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

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

PART I

OPERATING BUDGET

(1) Funds Appropriations: There is appropriated out of the General Fund, Road Fund, Restricted Funds accounts, or Federal Funds accounts for the fiscal year beginning July 1, 2004, and ending June 30, 2005, and for the fiscal year beginning July 1, 2005, and ending June 30, 2006, the following discrete sums, or so much thereof as may be necessary. Appropriated funds are included pursuant to KRS 48.700 and 48.710. Each appropriation is made by source of respective fund or funds accounts. Appropriations for the following officers, cabinets, departments, boards, commissions, institutions, subdivisions, agencies, and budget units of the state government, and any and all other activities of the government of the Commonwealth, are subject to the provisions of Chapters 12, 42, 45, and 48 of the Kentucky Revised Statutes and compliance with the conditions and procedures set forth in this Act.

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

A. GENERAL GOVERNMENT

Budget Units

1. EXECUTIVE OFFICE OF THE GOVERNOR

a. Office of the Governor

	2004-05	2005-06

General Fund	6,308,300	7,765,700
Restricted Funds	1,408,100	388,200
Federal Funds	30,000,000	40,000,000
Road Fund	350,000	350,000
TOTAL	38,066,400	48,503,900

(1) Old Governor's Mansion: The Secretary of the Finance and Administration Cabinet shall expend no funds to maintain a home for the Lieutenant Governor.~~[The Secretary of the Finance and Administration Cabinet is directed to transfer the operation and use of the Old Governor's Mansion to the Kentucky Historical Society and transfer funding of $100,000 in fiscal year 2004-2005 and $100,000 in fiscal year 2005-2006. The Kentucky Historical Society shall direct the official use of the Old Governor's Mansion, which shall not be used as a residence of the Lieutenant Governor.]~~

(2) Allowance for the Lieutenant Governor: Included in the above General Fund appropriation for the Office of the Governor, Lieutenant Governor's Office, is an allowance of up to $2,500 monthly, to include $1,000 as a housing allowance and $1,500 if additional duties are performed. The allowance shall be effective April 1, 2005.

b. Office of State Budget Director

	2004-05	**2005-06**
General Fund	2,285,500	4,323,800
Restricted Funds	1,842,000	237,000
TOTAL	4,127,500	4,560,800

c. State Planning Fund

	2004-05	**2005-06**
General Fund	125,000	125,000

(1) Bluegrass State Games: Included in the above General Fund appropriation is $25,000 in fiscal year 2004-2005 and $25,000 in fiscal year 2005-2006 to support the Bluegrass State Games.

TOTAL - EXECUTIVE OFFICE OF THE GOVERNOR

	2004-05	**2005-06**
General Fund	8,718,800	12,214,500
Restricted Funds	3,250,100	625,200
Federal Funds	30,000,000	40,000,000
Road Fund	350,000	350,000
TOTAL	42,318,900	53,189,700

2. DEPARTMENT OF VETERANS' AFFAIRS

	2004-05	**2005-06**
General Fund	15,358,800	15,458,800
Restricted Funds	22,405,600	23,017,000
TOTAL	37,764,400	38,475,800

(1) Weekend and Holiday Premium Pay Incentive: The Kentucky Veterans' Centers are authorized to continue the weekend and holiday premium pay incentive component of the Personnel Pilot Program for the 2004-2006 fiscal biennium.

(2) Carry Forward of General Fund Appropriation Balance: Notwithstanding KRS 45.229, the unexpended balance of the General Fund appropriation provided to the Eastern Kentucky Veterans' Center, the Western Kentucky Veterans' Center, and the Thomson/Hood Veterans' Center in fiscal year 2004-2005 shall not lapse and shall be carried forward into fiscal year 2005-2006.

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

(4) Cemetery and Homeless Shelter: Included in the above General Fund appropriation in fiscal year 2005-2006 is an additional $50,000 for a Williamstown

Cemetery position and an additional $50,000 for the Homeless Veterans' Shelter in Lexington.

(5) Veterans' Centers: Included in the above Restricted Funds appropriation is an additional $600,000 in fiscal year 2005-2006, of which $250,000 is for a four percent increase in operating funds for the three Veterans' Centers and $350,000 is for the purchase of land adjacent to the Thomson/Hood Veterans' Center.

3. GOVERNOR'S OFFICE OF AGRICULTURAL POLICY

	2004-05	**2005-06**
General Fund (Tobacco)	39,195,900	24,541,300
General Fund	-0-	1,898,000
Restricted Funds	520,600	515,600
TOTAL	39,716,500	26,954,900

(1) Debt Service: Included in the above General Fund appropriation is $898,000 in fiscal year 2005-2006 for new bonds for agricultural loans as set forth in Part II, Capital Projects Budget, of this Act.

(2) Kentucky Agricultural Finance Corporation: Notwithstanding KRS 247.978(2), the total amount of principal which a qualified applicant may owe the Kentucky Agricultural Finance Corporation at any one time shall not exceed $5,000,000.

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

4. KENTUCKY INFRASTRUCTURE AUTHORITY

	2004-05	**2005-06**
General Fund (Tobacco)	-0-	5,358,000
General Fund	-0-	4,462,000
Restricted Funds	4,927,000	4,813,900

Federal Funds	50,322,000	50,339,000
TOTAL	55,249,000	64,972,900

(1) Federally Assisted Wastewater Revolving Loan Fund Program: Included in the above General Fund appropriation is $105,000 in fiscal year 2005-2006 for debt service to support $2,200,000 in bonds to match $11,000,000 in Federal Funds for the Federally Assisted Wastewater Revolving Loan Fund Program (Fund A).

(2) Safe Drinking Water State Revolving Loan Fund Program: Included in the above General Fund appropriation is $123,000 in fiscal year 2005-2006 for debt service to support $2,600,000 in bonds to match $13,000,000 in Federal Funds for the Safe Drinking Water State Revolving Loan Fund Program (Fund F). The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in Part II, Capital Projects Budget, of this Act.

(3) Infrastructure for Economic Development Fund for Coal Counties: Included in the above General Fund appropriation is $3,725,000 in fiscal year 2005-2006 for debt service to support an additional $80,000,000 in state bonds for the Infrastructure for Economic Development Fund for Coal-Producing Counties. These funds are transferred from the Local Government Economic Development Fund, Multi-County Fund.

(4) Infrastructure for Economic Development Fund for Tobacco Counties: Included in the above General Fund (Tobacco) appropriation is $5,358,000 in fiscal year 2005-2006 and General Fund appropriation of $509,000 for debt service to support $126,000,000 in Bond Funds for the Infrastructure for Economic Development Fund for Tobacco Counties. Future debt service payments for the Infrastructure for Economic Development Fund for Tobacco Counties shall be provided from the General Fund. It is the intent of the General Assembly that in fiscal years 2006-2007 and 2007-2008, the debt service shall be provided from the General Fund.

(5) Funding Requirement: Recipients of funds appropriated from the Infrastructure for Economic Development Fund for Coal-Producing Counties and from the Infrastructure for Economic Development Fund for Tobacco Counties shall certify to the Kentucky Infrastructure Authority that they have identified and applied for all available sources of funding for the line item project.

(6) Administrative Fee on Infrastructure for Economic Development Fund Projects: A one-half percent administrative fee is authorized to be paid to the Kentucky Infrastructure Authority for the administration of each project funded by the Infrastructure for Economic Development Fund for Coal-Producing Counties and the Infrastructure for Economic Development Fund for Tobacco Counties. These administrative fees shall be paid, upon inception of the project, out of the fund from which the project was allocated.

5. MILITARY AFFAIRS

	2004-05	**2005-06**
General Fund	11,147,600	11,127,300
Restricted Funds	55,536,600	59,441,400
Federal Funds	101,327,000	61,870,500
TOTAL	168,011,200	132,439,200

(1) Federal Defense Contract: Included in the above Restricted Funds appropriation is $31,890,600 in fiscal year 2004-2005 and $32,195,100 in fiscal year 2005-2006 for expanded federal defense contract activity at Bluegrass Station and the Central Clothing Distribution Facility.

(2) Restricted Funds Debt Service: Included in the above Restricted Funds appropriation is $1,373,000 in fiscal year 2005-2006 for debt service to support new bonds for the Bluegrass Station project set forth in Part II, Capital Projects Budget, of this Act.

(3) General Fund Debt Service: Included in the above General Fund

appropriation is $110,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(4) Base Realignment and Closure: Included in the above General Fund appropriation is $500,000 in fiscal year 2004-2005 and $300,000 in fiscal year 2005-2006 for Kentucky's efforts regarding the Base Realignment and Closure process.

(5) Kentucky National Guard: There is appropriated from the General Fund the necessary funds to be expended, subject to the conditions and procedures provided in this Act, which are required as a result of the Governor's call of the Kentucky National Guard to active duty when an emergency or exigent situation has been declared to exist by the Governor. These necessary funds shall be made available from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(6) Disaster or Emergency Aid Funds: There is appropriated from the General Fund the necessary funds, subject to the conditions and procedures in this Act, which are required to match federal aid to which the state would be eligible in the event of a presidentially declared disaster or emergency. These necessary funds shall be made available from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

6. COMMISSION ON HUMAN RIGHTS

	2004-05	**2005-06**
General Fund	1,904,300	1,904,300
Restricted Funds	5,500	10,500
Federal Funds	342,700	212,900
TOTAL	2,252,500	2,127,700

7. COMMISSION ON WOMEN

	2004-05	**2005-06**
General Fund	263,200	263,200
Restricted Funds	40,000	20,600

TOTAL	303,200	283,800

8. GOVERNOR'S OFFICE FOR LOCAL DEVELOPMENT

	2004-05	**2005-06**
General Fund	13,947,300	14,893,400
Restricted Funds	1,707,300	742,600
Federal Funds	52,430,800	52,430,800
TOTAL	68,085,400	68,066,800

(1) Flood Control Matching Fund Project Review: The Governor's Office for Local Development shall transmit a copy of the application for a flood-related project to be funded from the flood control matching fund to the Environmental and Public Protection Cabinet with a request for a review of the project pursuant to KRS Chapter 151.

(2) Cemetery Preservation: In the 2004-2006 biennium, up to $500,000 in funds collected pursuant to KRS 48.005(5) shall be appropriated and transferred to the County Cemetery Fund. Notwithstanding KRS 48.005(5)(b), any amounts in excess of $500,000 shall be deposited in the General Fund Surplus Account. The Attorney General shall provide notice to the Governor's Office for Policy and Management and the Legislative Research Commission of the nature of any funds deposited in this account. The funds shall be made available for grants for cemetery preservation initiatives, including but not limited to the Fayette County African Cemetery #2 and the Fayette County Cove Haven Cemetery.

Grants are subject to a one-to-one dollar local cash match that is certified to the Governor's Office for Local Development, or an in-kind match authorized and certified by the Governor's Office for Local Development. Grant applications may be made by an agency of the Commonwealth; a city, county, urban-county, charter county, or consolidated local government; a not-for-profit cemetery; a not-for-profit historical or genealogical organization; or a not-for-profit local community or civic group.

(3) Community Economic Growth Grant Program: Included in the above General Fund appropriation is $468,000 in fiscal year 2004-2005 and $468,000 in fiscal year 2005-2006 for debt service on $5,000,000 Bond Funds in fiscal year 2004-2005 and $5,000,000 in fiscal year 2005-2006 to support the Community Economic Growth Grant Program. This grant program is created to assist counties, cities, special districts, or local school districts with funding of projects that will enhance the economic development of their community.

The Community Economic Growth Grant Program shall be administered by the Governor's Office for Local Development and maintained in the State Treasury. The department may receive state appropriations, gifts, grants, and federal funds that shall be disbursed by the State Treasurer upon the warrant of the Commissioner of the Governor's Office for Local Development. Notwithstanding KRS 45.229, any funds remaining at the end of a fiscal year shall not lapse and shall be available for expenditure in the subsequent fiscal year.

Moneys in the fund shall be used for capital projects that contribute to community or industrial development in the Commonwealth. Capital projects eligible for financing out of the fund may include but not be limited to:

(a) The construction, reconstruction, renovation, and maintenance of buildings and other improvements to real estate and the architectural, engineering, legal, and other expenses required;

(b) The acquisition of real property and interests in real property;

(c) The purchase of major equipment;

(d) Industrial site development projects, including land reclamation, clearing, grading, draining, landscaping, and construction of walkways and fences;

(e) The extension, installation, and upgrading of water, gas, sewer, and electrical utilities to public facilities and industrial sites;

(f) To match or use in combination with funds obtained from other sources for an

eligible capital improvement project.

Any county, city, special district, or local school district governing body shall submit proposals through its Area Development District for consideration by the Commissioner of the Governor's Office for Local Development. The Area Development District shall provide a recommendation on each proposal and forward the proposal to the Commissioner of the Governor's Office for Local Development for final consideration and action.

Project proposals shall include: a detailed description of the project; a statement of the public benefit derived from the project; design plans and specifications, if applicable; an itemized estimate of the cost of the project; source of other funds or in-kind match; and other information that the Governor's Office for Local Development may require.

Annually, by October 1 each year, the Commissioner of the Governor's Office for Local Development shall report on this program to the Interim Joint Committee on Appropriations and Revenue.

(4) Funding Requirement: The recipient of Coal Severance Tax Projects funds shall certify to the Governor's Office for Local Development that they have identified and applied for all available sources of funding for the line item project.

(5) Southeastern Regional Agricultural and Exposition Center in Corbin: Included in the above General Fund appropriation is $559,000 for debt service in fiscal year 2005-2006 for $12,000,000 in Bond Funds for the Southeastern Regional Agricultural and Exhibition Center in Corbin.

(6) Richmond Arts Center: Included in the above General Fund appropriation is $100,000 in fiscal year 2004-2005 and $100,000 in fiscal year 2005-2006 for a grant to the Richmond Arts Center.

(7) Hopkins County Exposition Center: Included in the above General Fund appropriation is $150,000 in fiscal year 2004-2005 for planning and design of an Exposition Center in Hopkins County.

(8) Knox Partners Community Education Center: Included in the above General Fund appropriation is $96,000 in fiscal year 2005-2006 to support the debt service for $2,000,000 in Bond Funds for the Knox Partners Community Education Center.

(9) Union County Library Expansion: Included in the above General Fund appropriation is $500,000 in fiscal year 2004-2005 for expansion of the Union County Library.

(10) Uniontown Emergency Levee Repair: Included in the above General Fund appropriation is $100,000 in fiscal year 2004-2005 for emergency repair of the Uniontown Levee.

(11) Union County Fairgrounds/Arnold Arena: Included in the above General Fund appropriation is $450,000 in fiscal year 2004-2005 for building a staging area for the Union County Fairgrounds and Exposition Center/Arnold Arena.

(12) Union County Jail: Included in the above General Fund appropriation is $650,000 in fiscal year 2004-2005 for property purchase and design of a new jail in Union County.

9. SPECIAL FUNDS

a. Local Government Economic Assistance Fund

	2004-05	**2005-06**
General Fund	42,781,100	41,977,900

b. Local Government Economic Development Fund

	2004-05	**2005-06**
General Fund	38,048,400	32,509,800

(1) Coal Severance Tax Collections Calculations and Transfers: The above appropriations from the General Fund are based on the official estimate presented by the Office of State Budget Director for coal severance tax collections during the biennium, distributed in accordance with KRS 42.450 to 42.495.

(2) Trover Clinic Grant: Notwithstanding KRS 42.4585, the quarterly calculation and transfer of the funds shall be made only after each quarterly installment of the annual appropriation of $1,000,000 in fiscal year 2004-2005 and $1,000,000 in fiscal year 2005-2006 has been credited to the Trover Clinic Grant within the Governor's Office for Local Development.

(3) Community Development Office: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $138,800 in fiscal year 2004-2005 and $271,200 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Community Development Office in the Governor's Office for Local Development.

(4) Department for Regional Development: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $251,900 in fiscal year 2004-2005 and $256,200 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Department for Regional Development within the Cabinet for Economic Development.

(5) Governor's Office for Local Development: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $503,500 in fiscal year 2004-2005 and $512,300 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Governor's Office for Local Development.

(6) Tourism Marketing Program: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $1,000,000 in fiscal year 2004-2005 and

$1,000,000 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Tourism Marketing Program in the Commerce Cabinet. Fees for professional artists and entertainers performing on the Kentucky Music Trail may be paid from the Tourism Marketing Program along with other activities, marketing, and promotions in the Commerce Cabinet aimed at promoting tourism in coal-producing counties.

(7) Read to Achieve: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $4,000,000 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Read to Achieve Program in the Department for Education.

(8) Drug Courts: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $1,000,000 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Drug Courts Program in the Office of Drug Control Policy, Justice Administration budget unit.

Notwithstanding KRS 42.4588, $1,000,000 in fiscal year 2005-2006 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund to the Office of Drug Control Policy, Justice Administration budget unit.

(9) Kentucky Wood Products Competitiveness Corporation: Notwithstanding KRS 42.4586, no funds shall be transferred to the Secondary Wood Products Development Fund.

(10) Kentucky Workers' Compensation Funding Commission: Notwithstanding KRS 342.122(1)(c), no General Fund appropriation is provided to the Kentucky Workers' Compensation Funding Commission in fiscal year 2004-2005 and fiscal year 2005-2006.

(11) High-Tech Construction and High-Tech Investment Pools:

Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $3,625,000 in fiscal year 2004-2005 and $3,500,000 in fiscal year 2005-2006 is appropriated as General Fund moneys to the Office for the New Economy. These funds shall be allocated to the high-tech construction and high-tech investment pools created under KRS 154.12-278. Notwithstanding KRS 42.4588(4) and (5), these funds shall be used for projects and programs recommended by the Department of Innovation and Commercialization for a Knowledge-Based Economy in the Economic Development Cabinet. The projects identified are limited to research and development, commercialization, education innovation, or work-related initiatives consistent with the character of the high-tech construction and high-tech investment pools administered by the Department of Innovation and Commercialization for a Knowledge-Based Economy. Investment and construction pool projects shall be targeted solely to Kentucky's Local Government Economic Development Fund-eligible counties.

