	114.50
2000	1.29	0.20	3.62	0.57	878.52	137.44
2001	1.35	0.19	3.92	0.55	974.78	135.95
2002	1.33	0.16	4.22	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	2021.43	251.40
2019	2.29	0.33	4.19	0.60	1853.88	263.76
2020	2.15	0.41	3.83	0.74	1760.31	338.78
2021	2.00	0.30	3.51	0.52	1668.92	246.69
2022*	1.86	0.26	3.41	0.47	1659.85	228.33
2023*	1.64	0.23	3.00	0.41	1510.34	207.80
2024*	1.43	0.21	2.61	0.38	1365.40	198.75

*Estimated

Assumes remaining un-issued debt authorization is issued in FY20.

Assumes no additional debt authorization for the 2020-2022 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 \$2,399,796,700 Executive Budget Recommended New Authorization	Required Debt Service as a % of Personal Income with \$2,399,796,700 Executive Budget Recommended New Authorization
1995	5.11	0.57		
1996	4.83	0.56		
1997	4.31	0.56		
1998	4.08	0.52		
1999	3.94	0.50		
2000	3.62	0.57		
2001	3.92	0.55		
2002	4.22	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*	3.41	0.47		
2023*	3.00	0.41		
2024*	2.61	0.38	3.61	0.45

*Estimated

Assumes remaining un-issued debt authorization is issued in FY22.

Assumes new debt authorization for the 2023-2024 Biennium with full year debt service in FY23 and FY24.

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	
1995	7,447.43	424.65	5.70
1996	7,759.59	435.72	5.62
1997	8,188.69	459.56	5.61
1998	8,675.09	457.44	5.27
1999	9,104.41	460.08	5.05
2000	9,427.31	556.47	5.90
2001	9,920.62	553.15	5.58
2002	10,172.25	526.97	5.18
2003	10,499.22	598.16	5.70
2004	10,877.02	586.47	5.39
2005	11,749.64	552.42	4.70
2006	12,746.44	622.68	4.89
2007	13,022.81	558.39	4.29
2008	13,490.88	695.96	5.16
2009	13,249.29	637.34	4.81
2010	13,525.62	402.34	2.97
2011	14,529.38	661.71	4.55
2012	15,741.19	712.87	4.53
2013	15,775.73	937.73	5.94
2014	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	18,490.92	1,039.64	5.62
2018	19,551.35	1,123.28	5.75
2019	20,673.17	1,178.23	5.70
2020	20,270.12	1,518.32	4.95
2021	20,627.80	1,109.26	5.15
2022*	24,462.41	1,032.75	4.24
2023*	26,291.05	940.99	3.58
2024*	29,161.33	901.11	3.09

*Estimated

Assumes remaining un-issued debt authorization is issued in FY22.

Assumes no additional debt authorization for the 2022-2024 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	\$2,399,796,700 Executive Budget Recommended New Authorization
1995	5.70	
1996	5.62	
1997	5.61	
1998	5.27	
1999	5.05	
2000	5.90	
2001	5.58	
2002	5.18	
2003	5.70	
2004	5.39	
2005	4.70	
2006	4.89	
2007	4.29	
2008	5.16	
2009	4.81	
2010	2.97	
2011	4.55	
2012	4.53	
2013	5.94	
2014	6.17	
2015	6.02	
2016	5.72	
2017	5.62	
2018	5.75	
2019	5.70	
2020	7.49	
2021	5.38	
2022*	4.22	
2023*	3.58	
2024*	3.09	3.68

*Estimated

Assumes remaining un-issued debt authorization is issued in FY22.

Assumes new debt authorization for the 2022-2024 Biennium with full year debt service in FY23 and FY24.

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 (%)	\$2,399,796,700 Executive Budget Recommended New Authorization
1995	5,832.88	7.01	
1996	6,059.21	7.10	
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	11,727.57	10.11	
2017	11,903.15	9.58	
2018	12,294.46	10.23	
2019	12,955.05	9.09	
2020	13,039.87	11.64	
2021	13,411.27	8.27	
2022*	15,413.12	6.70	
2023*	15,717.90	5.99	
2024*	16,291.43	5.53	6.60

*Estimated

Assumes remaining un-issued debt authorization is issued in FY22.

Assumes new debt authorization for the 2022-2024 Biennium with full year debt service in FY23 and FY24.