(12) School Facilities Construction Commission: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund in fiscal year 2004-2005 shall be made only after funds totaling $3,232,500, and in fiscal year 2005-2006 shall be made only after funds totaling $4,617,900, are appropriated as General Fund moneys to the School Facilities Construction Commission to provide debt service to support previously authorized bonds.

(13) Kentucky Infrastructure Authority: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $4,095,100 in fiscal year 2004-2005 and $4,091,900 in fiscal year 2005-2006 is appropriated as General Fund moneys to the

Finance and Administration Cabinet, Debt Service budget unit to provide General Fund debt service to support previously authorized bonds for the Water and Sewer Resources Development Fund for Coal-Producing Counties.

(14) Debt Service: All necessary debt service amounts shall be appropriated from the General Fund and shall be fully paid regardless of whether there are sufficient moneys available to be transferred from coal severance tax-supported funding program accounts to other accounts of the General Fund.

(15) Flood Matching Program: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of $1,500,000 in fiscal year 2004-2005 and fiscal year 2005-2006 is appropriated as General Fund moneys to the Governor's Office for Local Development.

(16) Osteopathic Scholarship Program: Notwithstanding KRS 42.4582, the quarterly calculation and transfer of moneys from the General Fund to the Local Government Economic Development Fund pursuant to KRS 42.4582 shall be made only after each quarterly installment of the annual appropriation of $1,255,300 in fiscal year 2004-2005 and $1,318,500 in fiscal year 2005-2006 has been credited to the Osteopathic Scholarship Program within the Kentucky Higher Education Assistance Authority.

(17) Parameters for County Flexibility: Notwithstanding KRS 42.4588(2), Local Government Economic Development Fund allocations to each coal-producing county, above the amounts specified through the line item appropriations by the General Assembly, may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development with the concurrence of both the respective fiscal court and the Governor's Office for Local Development or the Kentucky Infrastructure Authority, as appropriate.

(18) Surface Mining Bond Pool Fund: Notwithstanding KRS 42.4588, $3,840,000 in fiscal year 2004-2005 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Department of Surface Mining Reclamation and Enforcement, Environmental and Public Protection Cabinet, Surface Mining Bond Pool Fund, to assure compliance with federal requirements.

(19) Operation Unite: Notwithstanding KRS 42.4588, funds totaling $1,500,000 in fiscal year 2005-2006 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Office of Drug Control Policy for Operation Unite in relation to the federal Task Force on Drug Abuse.

(20) KIA Infrastructure for Economic Development Fund for Coal-Producing Counties: Notwithstanding KRS 42.4588, $3,725,000 in fiscal year 2004-2005 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund to the General Fund to be used by the Kentucky Infrastructure Authority to provide debt service to support Bond Funds for the Infrastructure for Economic Development Fund for Coal-Producing Counties, Bond Pool.

(21) Project Identification: Notwithstanding KRS 42.4588(2) and (4), projects authorized and appropriated from the Local Government Economic Development Fund moneys from the respective single county fund pursuant to KRS 42.4592 are identified in Volume Ia of the State/Executive Branch Budget Memorandum.

(22) Parameters for Flexibility of Local Government Economic Development Fund, Multi-County Fund: Notwithstanding KRS 42.4588(2), Local Government Economic Development Fund, Multi-County Fund allocations may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development.

c. Area Development Fund

	2004-05	**2005-06**

General Fund	809,700	809,700

(1) Appropriation Limit: Notwithstanding KRS 48.185, funds appropriated from the General Fund for the Area Development Fund shall be limited to these amounts.

TOTAL - SPECIAL FUNDS

	2004-05	**2005-06**
General Fund	81,639,200	75,297,400

10. EXECUTIVE BRANCH ETHICS COMMISSION

	2004-05	**2005-06**
General Fund	351,500	351,500
Restricted Funds	2,400	2,400
TOTAL	353,900	353,900

11. SECRETARY OF STATE

	2004-05	**2005-06**
General Fund	2,224,000	2,224,000
Restricted Funds	802,900	802,900
TOTAL	3,026,900	3,026,900

(1) Carry Forward of Restricted Funds Appropriation Balance: Notwithstanding KRS 14.140, the above Restricted Funds appropriations shall not lapse and shall be used for the continuation of current activities within the General Administration unit and for the operations and staff of the Uniform Commercial Code Branch.

12. BOARD OF ELECTIONS

	2004-05	**2005-06**
General Fund	6,091,000	3,046,400
Restricted Funds	101,200	57,100
Federal Funds	9,000,000	1,000,000
TOTAL	15,192,200	4,103,500

(1) Help America Vote Act of 2002: Included in the above General Fund appropriation is $1,100,000 in fiscal year 2004-2005 to match Federal Funds from the Help America Vote Act. Notwithstanding KRS 45.229, any unexpended balance from the General Fund appropriation of $1,100,000 to match those Federal Funds shall not lapse and shall carry forward to fiscal year 2005-2006. Amounts in excess of those included in the General Fund appropriation for this purpose, not to exceed $1,250,000, shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(2) Cost of Elections: Included in the above General Fund appropriation is $3,434,800 in fiscal year 2004-2005 and $1,479,500 in fiscal year 2005-2006 to pay the state's share of county election expenses (KRS 117.345) and the state's share of voter registration expenses (KRS 116.112(7), 116.145, and 117.343). Notwithstanding KRS 117.345(2), the maximum state payment rate is increased from the current statutory level of $255 to $300 per precinct per election to each precinct using voting machines. Any amount that the state is required to pay for precinct election expenses under the provisions of KRS 116.112(7), 116.145, 117.343, and 117.345 shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

13. REGISTRY OF ELECTION FINANCE

	2004-05	**2005-06**
General Fund	1,409,500	1,409,500
Restricted Funds	-0-	118,000
TOTAL	1,409,500	1,527,500

14. ATTORNEY GENERAL

	2004-05	**2005-06**
General Fund	13,276,200	13,736,000
Restricted Funds	9,225,200	8,648,800

Federal Funds	2,817,900	2,715,000
TOTAL	25,319,300	25,099,800

(1) Expert Witnesses: In addition to such funds as may be appropriated, the Office of the Attorney General may request from the Finance and Administration Cabinet, as a necessary government expense, such funds as may be necessary for expert witnesses. Upon justification of the request, the Finance and Administration Cabinet shall approve up to $275,000 for the 2004-2006 fiscal biennium for this purpose to the Office of the Attorney General. The Department of Insurance shall provide the Office of the Attorney General any available information to assist in the preparation of a rate hearing pursuant to KRS 304.17A-095.

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

(3) Child Sexual Abuse License Plate Revenue: Notwithstanding KRS 186.1867, the Transportation Cabinet shall review the costs related to the distribution of child victims' license plates. Any revenue received from the sale or renewal of those plates in excess of actual costs shall be transferred to the Child Victims' Trust Fund on an annual basis.

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

of the Attorney General for the legal services. Notwithstanding KRS Chapter 45A, the Office of the Attorney General may contract with outside law firms on a contingency basis.

(5) County Cemetery Fund: In the 2004-2006 biennium, up to $500,000 in funds collected pursuant to KRS 48.005(5) shall be appropriated and transferred to the County Cemetery Fund. Notwithstanding KRS 48.005(5), the Office of the Attorney General may first recover reasonable costs of litigation. Notwithstanding KRS 48.005(5)(b), any remaining funds shall be deposited in the General Fund Surplus Account. The Attorney General shall provide notice to the Governor's Office for Policy and Management and the Legislative Research Commission of the nature of any funds deposited in this account.

(6) Fraud and Abuse Revenue Recovery: Included in the above General Fund appropriation is $359,800 in fiscal year 2005-2006 for the Medicaid Fraud and Abuse Control Unit and for the average wholesale price litigation in order to enhance revenue recovery for the Commonwealth.

(7) Additional Staffing Resources: Additional General Fund support totaling $250,000 in fiscal year 2004-2005 and $250,000 in fiscal year 2005-2006 is provided for additional staffing resources.

(8) Civil Legal Services - Salary Equity Compensation: The Office of the Attorney General is authorized to issue eligible attorneys salary equity compensation at the discretion of the Attorney General.

15. UNIFIED PROSECUTORIAL SYSTEM

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

a. Commonwealth's Attorneys

	2004-05	2005-06

General Fund	27,842,100	28,850,900
Restricted Funds	350,000	311,500
Federal Funds	605,200	633,200
TOTAL	28,797,300	29,795,600

(1) Caseload Management: Included in the above General Fund appropriation is $450,000 in fiscal year 2005-2006 to provide assistance in handling increasing caseloads in Commonwealth's Attorneys' offices statewide.

(2) Additional Staffing Resources: Additional General Fund support totaling $262,600 in fiscal year 2005-2006 is provided for additional staffing resources.

b. County Attorneys

	2004-05	**2005-06**
General Fund	22,979,900	24,504,100
Restricted Funds	38,200	24,400
Federal Funds	391,700	391,700
TOTAL	23,409,800	24,920,200

(1) Caseload Management: Included in the above General Fund appropriation is $450,000 in fiscal year 2005-2006 to provide assistance in handling increasing caseloads in County Attorneys' offices statewide.

(2) Additional Staffing Resources: Additional General Fund support totaling $540,000 in fiscal year 2005-2006 is provided for additional staffing resources.

TOTAL - UNIFIED PROSECUTORIAL SYSTEM

	2004-05	**2005-06**
General Fund	50,822,000	53,355,000
Restricted Funds	388,200	335,900
Federal Funds	996,900	1,024,900
TOTAL	52,207,100	54,715,800

16. TREASURY

	2004-05	**2005-06**
General Fund	2,047,700	1,941,600
Restricted Funds	778,600	793,300
Road Fund	250,000	250,000
TOTAL	3,076,300	2,984,900

(1) Unclaimed Property Fund: Included in the above Restricted Funds appropriation is a recurring transfer from the Unclaimed Property Fund. In each respective fiscal year of the 2004-2006 fiscal biennium, $778,600 and $793,300 is appropriated to provide funding for services performed by the Unclaimed Property Division of the Department of the Treasury.

(2) Unclaimed Property Reporting and Disposition Procedures: Notwithstanding KRS 48.310, the following statutes are amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 393.110 is amended to read as follows:

The department shall promulgate administrative regulations prescribing the reports which shall be filed with the department by persons holding property presumed abandoned, including the date for filing reports, the contents of the reports, the coverage period of the reports, identifying information concerning the property and presumptive owner if known, the manner in which property shall be transferred from the person holding it to the department, requirements for providing notice to a person who may be the owner of property presumed abandoned, legal actions that may be taken to claim property presumed abandoned, and any other necessary and relevant information needed by the department to carry out the responsibilities concerning unclaimed property prescribed in this chapter. The department shall, notwithstanding KRS 424.180 and 424.190, provide on an annual basis notice or published advertisement of property transferred to it. Any procedures prescribed by the department in accordance with this section shall employ the most cost-effective

methods available for the submission of reports to the department and the notice or advertisement of property transferred to the department[~~(1) A holder of property presumed abandoned shall make an annual report to the department concerning the property. The report shall be filed on or before November 1 of each year and shall cover the twelve (12) months ending on July 1 of that year. All property so reported shall be turned over by November 1 to the department. The report shall be verified and shall include:~~

~~(a) Except with respect to travelers' checks and money orders, the name, if known, and last known address, if any, of each person appearing from the records of the holder to be the owner of any property of value of one hundred dollars ($100) or more presumed abandoned under this chapter and in the case of unclaimed funds of life insurance corporations, the full name of the insured or annuitant and his last known address according to the records of the life insurance corporation;~~

~~(b) The nature and identifying number, if any, or description of the property and the amount appearing from the records to be due, except that items of value under one hundred dollars ($100) each may be reported in the aggregate. The holder of abandoned property shall maintain its records for a period of five (5) years from the date of its report for items reported in the aggregate. If the owner of property reported in the aggregate makes a valid claim within five (5) years, the holder shall refund the property and deduct the amount refunded from the next report due to the department;~~

~~(c) The date when the property became payable, demandable, or returnable, and the date of the last known transaction with the owner with respect to the property if readily available; and~~

~~(d) Any other information which the department prescribes by administrative regulations necessary for the administration of this chapter.~~

~~The report shall be retained by the department. The department shall publish, in accordance with KRS Chapter 424, an annual advertisement listing the names of persons included in the report. The cost of the publication shall be paid by the state. The list shall be published as required on or before October 1 following the year when it is made, and the publishing shall be constructive notice to all interested parties.~~

~~(2) The holder of property presumed abandoned shall send written notice to the apparent owner, not more than one hundred twenty (120) days or less than sixty (60) days before filing the report, stating that the holder is in possession of the property subject to this section; except the holder shall not be required to mail a notice to any apparent owner where the fair cash value of the property is one hundred dollars ($100) or less. The notice shall contain:~~

~~(a) A statement that according to a report filed with the department properties are being held to which the addressee appears entitled;~~

~~(b) The name and address of the person holding the property and any necessary information regarding changes of name and address of the holder; and~~

~~(c) A statement that, if satisfactory proof of claim is not presented by the owner to the holder by the date specified in the published notice, the property will be placed in the custody of the department to whom all further claims must be directed.~~

~~(3) Any person who has made a report of any estate or property presumed abandoned, as required by this chapter, shall, by November 1 of each year, turn over to the department all property so reported; but if the person making the report or the owner of the property shall certify to the department that any or all of the statutory conditions necessary to create a presumption of abandonment no longer exist or never did exist, or shall report the existence of any fact or circumstance which has a substantial tendency to rebut the presumption, then, the person reporting or holding~~

~~the property shall not be required to turn the property over to the department except on order of court. If a person files an action in court claiming any property which has been reported under the provisions of this chapter, the person reporting or holding the property shall be under no duty while the action is pending to turn the property over to the department, but shall have the duty of notifying the department of the pendency of the action.~~

~~(4) The person reporting or holding the property or any claimant of it shall always have the right to a judicial determination of his rights under this chapter, and nothing in this chapter shall be construed otherwise. The Commonwealth may institute an action to recover the property presumed abandoned, whether it has been reported or not, and may include in one (1) petition all the property within the jurisdiction of the court in which the action is brought if the property of different persons is set out in separate paragraphs]~~.

Section 2. KRS 393.280 is amended to read as follows:

(1) The department, through its employees ***or authorized representatives***, may at reasonable times and upon reasonable notice examine all relevant records of any person except any banking organization or financial organization where there is reason to believe that there has been or is a failure to report property that should be reported under this chapter during the preceding reporting period. Records shall be considered relevant to the examination of the preceding reporting period if they document the period necessary, for that type of property, to establish presumed abandonment. ***The Department may avail itself of enforcement technologies and programs designed to increase compliance among businesses with Kentucky's unclaimed property law.***

(2) The Department of Financial Institutions may at reasonable times and upon reasonable notice examine all relevant records of any banking organization or financial organization if there is reason to believe that there has been or is a failure

to report property that should be reported under this chapter during the preceding reporting period.

(3) Documents and working papers obtained or compiled by the department or the Department of Financial Institutions in the course of conducting an examination are confidential and are not open records under KRS 61.870 to 61.884.

(4) The State Treasurer may promulgate administrative regulations pursuant to KRS Chapter 13A and any reasonable and necessary rules for the enforcement of this chapter, and govern hearings held before him. He may delegate in writing to any employee of the department authority to perform any of the duties imposed on him by this chapter, except the promulgation of rules.

17. AGRICULTURE

	2004-05	**2005-06**
General Fund	19,010,000	19,010,000
Restricted Funds	5,696,000	3,909,500
Federal Funds	4,813,100	4,813,100
TOTAL	29,519,100	27,732,600

(1) Breathitt Veterinary Center and Diagnostic Laboratories: Included in the above General Fund appropriation is $478,500 in fiscal year 2004-2005 and $478,500 in fiscal year 2005-2006 for the Breathitt Veterinary Center at Murray State University and $478,500 in fiscal year 2004-2005 and $478,500 in fiscal year 2005-2006 for the University of Kentucky for the diagnostic laboratories.

(2) Mexico Joint Trade Office: Included in the above General Fund appropriation is $100,000 in each fiscal year for the Agriculture/Economic Development joint trade office in Mexico.

(3) Enforcement of Tobacco Product Sale Restrictions: Included in the above General Fund appropriation is $260,000 in fiscal year 2004-2005 and $260,000 in fiscal year 2005-2006 to carry out the provisions of KRS 438.335.

(4) Purchase of Agricultural Conservation Easement (PACE) Program: The PACE board may contract directly with land surveyors, real estate appraisers, and other licensed professionals as necessary.

(5) Operations of the Department: The Commissioner of the Department of Agriculture shall not reduce or eliminate any program which is funded in this Act for the purpose of transferring such funds to any new program or existing programs without providing to the Interim Joint Committee on Appropriations and Revenue justification of such activities at least 60 days prior to the proposed action.

(6) Metrology Lab Operating Fees: The Department of Agriculture may promulgate administrative regulations establishing license fees, testing fees, and any other fees necessary to operate and maintain a metrology lab in the Department of Agriculture. These Restricted Funds receipts shall be utilized for personnel and operations of the metrology lab.

(7) Ultrasound Testing: Additional General Fund support totaling $25,000 in fiscal year 2004-2005 and $25,000 in fiscal year 2005-2006 is provided for ultrasound testing for the North American International Livestock Exposition relating to animal health.

18. AUDITOR OF PUBLIC ACCOUNTS

	2004-05	**2005-06**
General Fund	5,780,800	5,530,800
Restricted Funds	3,096,500	3,306,000
TOTAL	8,877,300	8,836,800

(1) Auditor's Scholarships: Notwithstanding KRS 43.200, no funding is provided for Auditor's scholarships.

(2) Audit Services Contracts: No state agency shall enter into any contract with a nongovernmental entity for an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within 30 days of receipt of a

written request. The agency requesting the audit shall furnish the Auditor of Public Accounts a comprehensive statement of the scope and nature of the proposed audit.

(3) Audit Records and Status Reports: The Auditor of Public Accounts shall report in writing each 60 days to the Interim Joint Committee on Appropriations and Revenue the progress of all state audits, together with copies of all completed audits. The Auditor of Public Accounts shall maintain a record of all time and expenses for each audit or investigation.

(4) Charges for Federal, State, and Local Audits: Any additional expense incurred by the Auditor of Public Accounts for auditing Federal Funds, when the audits are mandated by a cognizant federal audit agency, shall be charged to the audited agency when the costs may be charged against Federal Funds. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operation of the office. The Auditor of Public Accounts shall maintain a record of all costs and expenditures associated with this provision.

Each quarter, the Auditor of Public Accounts shall notify the Finance and Administration Cabinet concerning the collection status of the fees charged for county audits. If a county government is delinquent in its payment to the Auditor of Public Accounts, the Finance and Administration Cabinet shall withhold any moneys due that county government for the term of 120 days or until the Auditor of Public Accounts has received full payment from the county. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operations of the office.

The "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996" (OMB Circular No. A-133) have changed the method by which federal moneys to state agencies are audited. As a result of this federal change, the Auditor of Public Accounts is budgeted to receive additional Agency Receipts which shall be allotted by the Governor's Office for Policy and Management for programs authorized in the enacted budget for the

Auditor of Public Accounts by the 2005 General Assembly, subject to the conditions and procedures provided in this Act.

Any expenses incurred by the Auditor of Public Accounts for auditing a state or local government agency or other entity upon its request, or for performing an audit required by statute unless the audit is required by those standards governing the audit of the Commonwealth's Comprehensive Financial Report or the provisions contained in the "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996," shall be charged to the agency or entity audited.

Any expense incurred by the Auditor of Public Accounts for auditing individual governmental entities shall be charged to the agency receiving audit services when expenses are mutually agreed upon or when a legislatively mandated study by the Auditor of Public Accounts has determined the need for the audit.

19. PERSONNEL BOARD

	2004-05	**2005-06**
General Fund	543,500	583,500

(1) Personnel Board Elections: Included in the above General Fund appropriation is $40,000 in fiscal year 2005-2006 to provide for the expense of Merit System employee elections to the Personnel Board as provided in KRS 18A.0551.

(2) Administrative Hearing Notice: Notwithstanding KRS 13B.050(2), the Personnel Board shall send notices of administrative hearings by first-class mail.

20. KENTUCKY RETIREMENT SYSTEMS

	2004-05	**2005-06**
General Fund	4,562,500	11,951,700
Restricted Funds	18,684,300	19,965,000
TOTAL	23,246,800	31,916,700

(1) Health Insurance Funding: Included in the above General Fund appropriation is $4,562,500 in fiscal year 2004-2005 to provide a subsidy for retired

members who choose couple, family, or parent-plus coverage, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 15 for this purpose and is not to be appropriated in duplication. Included in the above General Fund appropriation is $11,851,700 in fiscal year 2005-2006 to provide an additional subsidy for retired members who choose couple, family, or parent-plus coverage.

Also included in the above General Fund appropriation is $100,000 in fiscal year 2005-2006 for the retirement system to provide a subsidy for those retired state members over age 65 that insure their spouses under age 65 through the state health insurance plan for Plan Year 2006. The amount of the subsidy for those over age 65 shall not exceed the amount of the subsidy for members under age 65 that choose couple, family, or parent plus coverage.

(2) Medicare Modernization Act Implementation and Technology Platform Enhancements: Included in the above Restricted Funds appropriation is $900,000 each fiscal year to address the additional cost to the Retirement System for the Federal Medicare Modernization Act and to provide the funding requested by the Board to enhance the Operation and Technology Platform utilized by the System.

21. OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS

a. Accountancy

	2004-05	**2005-06**
Restricted Funds	571,200	604,000

b. Certification of Alcohol and Drug Counselors

	2004-05	**2005-06**
Restricted Funds	65,200	67,200

c. Architects

	2004-05	**2005-06**
Restricted Funds	262,500	265,000

d. Certification for Professional Art Therapists

	2004-05	2005-06
Restricted Funds	11,400	11,400

e. Auctioneers

	2004-05	2005-06
Restricted Funds	398,800	397,300

f. Barbering

	2004-05	2005-06
Restricted Funds	230,300	236,600

g. Chiropractic Examiners

	2004-05	2005-06
Restricted Funds	194,400	200,500

h. Dentistry

	2004-05	2005-06
Restricted Funds	613,800	618,200

i. Licensure and Certification for Dietitians and Nutritionists

	2004-05	2005-06
Restricted Funds	74,500	77,500

j. Embalmers and Funeral Directors

	2004-05	2005-06
Restricted Funds	249,100	249,100

k. Licensure for Professional Engineers and Land Surveyors

	2004-05	2005-06
Restricted Funds	1,363,600	1,379,400

l. Certification of Fee-Based Pastoral Counselors

	2004-05	2005-06
Restricted Funds	7,500	7,500

m. Registration for Professional Geologists

		2004-05	2005-06
	Restricted Funds	135,000	135,000

n. Hairdressers and Cosmetologists

	2004-05	2005-06
Restricted Funds	950,000	998,500

o. Specialists in Hearing Instruments

	2004-05	2005-06
Restricted Funds	51,500	55,200

p. Interpreters for the Deaf and Hard of Hearing

	2004-05	2005-06
Restricted Funds	31,000	31,000

q. Examiners and Registration of Landscape Architects

	2004-05	2005-06
Restricted Funds	58,500	58,600

r. Licensure of Marriage and Family Therapists

	2004-05	2005-06
Restricted Funds	83,200	83,200

s. Licensure for Massage Therapy

	2004-05	2005-06
Restricted Funds	58,800	62,800

t. Medical Licensure

	2004-05	2005-06
Restricted Funds	2,110,900	2,119,900

u. Nursing

	2004-05	2005-06
Restricted Funds	5,105,300	4,674,200

v. Licensure for Nursing Home Administrators

	2004-05	2005-06
Restricted Funds	76,200	76,200

w. Licensure for Occupational Therapy

	2004-05	2005-06
Restricted Funds	86,000	86,000

x. Ophthalmic Dispensers

	2004-05	2005-06
Restricted Funds	62,900	62,900

y. Optometric Examiners

	2004-05	2005-06
Restricted Funds	159,700	164,100

z. Pharmacy

	2004-05	2005-06
Restricted Funds	883,200	896,700

aa. Physical Therapy

	2004-05	2005-06
Restricted Funds	263,100	264,700

ab. Podiatry

	2004-05	2005-06
Restricted Funds	21,100	21,700

ac. Private Investigators

	2004-05	2005-06
Restricted Funds	63,500	64,200

ad. Licensed Professional Counselors

	2004-05	2005-06
Restricted Funds	53,700	56,200

ae. Proprietary Education

	2004-05	2005-06
Restricted Funds	144,300	149,300

af. Examiners of Psychology

	2004-05	2005-06
Restricted Funds	176,100	176,100

ag. Real Estate Appraisers

	2004-05	2005-06
Restricted Funds	578,400	589,000

ah. Real Estate Commission

	2004-05	2005-06
Restricted Funds	2,251,100	2,179,400

ai. Respiratory Care

	2004-05	2005-06
Restricted Funds	132,700	139,600

aj. Social Work

	2004-05	2005-06
Restricted Funds	145,300	145,300

ak. Speech-Language Pathology and Audiology

	2004-05	2005-06
Restricted Funds	89,000	92,000

al. Veterinary Examiners

	2004-05	2005-06
Restricted Funds	237,800	237,800

TOTAL - OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS

	2004-05	2005-06
Restricted Funds	18,050,600	17,733,300

22. EMERGENCY MEDICAL SERVICES

	2004-05	2005-06
General Fund	2,391,600	2,391,600
Restricted Funds	171,700	171,700
Federal Funds	1,416,500	436,500
TOTAL	3,979,800	2,999,800

(1) Medicaid Supplement: Notwithstanding KRS 311A.145, a total of $300,000 in Restricted Funds from fiscal year 2004-2005 Emergency Medical Services Board collections shall be transferred to Medicaid Benefits in fiscal year 2005-2006 in order to increase the amount of Federal Funds able to be matched to increase Medicaid ambulance fees.

23. KENTUCKY RIVER AUTHORITY

	2004-05	2005-06
General Fund	369,500	369,500
Restricted Funds	6,470,800	1,408,200
TOTAL	6,840,300	1,777,700

(1) Water Withdrawal Fees: The water withdrawal fees imposed by the Kentucky River Authority shall not be subject to state and local taxes. Notwithstanding that portion of the provision of KRS 151.710(10) that directs the Finance and Administration Cabinet to provide administrative services for the Kentucky River Authority, Tier I water withdrawal fees shall be used to support the operations of the Authority and for contractual services for water supply and quality studies.

(2) Kentucky River Authority Review of Water Supply and Water Project Plans: The Kentucky River Authority shall review water supply and water project plans of any entity created under the authority of KRS Chapter 74 with members located within the Kentucky River Basin area prior to implementation by the entity.

24. MISCELLANEOUS APPROPRIATIONS

(1) Funding Sources for Miscellaneous Appropriations: Funds required to pay the costs of items included within the Miscellaneous Appropriations category are appropriated, and any required expenditure over the above amounts is to be paid first from the General Fund Surplus Account (KRS 48.700), if available, or from any available balance in either the Judgments budget unit appropriation or the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in this Act.

a. Judgments

	2004-05	**2005-06**
General Fund	1,971,300	-0-

(1) Payment of Judgments and Carry Forward of General Fund Appropriation Balance: The above appropriation is for the payment of judgments as may be rendered against the Commonwealth by courts and orders of the State Personnel Board and, where applicable, shall be subject to the provisions of KRS Chapter 45, and for the payment of medical malpractice judgments against the University of Kentucky and the University of Louisville in accordance with KRS 164.892 and 164.941. Notwithstanding KRS 45.229, any remaining appropriation in the Judgments account at the end of fiscal year 2004-2005 shall not lapse but shall be carried forward into fiscal year 2005-2006.

b. Attorney General Expense

	2004-05	**2005-06**
General Fund	225,000	225,000

c. Board of Claims Awards

	2004-05	**2005-06**
General Fund	1,000,000	1,000,000

(1) Repayment of Awards or Judgments: Funds are appropriated from the General Fund for the repayment of awards or judgments made by the Board of Claims

against departments, boards, commissions, and other agencies maintained by appropriations out of the General Fund. However, awards under $2,500 shall be paid from funds available for the operations of the agency.

d. Guardian Ad Litem

	2004-05	**2005-06**
General Fund	3,900,000	5,900,000

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

e. Prior Year Claims

	2004-05	**2005-06**
General Fund	21,000	400,000

f. Unredeemed Checks Refunded

	2004-05	**2005-06**
General Fund	1,500,000	1,500,000

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

g. Involuntary Commitments to an Intermediate Care Facility for the Mentally Retarded (ICF/MR)

	2004-05	**2005-06**
General Fund	60,000	60,000

h. Payments to Frankfort in Lieu of Taxes

	2004-05	**2005-06**
General Fund	195,000	195,000

i. Frankfort Cemetery

	2004-05	**2005-06**

General Fund	2,500	2,500

j. Police Officers and Firefighters - Life Insurance

	2004-05	2005-06
General Fund	450,000	250,000

(1) Payment of Benefits: Funds are appropriated for payment of benefits for state and local police officers and firefighters in accordance with KRS 61.315 and 95A.070.

k. Master Commissioners - Employers Retirement

	2004-05	2005-06
General Fund	200,000	200,000

l. Master Commissioners - Social Security

	2004-05	2005-06
General Fund	365,000	365,000

(1) Appropriation Transfer: The Appropriations Not Otherwise Classified - Master Commissioners Employers Retirement and the Appropriations Not Otherwise Classified - Master Commissioners Social Security programs and appropriations provided above shall be transferred to the Judicial Branch in fiscal year 2005-2006 inasmuch as no funds for this Judicial purpose were expressly provided in 2004 Ky. Acts ch. 197 for the Judicial Branch budget in fiscal year 2005-2006.

m. Workers' Compensation

	2004-05	2005-06
General Fund	150,000	-0-

(1) Workers' Compensation for County Officers: The above appropriation in fiscal year 2004-2005 provides funding for workers' compensation for county officers.

n. Medical Malpractice Liability Insurance Reimbursements

	2004-05	2005-06
General Fund	185,000	185,000

o. Blanket Employee Bonds

	2004-05	2005-06
General Fund	100,000	100,000

TOTAL - MISCELLANEOUS APPROPRIATIONS

	2004-05	2005-06
General Fund	10,324,800	10,382,500

TOTAL - GENERAL GOVERNMENT

	2004-05	2005-06
General Fund (Tobacco)	39,195,900	29,899,300
General Fund	252,183,800	263,802,500
Restricted Funds	151,861,100	146,438,900
Federal Funds	253,466,900	214,842,700
Road Fund	600,000	600,000
TOTAL	697,307,700	655,583,400

B. COMMERCE CABINET

Budget Units

1. SECRETARY

	2004-05	2005-06
General Fund	2,662,200	5,224,800
Restricted Funds	1,415,800	1,385,800
TOTAL	4,078,000	6,610,600

(1) Outdoor Drama Grants: Included in the above General Fund appropriation is $330,000 in each fiscal year for the purpose of supporting the following grants: Someday Outdoor Drama, $20,000 in each fiscal year; Stephen Foster, $81,000 in each fiscal year; Pioneer School of Drama, $28,500 in each fiscal year; Music Theater of Louisville, $9,000 in each fiscal year; Pine Knob Theater, $29,500 in each fiscal year; Kincaid Regional Theater, $27,500 in each fiscal year; Twilight Cabaret, $9,000 in each

fiscal year; Horse Cave Theater, $26,000 in each fiscal year; Jenny Wiley, $39,500 in each fiscal year; Indian Fort Drama of Berea, $25,000 in each fiscal year; Greenbo Lake State Resort Park, $10,000 in each fiscal year; and Russell County Ruscotown Players Production, $25,000 in each fiscal year.

(2) Frankfort/Franklin County Riverfront Development Feasibility Study: Included in the above General Fund appropriation is $100,000 in fiscal year 2004-2005 to conduct the Frankfort/Franklin County Riverfront Development Feasibility Study for those properties located along the Kentucky River and Old Lawrenceburg Road. The Cabinet is directed to undertake the study in cooperation with the City of Frankfort and Franklin County. Notwithstanding KRS 45.229, these funds shall not lapse but shall be carried forward into the next fiscal year.

2. ARTISANS CENTER

	2004-05	**2005-06**
General Fund	213,800	183,800
Restricted Funds	1,613,900	1,795,200
TOTAL	1,827,700	1,979,000

3. BREAKS INTERSTATE PARK

	2004-05	**2005-06**
General Fund	191,100	191,100

4. TOURISM

	2004-05	**2005-06**
General Fund	8,096,200	8,606,200
Restricted Funds	270,400	-0-
TOTAL	8,366,600	8,606,200

(1) Tourism Marketing and Development: Included in the above General Fund appropriation is $1,000,000 in fiscal year 2004-2005 and $1,000,000 in fiscal year 2005-2006 for Tourism Marketing and Development on behalf of the coal-producing counties.

Notwithstanding KRS 45.229, the unexpended balance of the $1,000,000 General Fund appropriation in fiscal year 2004-2005 shall not lapse and shall be carried forward into fiscal year 2005-2006.

(2) Kentucky Music Trail Artists and Entertainers: Fees for the professional artists and entertainers performing on the Kentucky Music Trail may be paid for from the Tourism Marketing Program along with other activities, marketing, and promotions in the Commerce Cabinet aimed at promoting tourism in coal-producing counties.

(3) Tourism Development Project: Notwithstanding KRS 65.6972, in a city of the second class, a development area and related professional sports facility which has 20 percent of the total revenues derived from the project attributable to sources outside of the Commonwealth shall be allowed an increment not to exceed 50 percent of the project costs during the terms of the agreement, which shall be 20 years.

5. PARKS

	2004-05	**2005-06**
General Fund	27,574,400	27,767,600
Restricted Funds	55,628,300	59,306,800
TOTAL	83,202,700	87,074,400

(1) Debt Service: Included in the above General Fund appropriation is $1,752,000 in fiscal year 2005-2006 for debt service.

(2) Park Capital Maintenance and Renovation Fund: Notwithstanding KRS 148.810, the General Assembly authorizes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

(3) Craft Sales in Park Gift Shops: Notwithstanding KRS 11A.040 and 45.340, craftspersons employed and juried by Fort Boonesborough State Park and Old Fort Harrod State Park may sell craft items they make to the state park at which they are employed for resale in its gift shop.

(4) Feasibility Study for Wildlife Education Center Near Mammoth Cave:

The University of Kentucky shall conduct a comprehensive study of the feasibility and cost of constructing a Wildlife Education Center near Mammoth Cave, Kentucky. The University may partner with other groups in the development of the study.

The study shall begin no later than August 1, 2005, and a report and recommendations shall be submitted to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Economic Development and Tourism not later than the committees' regularly scheduled meetings in October 2005.

(5) Feasibility Study for a Lodge at Fort Boonesborough State Park: The University of Kentucky, jointly with the Bluegrass Area Development District, shall conduct a comprehensive study of the feasibility and cost of constructing a state park lodge at Fort Boonesborough State Park.