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>
2006	1.49	0.18	0.21	0.17
2007	1.49	0.15	0.21	0.18
2008	1.66	0.18	0.22	0.19
2009	1.76	0.16	0.22	0.19
2010	1.97	0.10	0.22	0.22
2011	2.19	0.17	0.20	0.21
2012	2.19	0.17	0.21	0.21
2013	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

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>
2006	4.08	0.50	0.58	0.48
2007	4.15	0.42	0.57	0.50
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

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

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

<u>Fiscal Year</u>	<u>Debt Per Capita (\$)</u>	<u>Required Debt Service Per Capita (\$)</u>	<u>Appropriated Debt Service Per Capita (\$)</u>	<u>Actual Debt Service Per Capita (\$)</u>
2006	1,213.36	148.04	172.79	141.79
2007	1,286.27	131.65	178.12	154.88
2008	1,475.71	163.02	196.79	168.44
2009	1,583.44	147.73	198.57	169.03
2010	1,798.17	92.57	203.94	201.78
2011	2,005.67	151.44	184.14	188.24
2012	2,048.75	162.74	194.47	200.56
2013	2,000.53	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	1,760.31	338.78	267.14	272.41
2021	1,668.92	246.69	255.84	285.85

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

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Debt as a % of Personal Income</u>	<u>Debt Per Capita (\$)</u>
2006	0.98	2.68	797.97
2007	1.14	3.18	984.30
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	452.05
2021	0.54	0.95	453.87

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 (%)
2006	12,746.44	4.89	5.70	4.68
2007	13,022.81	4.29	5.80	5.04
2008	13,490.88	5.16	6.23	5.33
2009	13,249.29	4.81	6.47	5.50
2010	13,525.62	2.97	6.55	6.48
2011	14,529.38	4.55	5.54	5.66
2012	15,741.19	4.53	5.41	5.58
2013	15,775.73	5.94	6.67	6.68
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	18,490.92	5.62	6.17	6.19
2018	19,551.35	5.75	6.43	6.41
2019	20,673.17	5.70	5.75	6.35
2020	20,270.12	7.49	5.91	6.02
2021	20,627.80	5.38	5.58	6.23

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 (%)
2006	9,444.88	6.59	7.69	6.31
2007	9,716.66	5.75	7.78	6.76
2008	9,851.17	7.06	8.53	7.30
2009	9,557.71	6.67	8.96	7.63
2010	9,339.15	4.31	9.49	9.39
2011	9,986.71	6.63	8.06	8.24
2012	10,402.47	6.85	8.19	8.45
2013	10,687.89	8.77	9.84	9.85
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	11,903.26	8.73	9.58	9.61
2018	12,294.46	9.14	10.23	10.19
2019	12,955.05	9.09	9.18	10.14
2020	13,039.87	11.64	9.18	9.36
2021	13,411.27	8.27	8.58	9.58

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
2006	920.91	137.49	14.93
2007	983.20	146.10	14.86
2008	995.91	153.60	15.42
2009	918.62	118.86	12.94
2010	916.43	31.01	3.38
2011	1,012.51	97.07	9.59
2012	1,089.41	99.77	9.16
2013	1,112.92	135.50	12.17
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

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>	-	-	-	-	-	-	-	-	-	-	-	-
Kentucky State University <i>General Receipts</i>	-	-	-	-	-	-	-	-	-	-	-	-
Morehead State University <i>General Receipts</i>	A3	stable	A1	stable	-	-	-	-	-	-	-	-
Murray State University <i>General Receipts</i>	A2	stable	A1	stable	-	-	-	-	-	-	-	-
Northern Kentucky University <i>General Receipts</i>	A1	stable	A1	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-	negative	AA	stable	-	-	-	-

Notes:

Kentucky State University ratings were withdrawn

Appendix D: Recommended Bond Funded Projects

<u>AGENCY</u>	<u>PROJECT</u>	<u>GENERAL FUND</u>
Eastern Kentucky University	Renovate Alumni Coliseum	\$ 31,350,000
Eastern Kentucky University	Construct New Model Laboratory School	90,000,000
Kentucky State University	Construct Health Sciences Center	18,406,000
Kentucky State University	Construct Business & Technology Center	42,717,000
Morehead State University	Construct Science & Engineering Building	98,000,000
Morehead State University	Renovate Combs Classroom Building	31,409,000
Murray State University	Renovate Mason Labs/Classroom Systems - Nursing	8,347,000
Murray State University	Renovate Applied Science Classroom/Office – Ag and Nursing	16,823,000
Northern Kentucky University	Expand Herrmann Science Center	79,900,000
Northern Kentucky University	Renew/Renovate Fine Arts Center Phase II	45,000,000
University of Kentucky	Construct Health Education Building	250,000,000
University of Kentucky	Improve Funkhouser Building	90,000,000
University of Louisville	Construct College of Business Building	40,000,000
University of Louisville	Speed School Addition	60,000,000
Western Kentucky University	Construct New Gordon Ford College of Business	74,400,000
Western Kentucky University	Renovate Grise Hall	32,200,000
KCTCS	Renovate Occupational Tech Ph 1 – Elizabethtown CC	16,500,000
KCTCS	Renovate/Replace Hartford Building Ph 1 - JCTC	17,500,000
KCTCS	Renovate Laurel South Campus Ph 1 – Somerset CC	4,800,000
CPE	Research Endowment Trust Fund	50,000,000
CPE	Comprehensive University Excellence Trust Fund	10,000,000
School Facilities Construction Commission	Offers of Assistance 2020-2022	58,000,000
Finance & Administration	Capitol Campus Renovation	65,000,000
Corrections	Relocate Medical Services/CPTU from the Reformatory	171,126,000
Corrections	Little Sandy CC – Expansion – Replace Reformatory	106,340,000
Public Health	Frankfort Central Lab – Replace/Expand Public Health Portion	135,000,000
State Police	KSP Emergency Radio System Replacement – Phase III	80,909,000
TOTAL-NEW 202-24 GENERAL FUND BONDS		\$ 1,723,727,000

<u>AGENCY</u>	<u>PROJECT</u>	<u>AGENCY FUND</u>
University of Kentucky	Facilities Renewal and Modernization 2	\$ 125,000,000
University of Kentucky	Construct Health Education Building	50,000,000
University of Kentucky	Improve UKHC Facilities	50,000,000
University of Kentucky	Improve Housing	40,000,000
University of Kentucky	Acquire/Improve Medical/Adm Facility 1	50,000,000
University of Kentucky	Construct Ambulatory Facility - UKHC	50,000,000
University of Kentucky	Repair Critical Infrastructure/Bldg Systems	25,000,000
University of Kentucky	Asset Preservation Pool	85,392,500
Eastern Kentucky University	Renovate Alumni Coliseum	25,000,000
Kentucky State University	Asset Preservation Pool	5,205,900
Morehead State University	Construct New Residence Hall Additional	836,000
Morehead State University	Renovate Residence Halls	38,201,000
Morehead State University	Nun Hall	3,148,000
Morehead State University	Asset Preservation Pool	14,387,200
Northern Kentucky University	Renovate Residence Hall Additional	5,000,000
Northern Kentucky University	Acquire Land/Master Plan	17,500,000
Northern Kentucky University	Asset Preservation Pool	13,368,800
University of Louisville	Construct Speed School Addition	15,000,000
University of Louisville	Asset Preservation Pool	40,652,500
Western Kentucky University	Asset Preservation Pool	22,377,800
TOTAL-AGENCY BOND PROJECTS		\$ 676,069,700
TOTAL - ALL BOND PROJECTS		\$ 2,399,796,700

ACKNOWLEDGMENTS

OFFICE OF STATE BUDGET DIRECTOR	
John T. Hicks	State Budget Director
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT	
Janice Tomes	Deputy State Budget Director
Kevin Cardwell	Deputy State Budget Director
Michaela Giles	Policy and Budget Analyst
Nancy Haggerty	Policy and Budget Analyst
Melissa Highfield-Smith	Policy and Budget Analyst
Alex Kelly	Policy and Budget Analyst
Marty Miller	Staff Assistant
Stacy Roland	Policy and Budget Analyst
Phillip Rosell	Programmer
Teresa Sanders	Policy and Budget Analyst
Kara Smothermon	Policy and Budget Analyst
Ethan Williams	Policy and Budget Analyst
Lori Woodside	Policy and Budget Analyst
Carla Wright	Policy and Budget Analyst
GOVERNOR'S OFFICE FOR ECONOMIC ANALYSIS	
Greg Harkenrider	Deputy Executive Director
Martha Armstrong	Administrative Specialist
Thomas Jones	Financial Investment and Forecasting Program Analyst
Gene Zapanick -Brown	Financial Investment and Forecasting Program Analyst
GOVERNOR'S OFFICE FOR POLICY RESEARCH	
Michael Jones	Deputy Executive Director
Sara Aitkin	Financial Investment and Forecasting Program Specialist