The study shall begin no later than August 1, 2005, and a report and recommendations shall be submitted to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Economic Development and Tourism not later than the committees' regularly scheduled meetings in October 2005.

6. HORSE PARK COMMISSION

	2004-05	**2005-06**
General Fund	1,871,200	1,693,200
Restricted Funds	5,522,800	5,529,000
TOTAL	7,394,000	7,222,200

(1) Debt Service: Included in the above General Fund appropriation is $72,000 in fiscal year 2005-2006 for debt service.

7. STATE FAIR BOARD

	2004-05	**2005-06**
General Fund	396,800	2,724,800
Restricted Funds	35,003,200	36,404,500
TOTAL	35,400,000	39,129,300

(1) Debt Service: Included in the above Restricted Funds appropriation is $4,012,300 in fiscal year 2004-2005 and $4,012,900 in fiscal year 2005-2006 for previously issued bonds.

Included in the above Restricted Funds appropriation is $234,000 in fiscal year 2005-2006 for new debt service.

Included in the above General Fund appropriation is $2,328,000 in fiscal year 2005-2006 for debt service.

(2) Maintenance Projects: In accordance with KRS 247.190, the Kentucky State Fair Board is authorized to expend available agency revenue receipts to complete regular or ongoing maintenance projects.

8. FISH AND WILDLIFE RESOURCES

	2004-05	**2005-06**
Restricted Funds	27,971,700	27,941,700
Federal Funds	10,830,000	10,864,000
TOTAL	38,801,700	38,805,700

9. HISTORICAL SOCIETY

	2004-05	**2005-06**
General Fund	5,991,800	6,041,800
Restricted Funds	633,800	727,300
Federal Funds	822,000	1,225,000
TOTAL	7,447,600	7,994,100

(1) Old Governor's Mansion: The Secretary of the Finance and Administration Cabinet shall expend no funds to maintain a home for the Lieutenant Governor.~~[The Secretary of the Finance and Administration Cabinet is directed to transfer the operation and use of the Old Governor's Mansion to the Kentucky Historical Society and transfer funding of $100,000 in fiscal year 2004-2005 and $100,000 in fiscal year 2005-2006. The Kentucky Historical Society shall direct the official use of the Old Governor's Mansion,~~

~~which shall not be used as a residence of the Lieutenant Governor.]~~

(2) Kentucky History Center: The Kentucky History Center shall be named the Thomas D. Clark History Center.

(3) Lewis and Clark Bicentennial Commission: Included in the above General Fund appropriation is $25,000 in fiscal year 2004-2005 and $75,000 in fiscal year 2005-2006 to support the operations of the Commonwealth of Kentucky Lewis and Clark Bicentennial Commission.

(4) Abraham Lincoln Bicentennial Commission: Included in the above General Fund appropriation is $30,000 in each fiscal year to support the operations of the Commonwealth of Kentucky Abraham Lincoln Bicentennial Commission.

(5) Tuskegee Airmen Exhibit: Included in the above General Fund appropriation is $25,000 in each fiscal year to support the Ron Spriggs Tuskegee Airmen Exhibit.

(6) Madison County Battlefield Park and Museum: Included in the above General Fund appropriation is $40,000 in each fiscal year to support the operations of the Madison County Battlefield Park and Museum.

10. ARTS COUNCIL

	2004-05	**2005-06**
General Fund	4,210,900	4,210,900
Restricted Funds	755,500	553,500
Federal Funds	691,000	685,500
TOTAL	5,657,400	5,449,900

(1) Open Meetings: Any entity involved in producing or financing arts on a local or statewide basis which, during the 18-month period preceding the effective date of this Act, received a total of $25,000 or less as a result of appropriations or grants from state or local governmental units shall be exempt from the requirements of KRS 61.800 to 61.850.

(2) Open Records: Any entity involved in producing or financing arts on a local or statewide basis which, during the 18-month period preceding the effective date of this Act, received a total of $25,000 or less as a result of appropriations or grants from state or local governmental units shall be exempt from the requirements of KRS 61.872 to 61.884.

11. HERITAGE COUNCIL

	2004-05	2005-06
General Fund	932,400	933,700
Restricted Funds	558,300	621,700
Federal Funds	653,300	587,800
TOTAL	2,144,000	2,143,200

12. KENTUCKY CENTER FOR THE ARTS

	2004-05	2005-06
General Fund	2,120,400	1,724,000

(1) Governor's School for the Arts: Included in the above General Fund appropriation is $25,800 in each fiscal year of the biennium to restore student scholarship dollars to fiscal year 2002-2003 levels.

(2) Operating Budget: Funds totaling $1,084,000 in fiscal year 2004-2005 and $760,000 in fiscal year 2005-2006 are being redirected to provide for capital maintenance and repair at the Center for the Arts.

TOTAL -COMMERCE CABINET

	2004-05	2005-06
General Fund	54,261,200	59,301,900
Restricted Funds	129,373,700	134,265,500
Federal Funds	12,996,300	13,362,300
TOTAL	196,631,200	206,929,700

C. ECONOMIC DEVELOPMENT CABINET

Budget Units

1. SECRETARY

	2004-05	2005-06
General Fund	7,977,200	11,533,300
Restricted Funds	1,984,900	2,666,700
TOTAL	9,962,100	14,200,000

(1) Debt Service: Included in the above General Fund appropriation is $15,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

Included in the above Restricted Funds appropriation is $234,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Department for Regional Development: Included in the above General Fund appropriation is $251,900 in fiscal year 2004-2005 and $256,200 in fiscal year 2005-2006 for the Department for Regional Development. Notwithstanding KRS 42.4592, the General Fund appropriations for the Department for Regional Development shall be funded from the Local Government Economic Development Fund prior to any other statutory distribution from the Local Government Economic Development Fund.

(3) Kentucky Technology Service Grant: Included in the above Restricted Funds appropriation is $300,000 in fiscal year 2004-2005 and $150,000 in fiscal year 2005-2006 for the Kentucky Technology Service Grant administered by the Kentucky Manufacturing Assistance Center. Included in the above General Fund appropriation is $150,000 in fiscal year 2005-2006 for the Kentucky Technology Service Grant.

(4) Department of Innovation and Commercialization for a Knowledge-Based Economy: Included in the above Restricted Funds appropriation is $560,600 in fiscal year 2004-2005 and $1,140,000 in fiscal year 2005-2006 for the Department of Innovation and Commercialization for a Knowledge-Based Economy. Also included in

the above General Fund appropriation is $3,992,600 in fiscal year 2004-2005 and $7,379,400 in fiscal year 2005-2006. A portion of these funds shall be used for the Innovation and Commercialization Centers and ideaFestival grant of $1,500,000 in fiscal year 2005-2006 administered by the Kentucky Science and Technology Corporation.

(5) New Economy High-Tech Construction and High-Tech Investment Pools: Included in the above General Fund appropriation is $3,625,000 in fiscal year 2004-2005 and $3,500,000 in fiscal year 2005-2006 for the Innovation and Commercialization High-Tech Construction and High-Tech Investment Pools. Notwithstanding KRS 42.4592, the General Fund appropriation for the Department of Innovation and Commercialization for a Knowledge-Based Economy shall be funded from the Local Government Economic Development Fund prior to any statutory distribution from the Local Government Economic Development Fund. The Commissioner of the Department of Innovation and Commercialization for a Knowledge-Based Economy shall determine the amounts to be apportioned between the High-Tech Investment and High-Tech Construction Pools.

(6) Funding for Innovation and Commercialization: Notwithstanding Subchapter 20 of KRS Chapter 154, interest income earned on balances in the High-Technology Construction Pool and the High-Technology Investment Pool shall be used to support the Department of Innovation and Commercialization for a Knowledge-Based Economy within the Cabinet for Economic Development. Upon the recommendation of the Commissioner, these funds are authorized and appropriated to fund High-Technology Construction Pool and High-Technology Investment Pool projects. Loan repayments received by the High-Technology Construction and High-Technology Investment Pools are appropriated in addition to amounts specified in Part II, Capital Projects Budget, of this Act.

(7) Louisville Waterfront Development Corporation: Included in the above Restricted Funds appropriation is $420,800 in fiscal year 2004-2005 and $420,800 in fiscal year 2005-2006 for the Louisville Waterfront Development Corporation.

(8) Federal Research Laboratory: Agencies within state government, including but not limited to the Economic Development Cabinet, the Council on Postsecondary Education, the Office of the Governor, and the state postsecondary institutions shall provide technical assistance and pool resources as necessary for the purpose of recruiting a federal research laboratory to the Commonwealth.

2. NEW BUSINESS DEVELOPMENT

	2004-05	**2005-06**
General Fund	1,556,100	1,556,100
Restricted Funds	366,800	580,000
TOTAL	1,922,900	2,136,100

3. FINANCIAL INCENTIVES

	2004-05	**2005-06**
General Fund	9,827,600	4,058,600
Restricted Funds	2,240,300	2,266,700
TOTAL	12,067,900	6,325,300

(1) Debt Service: Included in the above General Fund appropriation is $731,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Carry Forward of General Fund Appropriation Balance for Bluegrass State Skills Corporation: Notwithstanding KRS 45.229, the General Fund appropriation balance for fiscal year 2004-2005 and for fiscal year 2005-2006 for the Bluegrass State Skills Corporation shall not lapse and shall carry forward. The Corporation is authorized to extend an additional $1,500,000 in training grant offers during the 2004-2006 biennium. In the event that such offers are made, and that disbursements are required to support those offers, funds shall be appropriated from the General Fund Surplus Account (KRS 48.700) in an amount not to exceed $1,500,000.

(3)[~~**Lapse of Special Revenue Fund Accounts:** Balances remaining in the~~

~~Special Revenue Fund accounts after all appropriations authorized in this Act are funded shall lapse to the Statewide Deferred Maintenance Fund at the end of each fiscal year.~~

~~**(4)]**~~ **Kentucky Investment Fund Act Tax Credits:** The total amount of Kentucky Investment Fund Act (KIFA) tax credits available to any single investment fund shall not exceed, in aggregate, $1,300,000 for all investors and all taxable years. The total KIFA tax credits available for all investors in all investment funds shall not exceed $5,000,000 per fiscal year.

4. EXISTING BUSINESS DEVELOPMENT

	2004-05	**2005-06**
General Fund	2,722,300	2,852,300
Restricted Funds	438,600	440,600
Federal Funds	155,400	155,400
TOTAL	3,316,300	3,448,300

TOTAL - ECONOMIC DEVELOPMENT CABINET

	2004-05	**2005-06**
General Fund	22,083,200	20,000,300
Restricted Funds	5,030,600	5,954,000
Federal Funds	155,400	155,400
TOTAL	27,269,200	26,109,700

D. DEPARTMENT OF EDUCATION

Budget Units

1. EXECUTIVE POLICY AND MANAGEMENT

	2004-05	**2005-06**
General Fund	687,900	687,900

(1) Employment of Personnel: Notwithstanding KRS 18A.115, the Department of Education may fill, through Memoranda of Agreement, not more than 50 percent of its existing authorized positions below the division director level with individuals employed

as school administrators and educators in Kentucky.

(2) Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set their compensation comparable to the competitive market.

(3) Medicaid Reimbursement Funds: The Department of Education is authorized to implement a strategy, in conjunction with local school districts and the Department for Medicaid Services within the Cabinet for Health Services, to maximize federal reimbursement under the Medicaid Program for Medicaid-eligible administrative functions performed by elementary and secondary school faculty, staff, and administrators. Any increase in federal reimbursement attributable to such a strategy shall not be expended by the Department of Education or Cabinet for Health Services, Department for Medicaid Services, prior to review and approval by the Governor's Office of Policy and Management and submission to the Interim Joint Committee on Appropriations and Revenue at least 60 days prior to any distribution of Federal Funds.

2. OPERATIONS AND SUPPORT SERVICES

	2004-05	**2005-06**
General Fund	10,888,600	14,813,400
Restricted Funds	3,236,400	2,704,400
Federal Funds	27,800	27,800
TOTAL	14,152,800	17,545,600

(1) Teachers' Retirement System Employer Match: Included in the above General Fund appropriation is $2,531,700 in fiscal year 2004-2005 and $2,607,800 in fiscal year 2005-2006 to enable the Department of Education to provide the employer match for the teacher retirement contribution for qualified employees as provided by KRS 161.550.

(2) Debt Service: Included in the above General Fund appropriation in fiscal

year 2005-2006 is $181,000 to provide for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(3) Management Assistance Program: Included in the above General Fund appropriation is $200,000 in each fiscal year for the Management Assistance Program.

(4) Rockcastle Area Vocational Technical School: Included in the above General Fund appropriation is $373,000 in fiscal year 2005-2006 for debt service for $8,000,000 in new bonding authority as provided in Part II, Capital Projects Budget, of this Act to support the Rockcastle Area Vocational Technical School.

(5) Facility for Education Arts Programs: Included in the above General Fund appropriation in fiscal year 2005-2006 is $86,000 to provide for debt service for new bonds as forth in Part II, Capital Projects Budget, of this Act. A local school district shall match the state assistance provided from the Facility for Education Arts Programs with private funds. A local school district may combine assistance provided from the Facility for Education Arts Programs with other projects on the local facility plan. The criteria for disbursement of Facility for Education Arts Programs funds shall be determined by the Commissioner of Education and awards for Facility for Education Arts Programs funds shall be no later than August 31, 2005. The available moneys shall then be sent to all eligible local school districts no later than September 30, 2005.

[~~**(6) Russell County Learning Center**: Included in the above General Fund appropriation is $1,500,000 in fiscal year 2005-2006 to support facility maintenance and an upgrade to the Russell County Learning Center.~~

~~**(7) Letcher County Central Vocational Center**: Included in the above General Fund appropriation is $1,500,000 in fiscal year 2005-2006 to support the construction and facility upgrade of the Letcher County Central Vocational Center.~~]

3. LEARNING AND RESULTS SERVICES

	2004-05	**2005-06**
General Fund (Tobacco)	1,888,400	1,888,400

General Fund	641,170,200	781,797,100
Restricted Funds	1,794,200	1,801,200
Federal Funds	622,064,200	627,223,100
TOTAL	1,266,917,000	1,412,709,800

(1) Funding for Employer Health and Life Insurance: If the costs for health insurance or life insurance coverage for employees of local school districts exceed the levels of appropriated funds, any unexpended Support Education Excellence in Kentucky appropriations may be used to offset the unbudgeted costs. Any transfer shall be subject to approval of the Governor upon the written recommendation of the Secretary of the Finance and Administration Cabinet pursuant to the written request of the Commissioner of Education. The per month per employee administrative assessment shall be remitted to the Personnel Cabinet by the Department of Education from the General Fund appropriation for local school district health and life insurance.

(2) Kentucky School for the Blind and Kentucky School for the Deaf: Included in the above General Fund appropriation is $5,718,700 in fiscal year 2004-2005 and $5,835,600 in fiscal year 2005-2006 for the Kentucky School for the Blind, and $8,261,500 in fiscal year 2004-2005 and $8,430,300 in fiscal year 2005-2006 for the Kentucky School for the Deaf.

(3) Kentucky Education Technology System:

(a) Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.660, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds.

(b) The School for the Deaf and the School for the Blind shall be fully eligible,

along with local school districts, to participate in the Kentucky Education Technology System in a manner that takes into account the special needs of the students of these two schools.

(4) Family Resource and Youth Services Centers: Funds appropriated to establish and support Family Resource and Youth Services Centers shall be transferred in fiscal year 2004-2005 and in fiscal year 2005-2006 to the Health and Family Services Cabinet consistent with the intent of KRS 156.497. The Health and Family Services Cabinet is authorized to use, for administrative purposes, no more than three percent of the total funds transferred from the Department of Education for the Family Resource and Youth Services Centers. If a certified person is employed as a director or coordinator of a Family Resource or Youth Services Center, that person shall retain his or her status as a certified employee of the school district.

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

(5) Health Insurance: Included in the above General Fund appropriation is $363,670,600 in fiscal year 2004-2005 for employer contributions for health insurance and the contribution to the flexible spending account for employees waiving coverage, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (2), and is not to be appropriated in duplication. Included in the above General Fund appropriation is $471,540,800 in fiscal year 2005-2006 for employer contributions for health insurance and the contribution to the flexible spending account for employees waiving coverage.

(6) Learning and Results Services Programs: Included in the above General Fund appropriation are the following allocations for the 2004-2006 fiscal biennium:

(a) $18,336,400 in fiscal year 2004-2005 and $31,859,500 in fiscal year 2005-2006 for the Extended School Services Program;

(b) $50,175,100 in fiscal year 2004-2005 and $51,850,700 in fiscal year 2005-2006 for the Family Resource and Youth Services Centers Program;

(c) $51,625,400 in each fiscal year for the Preschool Program;

(d) $13,991,400 in fiscal year 2004-2005 and $15,034,700 in fiscal year 2005-2006 for the Professional Development Program;

(e) $9,564,200 in fiscal year 2004-2005 and $10,128,300 in fiscal year 2005-2006 for the Safe Schools Program;

(f) $20,000,000 in fiscal year 2004-2005 and $19,500,000 in fiscal year 2005-2006 for the Education Technology Program;

(g) $21,700,100 in each fiscal year for the Textbooks Program;

(h) $1,764,000 in each fiscal year for the Commonwealth School Improvement Fund;

(i) $5,600,000 in each fiscal year for the Highly Skilled Educators Program;

(j) $8,361,100 in fiscal year 2004-2005 and $8,369,200 in fiscal year 2005-2006 for the Commonwealth Accountability Testing System (CATS);

(k) $616,500 in each fiscal year for the Blind/Deaf Residential Travel Program;

(l) $1,800,000 in fiscal year 2004-2005 and $1,800,000 in fiscal year 2005-2006 for the Community Education Program. Included in the General Fund appropriations for the Community Education Program are funds totaling $104,700 in fiscal year 2004-2005 and $50,000 in fiscal year 2005-2006 which shall support community education director salaries and shall support community education director training;

(m) $720,900 in each fiscal year for the Dropout Prevention Program;

(n) $7,100,000 in fiscal year 2004-2005 and $11,100,000 in fiscal year 2005-2006 for the Early Reading Incentive Grant/Read to Achieve Program;

(o) $7,109,400 in fiscal year 2004-2005 and $7,121,500 in fiscal year 2005-2006

for the Gifted and Talented Program;

(p) $4,005,600 in each fiscal year for the School Food Services match;

(q) $9,415,800 in fiscal year 2004-2005 and $10,462,100 in fiscal year 2005-2006 for the State Agency Children Program;

(r) $1,600,000 in each fiscal year for the Teacher Academies Program;

(s) $1,000,000 in fiscal year 2004-2005 and $1,686,700 in fiscal year 2005-2006 for the Teacher Recruitment and Retention Program;

(t) $800,000 in each fiscal year for the Virtual Learning Program;

(u) $8,986,900 in fiscal year 2004-2005 and $9,985,400 in fiscal year 2005-2006 for the Locally Operated Vocational Schools;

(v) $302,400 in fiscal year 2004-2005 and $610,300 in fiscal year 2005-2006 for the Writing Program;

(w) $500,000 in each fiscal year for the Every1 Reads Program.

(x) $3,914,000 in each fiscal year for Local School District Life Insurance;

(y) The allocations referenced in Section (5) of this budget unit for Local School District Health Insurance;

(z) $484,400 in fiscal year 2005-2006 for the Elementary Arts and Humanities Initiative;

(aa) $387,500 in fiscal year 2005-2006 for the Middle School Academic Achievement Center;

(ab) $3,925,300 in fiscal year 2005-2006 for the Professional Growth Fund;

(ac) $381,500 in fiscal year 2005-2006 for the Professional Development Leadership and Mentor Fund; and

(ad) $3,900,000 in fiscal year 2005-2006 for the Mathematics Achievement Fund. Included in the General Fund appropriation for the Mathematics Achievement Fund are funds totaling $400,000 in fiscal year 2005-2006 for operational expenses of the Center for Mathematics. Additionally, included in the General Fund appropriation for the

Mathematics Achievement Fund are funds totaling $500,000 in fiscal year 2005-2006 for the Center for Mathematics to provide intensive training of teachers in diagnostic assessment techniques and intervention services to assist primary students struggling with mathematics, especially those with deficits in numeracy. The center may contract for services in order to carry out this responsibility.

(7) Program Flexibility: Notwithstanding KRS 157.226(2) and (3), 157.3175(3) and (4), and 160.345(8) with regards to the state allocation, five programs (Professional Development, Extended School Services, Preschool, Textbooks, and Safe Schools) shall continue to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population.

(8) Local District Grant Fund Carry Forward: Notwithstanding KRS 45.229, up to ten percent of any non-SEEK state grant fund, other than any state grant fund for the Read to Achieve Program, appropriated to the Department of Education and disbursed to a local district that is unexpended during fiscal year 2004-2005 may be carried forward to fiscal year 2005-2006. Notwithstanding KRS 45.229, any state grant fund for the Read to Achieve Program in fiscal year 2004-2005 may be carried forward to fiscal year 2005-2006.

(9) Highly Skilled Educators: Notwithstanding KRS 158.6455(3), 158.782, and 160.350(3), the Kentucky Department of Education shall have the authority to expend moneys appropriated for the Highly Skilled Education Assistance Program on intervention services that may be required by the Federal No Child Left Behind Act of 2001 (Pub. L. 107-110).

(10) Commonwealth School Improvement Fund: Notwithstanding KRS 158.805, the Commissioner of Education shall be authorized to use the Commonwealth School Improvement Fund to provide support services to schools needing assistance under KRS 158.6455 or in order to meet the requirements of No Child Left Behind.

(11) Area Centers and Vocational Departments Funding Formula: All funds appropriated in this Act for supplementing the programs and operations of the area centers and vocational departments of the following districts shall be distributed by a weighted formula that is promulgated in an administrative regulation by the Kentucky Board of Education: Allen County, Ballard County, Bowling Green Independent, Boyd County, Carter County, Christian County, Covington Independent, Edmonson County, Fayette County, Fleming County, Franklin County, Grayson County, Henderson County, Lawrence County, Lewis County, Livingston County, Magoffin County, Marshall County, McCreary County, Newport Independent, Powell County, Simpson County, Trigg County, Union County, and Jefferson County. The weighted formula shall take into consideration the different costs of programs based on requirements for facilities, materials, and equipment to meet program standards, the number of students enrolled, and the number of hours students are enrolled.

(12) Funds Transfer: The Commissioner of the Department of Education may transfer any available funds between the Professional Growth Fund and the Professional Development Leadership Mentor Fund as needed to satisfy the demand and need to support respective teacher programs.

(13) Publishing Requirements: Notwithstanding KRS 158.6453(7), 160.463, and 424.220, public availability of the school district's complete annual financial statement and the school report card shall be made by publishing the documents in the newspaper of the largest general circulation in the county, electronically on the Internet, or by printed copy at a prearranged site at the main branch of the public library within the school district. If publication on the Internet or by printed copy at the public library is chosen, the superintendent shall be directed to publish notification in the newspaper of the largest circulation in the county as to the location where the document can be viewed by the public. The notification shall include the address of the library or the electronic address of the Web site on the Internet where the documents can be viewed.

(14) Surplus Property: Notwithstanding KRS 45A.045, 45.777, and 56.463, any funds received by the Commonwealth from the disposal of any surplus property at the Kentucky School for the Blind and the Kentucky School for the Deaf shall be deposited in a restricted account and shall not be expended without appropriation authority granted by the General Assembly.

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

(16) Allocation of Safe School Funds: Notwithstanding KRS 158.446, the Center for School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440, 158.441, 158.442, 158.445, and 158.446.

(17) Rural Literacy Program: Included in the above appropriation is $250,000 in fiscal year 2005-2006 to support Save the Children's Rural Literacy Program. These funds shall be transferred from the Kentucky Department of Education to the Health and Family Services Cabinet and shall be utilized by the Save the Children organization to design, implement, monitor, and evaluate integrated in-school, afterschool, and summer school literacy programs that include a Web-based data-collection system in rural southeastern Kentucky.

4. SUPPORT EDUCATION EXCELLENCE IN KENTUCKY (SEEK) PROGRAM

	2004-05	**2005-06**
General Fund	2,439,408,400	2,594,892,700

(1) Common School Fund Earnings: Accumulated earnings for the Common School Fund shall be transferred in each fiscal year to the SEEK Program.

(2) Fiscal Year 2004-2005 General Fund Appropriation: Included in the above General Fund appropriation is $2,428,801,400 in fiscal year 2004-2005 for the SEEK Program, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky.

Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. Also included in the above General Fund appropriation is $5,893,200 in fiscal year 2004-2005 for the SEEK Program, which is in addition to the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1). Included in the above General Fund appropriation is $2,387,759,500 for the baseline SEEK Program and related programs in fiscal year 2004-2005, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. Also included in the above General Fund appropriation is $5,893,200 in fiscal year 2004-2005 for the baseline SEEK Program budget unit and related programs, which is in addition to the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1).

(3) Base SEEK Allotments: The above appropriation includes $1,906,202,500 in fiscal year 2004-2005 and $2,037,080,100 in fiscal year 2005-2006 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is $211,953,500 in fiscal year 2004-2005 and $211,953,500 in fiscal year 2005-2006 for pupil transportation.

(4) Tier I Component: Included in the above appropriation is $145,295,100 in fiscal year 2004-2005 and $145,649,300 in fiscal year 2005-2006 for the Tier I component as established by KRS 157.440.

(5) Vocational Transportation: Included in the above appropriation is $2,416,900 in fiscal year 2004-2005 and $2,416,900 in fiscal year 2005-2006 for vocational transportation.

(6) Secondary Vocational Education: Included in the above appropriation is $21,952,600 in fiscal year 2004-2005 and $21,952,600 in fiscal year 2005-2006 to

provide secondary vocational education in state-operated vocational schools.

(7) Facilities Support Program of Kentucky/Equalized Growth Nickel: Included in the above appropriation is $71,486,200 in fiscal year 2004-2005 and $72,122,700 in fiscal year 2005-2006 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620. Included in the above appropriation is $8,595,400 in fiscal year 2004-2005 and $13,047,300 in fiscal year 2005-2006 to provide facilities equalization funding for debt service, new facilities, and major renovations of existing facilities pursuant to KRS 157.440, 157.620, and 157.621(2) and (3) as provided for in Section (14) of this budget unit regarding equalized growth nickel funding.

(8) Teachers' Retirement System Employer Match: Included in the above appropriation is $290,497,100 in fiscal year 2004-2005 and $307,234,900 in fiscal year 2005-2006 to enable local school districts to provide the employer match for qualified employees as provided for by KRS 161.550, including $4,441,900 in fiscal year 2004-2005 to support the Kentucky Teachers' Retirement System contributions for associated salary increases for active members, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication.

(9) Salary Supplements for Nationally Certified Teachers: Notwithstanding KRS 157.395, included in the above appropriation is $1,458,000 in fiscal year 2004-2005 and $1,858,000 in fiscal year 2005-2006 for the purpose of providing salary supplements for teachers attaining certification by the National Board for Professional Teaching Standards.

(10) Allocation of SEEK Funds: Notwithstanding KRS 157.360(2)(c), the above appropriation to the base SEEK Program are intended to provide a base guarantee of $3,240 per student in average daily attendance in fiscal year 2004-2005 and $3,445 per student in average daily attendance in fiscal year 2005-2006 as well as to meet the other requirements of KRS 157.360.

Nothing in this Act shall be construed as prohibiting the contracting out of pupil transportation services.

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

(11) Local School District Certified and Classified Employee Pay Increases: Included in the above General Fund appropriation in fiscal year 2004-2005 and fiscal year 2005-2006 are funds for the purpose of providing pay increases for all certified and classified employees of local school districts, including $36,600,000 in fiscal year 2004-2005 for the cost-of-living increase for certified and classified employees of local boards of education, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. During fiscal year 2004-2005 local school districts shall provide all certified and classified staff a salary or compensation increase of not less than two percent and an additional increase of not less than one percent effective January 1, 2005. Notwithstanding KRS 160.470(2), included in the above appropriation in fiscal year 2004-2005 is $100,000 for the purpose

of providing aid to any local school district determined to be financially incapable of providing the mandated salary or compensation increases. During school year 2005-2006 local school districts shall provide all certified and classified personnel a salary or compensation increase of not less than three percent. The above pay increases in fiscal year 2004-2005 and fiscal year 2005-2006 for certified staff shall be in addition to the normal rank and step increases attained by certified personnel employed by local school districts.

(12) Final SEEK Calculation: Notwithstanding KRS 157.410, on or before March 1 of each year, the chief state school officer shall determine the exact amount of the public common school fund to which each district is entitled and the remainder of the amount due each district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter.

(13) SEEK Adjustment Factors: Funds allocated for the SEEK base and its adjustment factors that are not needed for the base or a particular adjustment factor may be allocated to other adjustment factors, if funds for that adjustment factor are not sufficient.

(14) Equalized Growth Nickel: Notwithstanding KRS 157.621(1), local school districts shall receive state equalization facilities funding up to the amounts available for this purpose on the existing additional tax levy pursuant to KRS 157.621 if they have: (a) Previously levied the additional tax pursuant to KRS 157.621 for debt service and new facilities; (b) Levied the five cents under the provisions of KRS 157.440; (c) Met the growth requirements in KRS 157.621(2) in fiscal year 2004-2005; and (d) Levied an additional nickel tax pursuant to KRS 157.621 in addition to (a) and (b) of this section.

(15) School Employee Flexible Spending Account Funds Transfer: Except as provided in Part IV, State Salary/Compensation and Employment Policy, of this Act, any funds remaining in flexible spending accounts of employees of local school districts for

calendar year 2004 and calendar year 2005 shall be transferred to the credit of the General Fund.

(16) Local Revenue: For calendar year 2005, a district board of education may levy a general rate that will produce revenue from real property, exclusive of revenue from new property, that is up to four percent over the amount of the revenue produced by the compensating rate as defined in KRS 132.010.

(17) Use of Local District Capital Outlay Funds: Notwithstanding KRS 157.420(4) and (6), a local district may submit a request to the Commissioner of Education to use capital outlay funds for maintenance expenditures or for the purchase of property insurance in fiscal year 2004-2005 and fiscal year 2005-2006 without forfeiture of the district's participation in the School Facilities Construction Commission.

(18) Retroactive Equalized Facility Funding: Included in the above appropriation is $1,724,500 in fiscal year 2005-2006 to provide equalized facility funding to districts meeting the following eligibility requirements: A local board of education that levied a tax rate subject to recall in fiscal year 2003-2004 in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new facilities, or major renovations of existing school facilities shall be eligible for equalization funds from the state at 150 percent of the statewide average per pupil assessment. The equalization funds shall be used as provided in KRS 157.440(1)(b).

(19) Hold Harmless Property Tax Rates: If a local school district is deemed to be a "Hold Harmless" local school district pursuant to the fiscal year 2005-2006 Support Education Excellence in Kentucky tentative calculation, the local school district shall not be required to levy a property tax rate lower in fiscal year 2005-2006 than the property tax rate levied in fiscal year 2004-2005.

(20) Equalized Facility Funding: Included in the above General Fund appropriation is $4,628,700 in fiscal year 2005-2006 to provide equalized facility funding to districts meeting the following eligibility requirements: (a) The board of education has

levied at least a ten cent equivalent tax rate for building purposes or has debt service of at least a ten cent equivalent tax rate as of February 24, 2005; (b) The district has not received equalized growth facility funding as a result of 2003 Ky. Acts ch. 156, Part I, C. Education, 32. Education, a. Support Education Excellence in Kentucky (SEEK) Program; (c) The district will not receive retroactive equalized facility funding as set forth in this Act; and (d) The district has received approval by the Commissioner of Education. Eligible districts shall receive equalization funds from the state at 150 percent of the statewide average per pupil assessment, and these funds shall be used as provided in KRS 157.440(1)(b).

(21) School Facilities Matching Grant Initiative: Included in the above appropriation is $225,000 in fiscal year 2005-2006 to support the School Facilities Matching Grant Initiative. A local school district shall meet the following eligibility requirements to receive School Facilities Matching Grant Initiative funding in fiscal year 2005-2006: (a) A local school district has received a monetary contribution in excess of $900,000 in the prior fiscal year that is dedicated to a project on the district's approved facility plan; (b) A local school district has an equivalent tax rate in excess of the district's maximum Tier I equivalent tax rate pursuant to KRS 157.440; and (c) A local school district has in excess of 75 percent of its student population eligible for free and reduced priced meals. The Kentucky Board of Education shall certify eligibility of a local school district to participate in the School Facilities Matching Grant Initiative and make awards no later than August 31, 2005. The available moneys shall then be sent on a prorated basis to all eligible local school districts no later than September 30, 2005.

(22) Legislative Intent: By establishing the School Facilities Construction Commission, the General Assembly expressed its commitment to helping local school districts meet the school construction needs and later the education technology needs of the state in a manner that will ensure an equitable distribution of funds based on unmet facilities need and the total implementation of the Kentucky Education Technology

System. It is the intent of the General Assembly that the School Facilities Construction Commission continue to be the primary means of assisting local school districts in maintaining a quality facility program. To strengthen that commitment, the General Assembly declares that the Urgent Need School Trust Fund Program shall cease to exist June 30, 2006. School districts that have committed funds from the Urgent Need School Trust Fund for debt service will continue to receive funding for the term of the bond issue. The General Assembly further declares that the Equalized Facility Funding Program shall cease to exist June 30, 2006. Those school districts who are eligible to receive funding from the Equalized Facility Funding on the effective date of this Act will continue to receive equalization funding for a period of ten years. In Part III, General Provisions, of this Act, the General Assembly directs the Office of Education Accountability to conduct a review of the School Facilities Construction Commission and make appropriate recommendations for strengthening this program.

TOTAL - DEPARTMENT OF EDUCATION

	2004-05	**2005-06**
General Fund (Tobacco)	1,888,400	1,888,400
General Fund	3,092,155,100	3,392,191,100
Restricted Funds	5,030,600	4,505,600
Federal Funds	622,092,000	627,250,900
TOTAL	3,721,166,100	4,025,836,000

E. EDUCATION CABINET

Budget Units

1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT

	2004-05	**2005-06**
General Fund	4,022,600	4,264,200
Restricted Funds	5,727,200	5,727,200
Federal Funds	185,000	190,000

TOTAL	9,934,800	10,181,400

(1) Governor's Scholars Program: Included in the above General Fund appropriation is $1,897,800 in fiscal year 2004-2005 and $1,939,400 in fiscal year 2005-2006 for the Governor's Scholars Program, of which $1,647,700 in fiscal year 2004-2005 and $1,684,100 in fiscal year 2005-2006 is for grant amounts.

2. DEAF AND HARD OF HEARING

	2004-05	**2005-06**
General Fund	821,100	821,100
Restricted Funds	292,200	252,000
TOTAL	1,113,300	1,073,100

(1) Communications Equipment: Included in the above Restricted Funds appropriation is $35,000 in fiscal year 2004-2005 for distribution of communications equipment to hard-of-hearing constituents.

3. KENTUCKY EDUCATIONAL TELEVISION

	2004-05	**2005-06**
General Fund	14,145,200	14,194,200
Restricted Funds	1,500,000	1,075,700
Federal Funds	700,000	700,000
TOTAL	16,345,200	15,969,900

(1) Debt Service: Included in the above General Fund appropriation is $49,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

4. ENVIRONMENTAL EDUCATION COUNCIL

	2004-05	**2005-06**
Restricted Funds	342,600	187,200

(1) Environmental Education Master Plan: Included in the above Restricted Funds appropriation is $155,400 in fiscal year 2004-2005 for execution of its

Environmental Education Master Plan pursuant to KRS 224.43-505(2)(b).

5. LIBRARIES AND ARCHIVES

a. General Operations

	2004-05	2005-06
General Fund	6,722,000	6,868,600
Restricted Funds	1,827,600	1,896,200
Federal Funds	2,350,100	1,955,300
TOTAL	10,899,700	10,720,100

(1) Undistributed Moneys: Notwithstanding KRS 48.005, undistributed moneys received by a result of litigation with book suppliers shall be appropriated to the Department for Libraries and Archives for the benefit of libraries in the Commonwealth.

b. Direct Local Aid

	2004-05	2005-06
General Fund	6,578,000	6,431,400
Restricted Funds	9,000	9,000
Federal Funds	424,000	424,000
TOTAL	7,011,000	6,864,400

(1) Per Capita Grants: Included in the above General Fund appropriation is $4,000,000 in each fiscal year to award per capita grants. Notwithstanding KRS 171.201, the allotment of General Fund dollars distributed to each local library district shall not be less than received in fiscal year 2003-2004.

TOTAL - DEPARTMENT FOR LIBRARIES AND ARCHIVES

	2004-05	2005-06
General Fund	13,300,000	13,300,000
Restricted Funds	1,836,600	1,905,200
Federal Funds	2,774,100	2,379,300
TOTAL	17,910,700	17,584,500

6. SCHOOL FACILITIES CONSTRUCTION COMMISSION

	2004-05	**2005-06**
General Fund	91,246,900	111,142,400

(1) Debt Service: Included in the above General Fund appropriation is $4,031,800 in fiscal year 2004-2005 and $15,623,700 in fiscal year 2005-2006 in additional General Funds to: (a) Fulfill the commitment made by the 2000 Regular Session of the General Assembly for $100,000,000 in bonded indebtedness for local school construction and renovation; (b) Fulfill the commitment made by the 2003 Regular Session of the General Assembly for an additional $100,000,000 in bonded indebtedness for school construction and renovation; (c) Fulfill the commitment made by the 2003 Regular Session of the General Assembly to the Fayette County public school system for $4,600,000 in bonded indebtedness; and (d) Fulfill the commitment made by the 2003 Regular Session of the General Assembly for $110,000,000 in bonded indebtedness to address the needs of Urgent Need and Category 5 (worst condition) schools.

(2) Growth Nickel Levy: The Facilities Support Program of Kentucky is fully funded in the 2004-2006 fiscal biennium. Notwithstanding KRS 157.621(3), local school districts may exercise authority expressed in KRS 157.621(1) and (2).

(3) School Facility Revenue: A local board of education may commit an equivalent tax rate not to exceed five cents in addition to the taxes levied in KRS 157.440(1)(b). Receipts from the levy shall be committed to debt service, new facilities, or major renovations of existing school facilities. The tax rate levied by the local board of education under this provision shall be made no later than November 1 of each odd-numbered year, and shall not be equalized with state funding. The levy shall be subject to recall.

(4) Urgent Need School Trust Fund: Included in the above appropriation is $7,723,400 in fiscal year 2005-2006 for debt service for $91,536,000 in new bonding

authority as provided in Part II, Capital Projects Budget, to support the Urgent Need School Trust Fund. The Urgent Need School Trust Fund is established in the Finance and Administration Cabinet for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Need School Trust Fund shall be administered by the School Facilities Construction Commission. The fund may receive state appropriations, contributions, and grants from any source which shall be credited to the trust fund and invested until needed. All interest earned on the fund shall be retained in the trust fund. Notwithstanding KRS 45.229, moneys in the trust fund shall not lapse, but shall carry forward at the end of each fiscal year.

To be eligible to participate in the Urgent Need School Trust Fund Program in fiscal biennium 2004-2006, a local school district shall have a project that is: (a) Identified on the district's Facility Plan; (b) A "Category 5" school (poorest condition) in accordance with the Kentucky Department of Education's Building Assessment document of January 13, 2005; and (c) For a school with or including enrollment based on best practices outlined in 702 KAR 1:001, The Kentucky School Facilities Planning Manual.

The Kentucky Board of Education shall certify the eligibility of a school district to participate in the Urgent Need School Trust Fund Program to the School Facilities Construction Commission by June 15, 2005.

Debt service assistance to each district shall be determined by funding based on unmet need pursuant to KRS 157.620, calculated utilizing Cash Balances and Bonding Potential available for the project as of January 13, 2005. These offers shall be administered in accordance with 750 KAR 1:010 where not in conflict with the language in this section.

Any unused debt service from the projects in this section may be allocated to another project within this same section as determined by the Commissioner of Education.

(5) Category 5 Buildings: Debt service assistance to each eligible district, as provided for in Part I, Operating Budget, of this Act, shall be determined by funding based on unmet need pursuant to KRS 157.620, calculated utilizing Cash Balances and Bonding Potential available for the project with the Kentucky Department of Education's Building Assessment document of March 4, 2003. Pursuant to the Kentucky Department of Education's Building Assessment document of March 4, 2003, the project identified as "Sacramento Elem, Calhoun Renovation" shall be identified as Sacramento Renovation and shall be eligible to receive the project need. These offers shall be administered in accordance with 750 KAR 1:010 where not in conflict with the language in this section.

(6) Offers of Assistance: Notwithstanding KRS 157.622, a local school district may accumulate credit, subject to the availability of funds, for its unused state allocation for a period not to exceed eight years.

(7) Additional Offers of Assistance: Notwithstanding KRS 157.611 to 157.640, 157.650, 157.655, 157.660, or 157.665, the School Facilities Construction Commission is authorized to make an additional $100,000,000 in offers of assistance during the 2004-2006 biennium in anticipation of debt service availability during the 2006-2008 biennium. No bonded indebtedness based on the above amount is to be incurred during the 2004-2006 biennium.

(8) Additional Construction Cost: Included in the above appropriation is $574,700 in fiscal year 2005-2006 for debt service for $6,811,300 in new bonding as provided in Part II, Capital Projects Budget, of this Act to support projects identified in the Urgent Need School Trust Fund and the "Category 5" school buildings (poorest condition) listings incorporated in 2003 Ky. Acts ch. 156, Part I, D. Education, Arts, and Humanities Cabinet, 36. School Facilities Construction Commission. This debt service and bonding authority shall be made available on a pro rata basis to assist all projects identified in this section that do not have construction contracts committed as of March 1, 2005.

(9) Facility Support: Notwithstanding KRS 157.620, local school district number 061 shall be authorized to utilize proceeds from the Facilities Support Program of Kentucky to support a roofing project at school number 030 without forfeiture of the district's participation in the School Facilities Construction Commission.

(10) Legislative Intent: By establishing the School Facilities Construction Commission, the General Assembly expressed its commitment to helping local school districts meet the school construction needs and later the education technology needs of the state in a manner that will ensure an equitable distribution of funds based on unmet facilities need and the total implementation of the Kentucky Education Technology System. It is the intent of the General Assembly that the School Facilities Construction Commission continue to be the primary means of assisting local school districts in maintaining a quality facility program. To strengthen that commitment, the General Assembly declares that the Urgent Need School Trust Fund Program shall cease to exist June 30, 2006. School districts that have committed funds from the Urgent Need School Trust Fund for debt service will continue to receive funding for the term of the bond issue. The General Assembly further declares that the Equalized Facility Funding Program shall cease to exist June 30, 2006. Those school districts who are eligible to receive funding from the Equalized Facility Funding on the effective date of this Act will continue to receive equalization funding for a period of ten years. In Part III, General Provisions, of this Act the General Assembly directs the Office of Education Accountability to conduct a review of the School Facilities Construction Commission and make appropriate recommendations for strengthening this program.

7. TEACHERS' RETIREMENT SYSTEM

	2004-05	**2005-06**
General Fund	109,018,800	130,799,600
Restricted Funds	8,147,900	8,613,500
TOTAL	117,166,700	139,413,100

(1) State Retirement Obligations: Notwithstanding KRS 161.550, General Fund moneys are appropriated to comply with the obligations of the state under the Teachers' Retirement System statutes as provided in KRS 161.220 to 161.716.

(2) Administrative Costs: In accordance with KRS 161.420, in each fiscal year an amount not greater than four percent of the receipts of the state accumulation fund shall be set aside into the expense fund or expended for the administration of the retirement system. No General Fund moneys are provided in fiscal year 2004-2005 or fiscal year 2005-2006 for the cost of administration.

(3) Amortization of Sick Leave: Included in the above General Fund appropriation is $3,669,700 in fiscal year 2004-2005 and $8,009,200 in fiscal year 2005-2006 to provide the cost of amortizing the requirements of KRS 161.155 (sick leave) for members retiring during the 2004-2006 fiscal biennium.

(4) Fiscal Year 2001-2002 and 2002-2003 Underappropriations: Notwithstanding KRS 161.550, included in the above General Fund appropriation is $9,282,500 in fiscal year 2005-2006 to be applied toward underappropriations during fiscal year 2001-2002 and fiscal year 2002-2003.

(5) Highly Skilled Educators' Retirement Benefits: Notwithstanding KRS Chapters 158 and 161, salary supplements received by persons selected as highly skilled educators on or after July 1, 2000, shall not be included in the total salary compensation for any retirement benefits to which the employee may be entitled.

(6) Ad-hoc Cost-of-living Increase for Retirees: Included in the above General Fund appropriation is $3,996,200 in fiscal year 2004-2005 and $7,706,900 in fiscal year 2005-2006 to provide a cost-of-living increase which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 14 for this purpose and is not to be appropriated in duplication.

(7) Health Insurance Funding: Included in the above General Fund appropriation is $2,228,000 in fiscal year 2004-2005 to provide a subsidy for retired

members who choose couple, family, or parent-plus coverage, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 14 for this purpose and is not to be appropriated in duplication. Included in the above General Fund appropriation is $5,669,500 in fiscal year 2005-2006 to provide an additional subsidy for retired members who choose couple, family, or parent-plus coverage.

(8) Supplemental Health Insurance Funding: Included in the above General Fund appropriation is $50,000 in fiscal year 2005-2006 for the retirement system to provide a subsidy for those retired state members over age 65 that insure their spouses under age 65 through the state health insurance plan for Plan year 2006. The amount of the subsidy for those over 65 shall not exceed the amount of the subsidy for members under age 65 that choose couple, family, or parent plus coverage.

(9) State Medical Insurance Fund Stabilization Contribution: Included in the above General Fund appropriation is $4,249,600 in fiscal year 2005-2006 to amortize the support of the State Medical Insurance Fund Stabilization Contribution.

8. OFFICE FOR THE BLIND

	2004-05	**2005-06**
General Fund	1,290,300	1,306,300
Restricted Funds	1,847,200	1,833,900
Federal Funds	8,210,400	8,638,400
TOTAL	11,347,900	11,778,600

9. EMPLOYMENT AND TRAINING

	2004-05	**2005-06**
Restricted Funds	4,870,000	3,393,900
Federal Funds	797,537,600	798,437,200
TOTAL	802,407,600	801,831,100

(1) Unemployment Insurance Penalty and Interest Account: Notwithstanding KRS 341.835, funds in the amount of $2,700,000 from the Unemployment Insurance

Penalty and Interest Account in the Unemployment Compensation Administration Fund shall be used during each fiscal year by the Office of Employment and Training to operate employment, training, and unemployment insurance programs.

(2) Facility Replacement and Renovation Program: The General Assembly authorizes the Office of Employment and Training to develop and implement a Facility Replacement and Renovation Program to improve the quality of facilities used by the Office and its clients, and to reduce the Office's reliance on lease-rental properties.

Proceeds from the sale, transfer, or other disposition of existing facilities may be expended toward the purchase, construction, renovation, equipping, and furnishing of replacement facilities. Expenditures authorized by this provision are limited to the use of funds derived from the sale of Cabinet-owned facilities, which equity rights are shared between both the state and national government.

10. CAREER AND TECHNICAL EDUCATION

	2004-05	**2005-06**
General Fund	25,373,700	31,398,700
Restricted Funds	20,232,800	19,970,500
Federal Funds	15,179,700	15,179,700
TOTAL	60,786,200	66,548,900

(1) Participation in the Education Technology Program by Area Vocational Education Centers: Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650, 157.655, 157.660, and 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds. The School Facilities Construction

Commission shall include Area Vocational Education Centers in any offers of assistance to local school districts for technology assistance during the 2004-2006 fiscal biennium.

(2) Career and Technical Education Accessibility Fund: Included in the above General Fund appropriation is $3,800,000 in fiscal year 2005-2006 for the creation of the Career and Technical Education Accessibility Fund. The Fund will provide start-up grants for personnel and operating costs to eligible providers for the creation of new, secondary career and technical education programs within the 176 local school districts of the Commonwealth. Funds shall not be used for capital construction. Criteria for determining eligibility and disbursement of the grant awards shall be determined by the Commissioner of the Department for Workforce Investment after consultation with the Commissioner of the Department of Education or the Commissioner's designee.

[~~**(3) Butler County Area Vocational Center:** Included in the above General Fund appropriation is $1,500,000 in fiscal year 2005-2006 to support the facility upgrade of the Butler County Area Vocational Center.~~]

11. VOCATIONAL REHABILITATION

	2004-05	**2005-06**
General Fund	12,294,300	12,672,300
Restricted Funds	2,952,900	2,893,200
Federal Funds	45,513,000	47,194,000
TOTAL	60,760,200	62,759,500

(1) Debt Service: Included in the above General Fund appropriation is $64,000 in fiscal year 2005-2006 for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Interpreter Services and Deaf Students Support: Included in the above General Fund appropriation is $250,000 in fiscal year 2005-2006 for interpreter services and deaf students support at postsecondary institutions.

(3) Personnel Cap: A personnel cap of 488 positions is authorized.

12. EDUCATION PROFESSIONAL STANDARDS BOARD

	2004-05	2005-06
General Fund	9,870,800	10,312,000
Restricted Funds	829,600	1,129,600
Federal Funds	4,379,200	4,379,200
TOTAL	15,079,600	15,820,800

(1) National Board of Teaching Standards Certification: Notwithstanding KRS 161.134, up to $725,000 in fiscal year 2004-2005 and $800,000 in fiscal year 2005-2006 is provided for National Board of Teaching Standards Certification from the General Fund.

(2) Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Education Professional Standards Board shall have the sole authority to determine the employees of the Education Professional Standards Board staff who are exempt from the classified service and to set their compensation comparable to the competitive market.

TOTAL - EDUCATION CABINET

	2004-05	2005-06
General Fund	281,383,700	330,210,800
Restricted Funds	48,579,000	46,981,900
Federal Funds	874,479,000	877,097,800
TOTAL	1,204,441,700	1,254,290,500

F. ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Budget Units

1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT

	2004-05	2005-06
General Fund	10,216,500	10,174,500
Restricted Funds	5,632,200	4,953,300

Federal Funds	1,707,100	1,728,100
TOTAL	17,555,800	16,855,900

(1) Engineering Salary Parity: The Secretary of the Environmental and Public Protection Cabinet is authorized to expend funds in an amount sufficient to pay engineers in the Cabinet at the same grade as engineers in other cabinets, as appropriate.

(2) Reallocation of Specified Restricted Funds within the Environmental and Public Protection Cabinet: Notwithstanding KRS 224.60-130 to 224.60-145, 287.485, and 304.2-400, the Secretary of the Environmental and Public Protection Cabinet may request the authorization to expend Restricted Funds for specified purposes, subject to the provisions of KRS 48.630, in an amount not to exceed ten percent of the Cabinet's Restricted Funds appropriation contained in this Part for fiscal year 2004-2005 and fiscal year 2005-2006.

2. ENVIRONMENTAL PROTECTION

	2004-05	**2005-06**
General Fund	23,793,500	23,642,500
Restricted Funds	47,826,900	50,867,600
Federal Funds	16,065,200	15,602,900
TOTAL	87,685,600	90,113,000

(1) Debt Service: Included in the above General Fund appropriation is $49,000 for fiscal year 2005-2006 for debt service to support new bonds for state-owned dam repair as set forth in Part II, Capital Projects Budget, of this Act.

(2) Municipal Solid Waste Landfill Inspectors: Notwithstanding KRS 224.43-320, no funds are provided in the above appropriations for the assignment of full-time inspectors to each municipal solid waste landfill operating in the Commonwealth.

(3) Kentucky Pride Program: Included in the above Restricted Funds appropriation is $24,991,500 in fiscal year 2004-2005 and $29,835,100 in fiscal year 2005-2006 for the Kentucky Pride Program.

(4) Solid Waste Enforcement Activity: In accordance with KRS 224.43-505, the Environmental and Public Protection Cabinet shall suspend until July 1, 2006, enforcement activity regarding landfill closure, maintenance, monitoring, and remediation obligations against formerly permitted municipal solid waste disposal and water facilities owned by a city or county that ceases accepting waste prior to July 1, 1992, except as necessary to abate an environmental emergency.

3. NATURAL RESOURCES

	2004-05	**2005-06**
General Fund (Tobacco)	9,000,000	9,000,000
General Fund	14,359,700	14,473,100
Restricted Funds	8,161,600	7,627,800
Federal Funds	9,743,900	9,872,100
TOTAL	41,265,200	40,973,000

(1) Emergency Forest Fire Suppression: Not less than $240,000 of the above General Fund appropriation for each fiscal year shall be set aside for emergency forest fire suppression. There is appropriated from the General Fund the necessary funds, subject to the conditions and procedures provided in this Act, which are required as a result of emergency fire suppression activities in excess of the $240,000 amount. Fire suppression costs in excess of $240,000 annually shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(2) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $9,000,000 in each fiscal year for the Environmental Stewardship Program.

4. SURFACE MINING RECLAMATION AND ENFORCEMENT

	2004-05	**2005-06**
General Fund	10,216,300	10,295,000

Restricted Funds	9,541,600	6,101,200
Federal Funds	16,832,700	17,007,900
TOTAL	36,590,600	33,404,100

(1) Bond Pool Funds Per Executive Order 2004-753: Included in the above Restricted Funds appropriation is $3,840,000 for Surface Mining Reclamation and Enforcement in fiscal year 2004-2005. Executive Order 2004-753 dated July 12, 2004, directs that funds be restored to the Surface Mining Bond Pool Fund to assure compliance with federal requirements.

(2) Return of Permit and Acreage Fees: Included in the above General Fund appropriation is $675,000 in each fiscal year for the return of permit and acreage fees under KRS 350.139. Any required expenditure for this purpose in excess of this amount in either fiscal year is appropriated to the department.

(3) Surface Coal Mining Permits: The permit block provisions of KRS 350.085(6) shall apply both to surface coal mining and reclamation operations owned or controlled by the applicant, and those operations owning or controlling the applicant. The Natural Resources and Environmental Protection Cabinet shall continue in effect the current state administrative regulations regarding ownership and control provided that a due process hearing shall be afforded at the time that the Cabinet makes a preliminary determination to impose a permit block.

The Cabinet shall conditionally issue a permit, permit renewal, or authorization to conduct surface coal mining and reclamation operations, if the Cabinet finds that a direct administrative or judicial appeal is presently being pursued, in good faith, to contest the validity of the determination of ownership and control linkage. The Cabinet shall conditionally issue permits where the applicant submits proof, including a settlement agreement, that the violation is being abated to the satisfaction of the issuing state or federal agency. Where the initial judicial appeal affirms the ownership or control linkage, the applicant shall have 30 days to submit proof that the violation has been or is in the

process of being corrected. Nothing in this section shall preclude the applicant from seeking further judicial relief. The reporting requirements of KRS 350.060(3) shall not extend to persons at the level above a publicly traded corporation who own or control the applicant.

5. ABANDONED MINE LAND RECLAMATION PROJECTS

	2004-05	**2005-06**
Federal Funds	22,000,000	22,000,000

(1) Fund Receipt and Expenditures Estimates: The above appropriations represent estimates of the funds to be received and expended for this program. If additional funds become available, the funds are appropriated subject to the conditions and procedures provided in this Act.

6. ENVIRONMENTAL QUALITY COMMISSION

	2004-05	**2005-06**
General Fund	150,000	150,000
Restricted Funds	100,900	108,500
TOTAL	250,900	258,500

(1) Administrative Accountability: The Environmental Quality Commission shall be attached to the Environmental and Public Protection Cabinet's Office of the Secretary, but shall remain a separate budget unit. The Secretary, with the approval of the Commissioners of the Environmental Quality Commission, may employ a director and other necessary Commission staff who shall serve at the pleasure of the Commission and the Secretary.

7. KENTUCKY NATURE PRESERVES COMMISSION

	2004-05	**2005-06**
General Fund	1,049,300	1,049,300
Restricted Funds	304,600	333,100
Federal Funds	70,500	70,500

TOTAL	1,424,400	1,452,900

(1) Minor Use or Development: Notwithstanding KRS 146.410 to 146.535, the Kentucky State Nature Preserves Commission may allow a minor use or development upon or near the property boundary of a nature preserve when the minor use or development results in the addition of acreage to the preserve, furthers the goal of encouraging land use adjacent to the preserve which can help protect the character of the preserve, furthers an important public purpose identified by another state or local public agency, and does not substantially or fundamentally alter the character of the preserve.

8. PUBLIC PROTECTION COMMISSIONER

	2004-05	**2005-06**
Restricted Funds	1,463,000	1,512,900

9. BOXING AND WRESTLING AUTHORITY

	2004-05	**2005-06**
Restricted Funds	109,300	100,000

10. PETROLEUM STORAGE TANK ENVIRONMENTAL ASSURANCE FUND

	2004-05	**2005-06**
General Fund	-0-	1,719,000
Restricted Funds	28,413,000	29,069,400
TOTAL	28,413,000	30,788,400

(1) Debt Service: Included in the above General Fund appropriation in fiscal year 2005-2006 is $1,719,000 for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act. Included in the above Restricted Funds appropriation in fiscal year 2005-2006 is $25,000,000 for underground storage tank fund payments from new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Financial Responsibility Account: Any Restricted Funds receipts generated by the Petroleum Storage Tank Environmental Assurance Fund in fiscal year 2004-2005 in excess of the amounts appropriated above shall be allocated to the Financial

Responsibility Account to help ensure that the agency meets its reserve balance requirements in fiscal year 2005-2006.

11. ALCOHOLIC BEVERAGE CONTROL

	2004-05	2005-06
General Fund	1,380,800	1,380,800
Restricted Funds	4,334,600	4,378,500
TOTAL	5,715,400	5,759,300

(1) Sale and Distribution of Tobacco Products Enforcement: Included in the above General Fund appropriation is $250,000 in fiscal year 2004-2005 and $250,000 in fiscal year 2005-2006 to carry out the provisions of KRS 438.337.

12. CHARITABLE GAMING

	2004-05	2005-06
Restricted Funds	3,476,600	3,470,100

(1) Gross Receipts Fee: Notwithstanding KRS 238.570, the gross receipts fee for fiscal year 2004-2005 and fiscal year 2005-2006 shall be fifty-three one-hundredths of one percent.

13. BOARD OF CLAIMS/CRIME VICTIMS' COMPENSATION BOARD

	2004-05	2005-06
General Fund	813,000	813,000
Restricted Funds	2,834,300	2,856,400
Federal Funds	540,100	540,100
TOTAL	4,187,400	4,209,500

(1) Sexual Assault Examinations: Notwithstanding KRS 216B.400(8), examinations for reported victims of sexual assault shall be paid by the Crime Victims' Compensation Board in a manner consistent with KRS Chapter 346, at a rate determined by the Board. The Board shall reimburse the hospital or sexual assault examination facility as provided in administrative regulations promulgated by the Board.

14. FINANCIAL INSTITUTIONS

	2004-05	2005-06
Restricted Funds	8,224,900	8,594,800

15. HORSE RACING AUTHORITY

	2004-05	2005-06
General Fund	509,700	509,700
Restricted Funds	14,002,100	13,174,800
TOTAL	14,511,800	13,684,500

(1) International Wagering Hub Progress Report: The Horse Racing Authority shall submit to the Interim Joint Committee on Appropriations and Revenue a quarterly written report on progress in the establishment of an international wagering hub pursuant to KRS 230.378, 230.379, and 230.380.

16. HOUSING, BUILDINGS AND CONSTRUCTION

	2004-05	2005-06
General Fund	2,094,100	2,114,700
Restricted Funds	13,959,000	14,945,700
Federal Funds	39,300	-0-
TOTAL	16,092,400	17,060,400

(1) Additional Personnel: Included in the above Restricted Funds appropriation is $1,750,000 in fiscal year 2004-2005 and $1,750,000 in fiscal year 2005-2006 for 51 new positions which include 11 plan reviewers, 10 building inspectors, 20 plumbing inspectors, and 10 heating, ventilation, and cooling inspectors.

17. INSURANCE

	2004-05	2005-06
General Fund (Tobacco)	16,782,600	16,751,700
Restricted Funds	22,364,400	23,807,100
Federal Funds	4,322,100	-0-

TOTAL	43,469,100	40,558,800

(1) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $16,782,600 in fiscal year 2004-2005 and $16,751,700 in fiscal year 2005-2006 for the Kentucky Access Program.

(2) Risk-based Capital (RBC): Notwithstanding KRS 304.38-070(2) a corporation, partnership, or limited liability corporation applying for and holding a certificate of authority as a health maintenance organization, which by contract manages care and processes health care claims solely for Medicaid-eligible enrollees and the Kentucky Children's Health Insurance Program, shall comply with risk-based capital (RBC) requirements as follows:

(a) For purposes of this section, RBC shall be determined in accordance with 806 KAR 38:100. Except for subsection (11)(c) of Section 1. and Section 11. of 806 KAR 38:100, a corporation, partnership, or limited liability corporation applying for and holding a certificate of authority as a health maintenance organization, which by contract manages care and processes health care claims solely for Medicaid-eligible enrollees and the Kentucky Children's Health Insurance Program, shall comply with 806 KAR 38:100;

(b) For the RBC reports required to be filed by health maintenance organizations which manage care and process health care claims solely for Medicaid-eligible enrollees and the Kentucky Children's Health Insurance Program, the RBC levels shall be defined as follows: 1. "Company Action Level RBC" means the product of two and its Authorized Control Level RBC; 2. "Regulatory Action Level RBC" means the product of one and five-tenths and its Authorized Control Level RBC; 3. "Authorized Control Level RBC" means the product of four-tenths and the RBC after covariance determined under the RBC formula in accordance with the RBC instruction; and 4. "Mandatory Control Level RBC" means the product of seven-tenths and the Authorized Control Level RBC; and

(c) A corporation, partnership, or limited liability corporation applying for and

holding a certificate of authority as a health maintenance organization managing care, processing health care claims, or providing health benefits to groups or individuals in addition to Medicaid-eligible and Kentucky Children's Health Insurance Program enrollees shall comply with the RBC requirements of subsection (a) of this section and 806 KAR 38:100 and shall not be eligible to calculate its RBC according to this section.

(3) Kentucky Access: Notwithstanding KRS 304.17B-021, during the 2004-2006 biennium, the Secretary of the Environmental and Public Protection Cabinet may seek authorization from the State Budget Director to reallocate excess unbudgeted operating funds generated by the Office of Insurance to Access. Any such funding reallocations that are approved by the State Budget Director shall be reported to the Interim Joint Committee on Appropriations and Revenue consistent with the provisions of this Act.

18. MINE SAFETY REVIEW COMMISSION

	2004-05	**2005-06**
General Fund	230,500	230,500
Restricted Funds	500	-0-
TOTAL	231,000	230,500

19. MINE SAFETY AND LICENSING

	2004-05	**2005-06**
General Fund	8,805,800	9,021,800
Restricted Funds	292,900	525,300
Federal Funds	1,467,000	603,300
TOTAL	10,565,700	10,150,400

20. PUBLIC SERVICE COMMISSION

	2004-05	**2005-06**
General Fund	11,154,100	11,409,800
Restricted Funds	1,024,000	1,024,000
Federal Funds	249,600	257,300

TOTAL	12,427,700	12,691,100

(1) Debt Service: Included in the above General Fund appropriation is $589,000 in fiscal year 2004-2005 and $589,000 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) Carry Forward of General Fund Appropriation Balance: Notwithstanding KRS 278.150(3), $1,807,300 in fiscal year 2004-2005 shall lapse to the credit of the General Fund.

(3) Water Districts and Water Associations: A water district created pursuant to KRS Chapter 74 and a water association created pursuant to KRS Chapter 273 that undertakes a waterline extension or improvement project shall not be required to obtain a certificate of public convenience and necessity pursuant to KRS 278.020(1) if the water district or water association is a Class A or B utility as defined in the Uniform System of Accounts established by the Public Service Commission, pursuant to KRS 278.220, as the system of accounts prescribed for utilities in Kentucky, and either: (a) The water line extension or improvement project will not cost in excess of $500,000; or (b) The water district or water association will not, as a result of the water line extension or improvement project, incur obligations requiring Public Service Commission approval pursuant to KRS 278.300. In either case, the water district or water association shall not, as a result of the water line extension or improvement project, increase rates to its customers.

(4) Kentucky Broadband Task Force Report: The Kentucky Broadband Task Force shall examine the deployment of broadband, as defined in KRS 278.5461, in the Commonwealth, including but not limited to the following aspects of providing broadband service: regulation, cost, access to facilities, and market competition. The Kentucky Broadband Task Force shall also provide an interim report of findings and recommendations to the Legislative Research Commission and to the Governor no later than November 15, 2005, and a final report shall be submitted no later than November

15, 2006.

21. TAX APPEALS

	2004-05	**2005-06**
General Fund	486,100	486,100

22. LABOR

	2004-05	**2005-06**
General Fund	2,349,100	2,349,100
Restricted Funds	127,175,200	124,935,300
Federal Funds	3,233,100	3,233,100
TOTAL	132,757,400	130,517,500

23. OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

	2004-05	**2005-06**
Restricted Funds	479,300	447,500

24. WORKERS' COMPENSATION BOARD

	2004-05	**2005-06**
Restricted Funds	900,000	922,200

25. WORKERS' COMPENSATION FUNDING COMMISSION

	2004-05	**2005-06**
Restricted Funds	136,955,800	134,607,200

(1) Commission Funding: Notwithstanding KRS 342.122(1)(c), no General Fund appropriation is provided to the Kentucky Workers' Compensation Funding Commission in fiscal year 2004-2005 and fiscal year 2005-2006.

TOTAL - ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

	2004-05	**2005-06**
General Fund (Tobacco)	25,782,600	25,751,700
General Fund	87,608,500	89,818,900
Restricted Funds	437,576,700	434,362,700

Federal Funds	76,270,600	70,915,300
TOTAL	627,238,400	620,848,600

G. FINANCE AND ADMINISTRATION CABINET

Budget Units

1. GENERAL ADMINISTRATION

	2004-05	**2005-06**
General Fund	11,916,700	11,938,200
Restricted Funds	7,558,800	7,061,700
Road Fund	283,000	283,000
TOTAL	19,758,500	19,282,900

(1) Affordable Housing Trust Fund: Included in the above General Fund appropriation is $2,500,000 in fiscal year 2004-2005 and $2,500,000 in fiscal year 2005-2006 for the Affordable Housing Trust Fund. The Kentucky Housing Corporation shall provide from the Kentucky Housing Corporation Housing Assistance Fund to the Affordable Housing Trust $500,000 in fiscal year 2004-2005 and $500,000 in fiscal year 2005-2006.

2. CONTROLLER

	2004-05	**2005-06**
General Fund	10,714,700	10,832,100
Restricted Funds	2,189,000	2,196,400
Federal Funds	3,250,000	2,250,000
TOTAL	16,153,700	15,278,500

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

provided in this Act.

3. DEBT SERVICE

	2004-05	2005-06
General Fund (Tobacco)	6,116,600	15,313,200
General Fund	244,857,400	275,214,400
Road Fund	2,930,000	2,505,000
TOTAL	253,904,000	293,032,600

(1) New Debt Service: Included in the above General Fund appropriation is $7,493,000 in fiscal year 2005-2006 to support new bonds as set forth in Part II, Capital Projects Budget, of this Act for appropriation units within the Finance and Administration Cabinet.

(2) Tobacco Settlement Funds - Debt Service: Included in the above General Fund (Tobacco) appropriation is $9,200,000 in fiscal year 2005-2006 to support new bonds for Phase II Tobacco Settlement Payments as set forth in Part II, Capital Projects Budget, of this Act. Future debt service for the bonds set forth in Part II shall be provided from Phase I funds under KRS 248.703(2)(b)2. To the extent that revenues sufficient to support the required debt service appropriations are received from the Tobacco Settlement Program, those revenues shall be made available from those accounts to the appropriate account of the General Fund. All necessary debt service amounts shall be appropriated from the General Fund and shall be fully paid regardless of whether there is a sufficient amount available to be transferred from tobacco-supported funding program accounts to other accounts of the General Fund.

4. FACILITIES AND SUPPORT SERVICES

	2004-05	2005-06
General Fund	7,243,900	7,242,600
Restricted Funds	29,536,500	29,282,000
TOTAL	36,780,400	36,524,600

(1) **Old Governor's Mansion**: The Secretary of the Finance and Administration Cabinet shall expend no funds to maintain a home for the Lieutenant Governor.~~[The Secretary of the Finance and Administration Cabinet is directed to transfer the operation and use of the Old Governor's Mansion to the Kentucky Historical Society and transfer funding of $100,000 in fiscal year 2004-2005 and $100,000 in fiscal year 2005-2006. The Kentucky Historical Society shall direct the official use of the Old Governor's Mansion, which shall not be used as a residence of the Lieutenant Governor.]~~

5. COUNTY COSTS

	2004-05	**2005-06**
General Fund	18,581,500	18,681,500
Restricted Funds	1,925,000	1,925,000
TOTAL	20,506,500	20,606,500

(1) County Costs: Funds required to pay county costs are appropriated and additional funds may be allotted from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705) by the Secretary of the Finance and Administration Cabinet, subject to the conditions and procedures provided in this Act.

6. COMMONWEALTH OFFICE OF TECHNOLOGY

	2004-05	**2005-06**
General Fund	292,500	292,500
Restricted Funds	56,636,400	56,718,800
Federal Funds	771,800	628,300
Road Fund	125,000	125,000
TOTAL	57,825,700	57,764,600

(1) Merged Dispatch Funds: Notwithstanding KRS 65.7631, any Public Safety Answering Points (PSAP) that choose to consolidate operations after July 15, 1998, shall continue to receive pro rata shares as if each had remained separate and distinct entities.

7. REVENUE

	2004-05	2005-06
General Fund (Tobacco)	175,000	175,000
General Fund	61,183,200	62,860,700
Restricted Funds	3,234,800	3,197,700
Road Fund	1,418,000	1,418,000
TOTAL	66,011,000	67,651,400

(1) Insurance Surcharge Rate: Pursuant to KRS 136.392, the insurance surcharge rate shall be calculated at a rate to provide sufficient funds in the 2004-2006 fiscal biennium for the Firefighters Foundation Program Fund and the Kentucky Law Enforcement Foundation Program Fund. The calculation of sufficient funds for the above-named programs shall include any Restricted Funds carried forward from fiscal years 2003-2004 and 2004-2005 provided by the General Assembly in this Act.

(2) Road Fund Compliance and Motor Vehicle Property Tax Programs: The above Road Fund appropriation in each fiscal year represents the cost of the Road Fund Compliance and Motor Vehicle Property Tax Programs within the Department of Revenue and is to be used exclusively for that purpose.

(3) Tax Compliance and Collection Efforts: Included in the above General Fund appropriation is $4,007,800 in fiscal year 2004-2005 and $4,181,400 in fiscal year 2005-2006 for personnel, operating costs, and information systems to support compliance and efficiency in collections of delinquent taxes and other amounts owed to the Commonwealth.

(4) Operations of Revenue Notwithstanding KRS 132.672 and 365.390(2), funds may be expended in support of the operations of the Department of Revenue.

8. PROPERTY VALUATION ADMINISTRATORS

	2004-05	2005-06
General Fund	29,719,600	30,532,600

Restricted Funds	3,578,100	3,510,000
TOTAL	33,297,700	34,042,600

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

TOTAL - FINANCE AND ADMINISTRATION CABINET

	2004-05	**2005-06**
General Fund (Tobacco)	6,291,600	15,488,200
General Fund	384,509,500	417,594,600
Restricted Funds	104,658,600	103,891,600
Federal Funds	4,021,800	2,878,300
Road Fund	4,756,000	4,331,000
TOTAL	504,237,500	544,183,700

H. HEALTH AND FAMILY SERVICES CABINET

Budget Units

1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT

	2004-05	**2005-06**
General Fund	35,609,200	35,363,200
Restricted Funds	10,653,300	10,163,800
Federal Funds	41,676,900	42,606,500
TOTAL	87,939,400	88,133,500

(1) Maximizing Federal Funds: Pursuant to compliance with the State/Executive Budget Bill and the Statutory Budget Memorandum, the Health and Family Services Cabinet shall maximize Federal Funds for programs within the Cabinet.

(2) Human Services Transportation Delivery: Notwithstanding KRS 281.014, the Kentucky Works Program shall not participate in the Human Services Transportation Delivery Program or the Coordinated Transportation Advisory Committee effective July

1, 2002.

(3) Debt Service: Included in the above General Fund appropriation is $354,000 in fiscal year 2005-2006 for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(4) Federally Funded Positions: Notwithstanding KRS 18A.010(2) and any provisions of this Act to the contrary, direct service units of the Office of Inspector General, Office of Aging Services, Department for Disability Determination, Department for Community Based Services, Department for Medicaid Services, Department for Mental Health/Mental Retardation Services, and the Department for Public Health shall be authorized to establish and fill such additional positions as are 100 percent federally funded for salary and fringe benefits.

2. COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS

	2004-05	**2005-06**
General Fund (Tobacco)	455,000	455,000
General Fund	5,490,500	5,490,500
Restricted Funds	4,640,000	4,666,000
Federal Funds	4,613,000	4,587,000
TOTAL	15,198,500	15,198,500

(1) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $450,000 in each fiscal year for Universal Newborn Hearing Screening and $5,000 in each fiscal year for Vision Screening.

(2) Lapse of General Fund (Tobacco) Appropriation Balance: Notwithstanding KRS 200.151, $43,900 of the General Fund (Tobacco) continuing appropriation shall lapse at the end of fiscal year 2004-2005 to the credit of the General Fund.

3. MEDICAID SERVICES

a. Administration

	2004-05	**2005-06**
General Fund	17,067,000	17,067,000
Restricted Funds	18,306,000	18,306,000
Federal Funds	40,975,600	40,975,600
TOTAL	76,348,600	76,348,600

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

(a) Establish a new program;

(b) Expand the services of an existing program; or

(c) Increase rates or payment levels in an existing program.

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

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

services shall be provided to the Interim Joint Committee on Appropriations and Revenue upon request.

b. Benefits

	2004-05	**2005-06**
General Fund	855,365,500	925,395,500
Restricted Funds	448,200,000	376,760,000
Federal Funds	3,030,734,700	2,903,675,100
TOTAL	4,334,300,200	4,205,830,600

(1) Supports for Community Living Slots: Included in the above appropriation is $1,000,000 in Restricted Funds and $2,302,500 in Federal Funds in fiscal year 2004-2005 to support 75 additional Supports for Community Living slots and $2,500,000 in General Fund support and $5,723,700 in Federal Funds in fiscal year 2005-2006 to support 150 additional Supports for Community Living slots.

Supports for Community Living Waiver funds shall be appropriated only for direct services to qualified Supports for Community Living Waiver recipients, and any unexpended funds shall not lapse but shall be carried forward to the next fiscal year for the same purpose.

(2) Acquired Brain Injury Waiver Program: Included in the above appropriation is $272,500 in Restricted Funds and $627,500 in Federal Funds in fiscal year 2004-2005 and $304,000 in Restricted Funds and $696,000 in Federal Funds in fiscal year 2005-2006 to support 25 additional individuals through the Acquired Brain Injury Waiver Program.

(3) Fraud and Abuse Recoveries by the Attorney General: Included in the above appropriation is $5,000,000 in Restricted Funds and $11,313,200 in Federal Funds in fiscal year 2005-2006 from enhanced recoveries from the Office of the Attorney General's Medicaid Fraud and Abuse Control Unit.

(4) Carry Forward of General Fund Appropriation Balance: Notwithstanding

KRS 45.229, any General Fund appropriation unexpended in fiscal year 2004-2005 shall not lapse, but shall be carried forward into the next fiscal year.

(5) Disproportionate Share Hospital Program: Hospitals shall report indigent inpatient and outpatient care for which, under federal law, the hospital is eligible to receive disproportionate share payments. Disproportionate Share Hospital payments shall equal the maximum amounts allowed by the federal law.

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

(7) Hospital Provider Tax and Enhanced Payments: Notwithstanding KRS 142.303, hospital provider tax collections for fiscal year 2004-2005 shall be $150,000,000. If the aggregate tax collected from all hospitals in fiscal year 2004-2005 is less than $150,000,000, each hospital shall pay an additional provider tax in an amount equal to its pro rata share of the difference, based on its taxes paid in relation to total hospital taxes paid in the prior fiscal year. If the hospital provider tax paid in fiscal year 2004-2005 is greater than $150,000,000, the funds shall be carried forward to be matched with Federal Funds and incorporated into the hospital Diagnostic Related Grouping (DRG) reimbursement methodology for fiscal year 2005-2006 for non-university based hospitals.

Hospital provider tax collections for fiscal year 2005-2006 shall be $150,000,000. If the aggregate tax collected from all hospitals in fiscal year 2005-2006 is less than $150,000,000, each hospital shall pay an additional provider tax in an amount equal to its pro rata share of the difference, based on its taxes paid in relation to total hospital taxes paid in the prior fiscal year.

Notwithstanding KRS 205.640 and any other provisions of the Kentucky Revised Statutes to the contrary, any hospital provider tax collections under KRS 142.303 in excess of $150,000,000 during fiscal year 2004-2005 shall be deposited into the

"Hospital Payment Improvement Trust Fund," which is hereby created in the State Treasury as a trust and agency account, and shall be matched with federal funds for the sole use of increasing reimbursement to Kentucky hospitals, including those paid under managed care arrangements, in proportion to their Medicaid allowable costs incurred for providing care to Medicaid patients that are not otherwise paid through Medicaid rates to the extent permitted by federal law. The Hospital Payment Improvement Trust Fund shall be exempt from any state budget reduction acts, and all funds deposited in and credited to the Hospital Payment Improvement Trust Fund shall be paid to qualifying hospitals.

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

(9) Quality and Charity Care Trust Fund: No hospital shall be reimbursed from both the Quality and Charity Care Trust Fund and the Disproportionate Share Hospital Program for the same service to the same patient. Any hospital that willfully violates this provision shall be subject to a penalty equal to three times the amount of the improper charge to the funds, which shall be credited to the General Fund. The Secretary of the Health and Family Services Cabinet shall have the authority to secure the patient information as needed from the participating facilities in order to determine compliance and enforce this provision. Each facility billing and receiving reimbursements from the Quality and Charity Care Trust Fund shall be required to identify each patient by Social Security number and indicate whether the patient is classified as indigent or medically needy. Notwithstanding any other provision of this Act or law, in any fiscal year for

which all the parties to the Quality and Charity Care Trust Agreement so agree, the General Fund appropriation to fulfill the Commonwealth's contractual obligation relating to the Quality and Charity Care Trust Agreement or any portion thereof, together with any other funds paid to the Quality and Charity Care Trust contractual obligation of the parties, or any portion thereof, shall be transferred to the Department for Medicaid Services as part of its Restricted Funds appropriation for Medicaid Benefits. In any fiscal year for which all the parties to the Quality and Charity Care Trust Agreement do not agree to transfer all or any portion of the Trust's revenues to the Department for Medicaid Services for Medicaid Benefits, the Quality and Charity Care Trust shall operate pursuant to its contractual provisions.

(10) Kentucky Children's Health Insurance Program (KCHIP): The Secretary of the Health and Family Services Cabinet may transfer funds from Medicaid Benefits to the KCHIP General Fund or Restricted Funds appropriations to be used to match the Federal allocation. These transfers may be made to cover both additional regular allocations and redistribution from the federal government. The Secretary shall recommend any proposed transfer to the State Budget Director for review and concurrence prior to transfer. Upon concurrence of the State Budget Director and prior to the transfer, the Secretary shall make the appropriate interim appropriation increase requests pursuant to KRS 48.630.

(11) Intergovernmental Transfers (IGT's): Any funds received through an IGT agreement between the Department for Medicaid Services and other governmental entities, in accordance with a federally approved State Plan amendment, shall be used to provide for the health and welfare of the citizens of the Commonwealth through the provision of Medicaid Benefits. This allocation shall include but not be limited to funds generated through transfer agreements with county-owned nursing homes, county-owned hospitals, state universities, and other governmental agencies. The Secretary of the Health and Family Services Cabinet shall recommend any proposed transfer to the State

Budget Director for review and concurrence prior to transfer. Revenues from IGT's are contingent upon agreement by the parties and, when negotiated, the Secretary for Health and Family Services shall make the appropriate interim appropriations increase requests pursuant to KRS 48.630.

(12) Child Sexual Abuse Exams: The Department for Medicaid Services shall develop a reimbursement schedule to compensate participating health care providers for the full cost of providing child sexual abuse examinations for eligible children to the extent funds are available. The provisions of this section shall not mandate any services or payments that are not otherwise provided for in the Medicaid Benefits budget. The reimbursement schedule shall not be reduced under any Managed Care Agreement. The Department for Medicaid Services may require participating health care providers to meet specific training and experience requirements.

(13) Medicaid Budget Analysis Reports: The Department for Medicaid Services shall submit a quarterly budget analysis report to the Interim Joint Committee on Appropriations and Revenue. The report shall provide monthly detail of actual expenditures, eligibles, and average monthly cost per eligible by eligibility category along with current trailing 12-month averages for each of these figures. The report shall also provide actual figures for all categories of noneligible-specific expenditures such as Supplemental Medical Insurance premiums, Kentucky Patient Access to Care, nonemergency transportation, drug rebates, cost settlements, and Disproportionate Share Hospital payments by type of hospital. The report shall compare the actual expenditure experience with those underlying the enacted or revised enacted budget and explain any significant variances which may occur.

(14) Medicaid Benefits Budget Deficit: In the event Medicaid Benefits expenditures are projected to exceed available funds, the Secretary of the Health and Family Services Cabinet shall be empowered to recommend that reimbursement rates, optional services, eligibles, or programs be reduced or maintained at levels existing at the

time of the projected deficit in order to avoid a budget deficit. The projected deficit shall be confirmed by the Office of State Budget Director. No service, eligible, or program reductions shall be implemented by the Health and Family Services Cabinet without written notice of such action to the Interim Joint Committee on Appropriations and Revenue and the State Budget Director. Such actions taken by the Health and Family Services Cabinet shall be reported, upon request, at the next meeting of the Interim Joint Committee on Appropriations and Revenue.

(15) Medicaid Benefits Budget Surplus: In the event Medicaid Benefits expenditures are less than available funds, the Secretary of the Health and Family Services Cabinet may recommend the utilization of available funds to increase reimbursement rates, expand the Medicaid Program or the number of eligibles, or transfer General Fund money up to the amount of the excess Restricted Funds to other agencies within the Cabinet to be utilized for direct services to eligibles or clients. No reimbursement rate, service, eligible, or program shall be increased without written approval of the State Budget Director and a report to the Interim Joint Committee on Appropriations and Revenue.

(16) Transfer of Medicaid Benefits Funds for Medicaid Modernization: Any portion of the General Fund appropriation in either fiscal year that is deemed to be necessary for the administration of the Medicaid Modernization initiative may be transferred from Medicaid Benefits in accordance with statutes governing the functions and activities of the Department of Medicaid Services. The Secretary shall recommend any proposed transfer to the State Budget Director for approval prior to transfer. In addition, the Secretary shall make the appropriate interim appropriations increase requests to the Interim Joint Committee on Appropriations and Revenue pursuant to KRS 48.630.

(17) Critical Access Hospitals: Notwithstanding 2004 Ky. Acts, ch. 56, sec. 2, through June 30, 2006, no acute care hospital shall convert to a critical access hospital

unless the hospital has either received funding for a feasibility study from the Kentucky State Office of Rural Health or filed a written request by January 1, 2006, with the Kentucky State Office of Rural Health requesting funding for conducting a feasibility study.

(18) Medicaid Copayments: Notwithstanding KRS 205.6312, the Department for Medicaid Services may impose copayments for services rendered to Medicaid recipients not to exceed the amounts permitted by federal authority.

(19) Medicaid Supplement: Notwithstanding KRS 311A.145, a total of $300,000 in Restricted Funds from fiscal year 2004-2005 Emergency Medical Services Board collections shall be transferred to Medicaid Benefits in fiscal year 2005-2006 in order to increase the amount of Federal Funds able to be matched to increase Medicaid ambulance fees. The Secretary shall report to the Interim Joint Committee on Appropriations and Revenue by October 1 of each fiscal year that the funds have been utilized to increase Medicaid ambulance fees, and shall continue to be utilized in this manner.

(20) Smoking Cessation Program for Pregnant Women: The Department for Medicaid Services, through the Kentucky Medicaid Administrative Agent and in coordination with the Department for Public Health, shall ensure that services for smoking cessation shall be made available to pregnant women participating in the Medicaid Program.

(21) Quarterly Cost Containment Reporting: The Health and Family Services Cabinet shall submit a quarterly report to the Interim Joint Committee on Appropriations and Revenue on cost containment initiatives implemented to reduce costs in the Medicaid Program including the actual experience compared to projected savings for each initiative. In addition, this report shall include any anticipated initiatives to be implemented to reduce Medicaid costs, including a projection for savings from each initiative and implementation date. If applicable, the report shall also include a list of anticipated Medicaid Program expansions, including projected costs and implementation

dates.

(22) Medical Child Support Enforcement: In collaboration with the Department for Community Based Services, the Department for Medicaid Services may implement a pilot program to address the pursuit of funds expended as a result of unenforced medical child support orders. An amount included in the above appropriation not to exceed $125,000 in Restricted Funds in each fiscal year and $125,000 in Federal Funds in each fiscal year may be used from Medicaid Benefits in order to provide monetary resources to the county attorneys involved in the pilot program. This project may include a select number of counties which shall be selected based on criteria to be developed by the Department for Medicaid Services and the Department for Community Based Services and, at a minimum, shall include an analysis showing that the anticipated return on investment exceeds the cost associated with the pilot program.

(23)[~~**Regional Community Mental Health and Mental Retardation Services, Psychiatric Residential Treatment Facilities, Medicaid Managed Care Organization Services Provider Tax and Enhanced Payments:** A tax shall be imposed on regional community mental health and mental retardation services, psychiatric residential treatment facility services and Medicaid managed care organization services at a uniform rate of five and one-half percent on gross revenues received by each provider after July 1, 2005.~~

~~The Department for Medicaid Services shall promulgate administrative regulations to ensure that a portion of the revenues generated from the assessment levied under this section and federal matching funds shall be used for rate increases to recognize cost increases, including current wage and benefit levels in the industry. The remaining revenue generated from the assessment levied under this section and federal matching funds shall be used to supplement the medical-assistance-related General Fund appropriations of the Department for Medicaid Services.~~

~~On or before July 1, 2005, the Cabinet for Health Services, Department for~~

~~Medicaid Services, shall submit an application to the Centers for Medicare and Medicaid Services to request any necessary waiver pursuant to 42 C.F.R. secs. 433.56 and 433.68.~~

~~If an application to the Centers for Medicare and Medicaid Services for a waiver is denied, the Department for Medicaid Services may resubmit the application with appropriate changes to receive an approved waiver.~~

~~The assessment imposed pursuant to this section shall begin on July 1, 2005, but is not due and payable until rates are increased pursuant to this provision. The provisions of this section shall be null and void if the waiver or plan amendment to increase rates is not approved by the Centers for Medicare and Medicaid Services. If the assessment provided for in this section is disallowed by the Centers for Medicare and Medicaid Services, all collections under this section shall cease.~~

~~(24)]~~ Home Health Care Services Fee Increase: The Department for Medicaid Services shall increase reimbursement rates for home health care services by five percent effective July 1, 2005. The Secretary shall report to the Interim Joint Committee on Appropriations and Revenue by October 1st of each fiscal year that funds have been utilized to increase Medicaid home health care fees, and shall continue to be utilized in that manner.

4. MENTAL HEALTH AND MENTAL RETARDATION SERVICES

	2004-05	**2005-06**
General Fund (Tobacco)	900,000	900,000
General Fund	166,535,000	166,373,700
Restricted Funds	185,119,800	180,338,500
Federal Funds	42,279,500	42,802,500
TOTAL	394,834,300	390,414,700

(1) Disproportionate Share Hospital Funds: Mental health disproportionate share funds are budgeted at the maximum amounts permitted by the Federal Balanced Budget Act of 1997, as amended by the Federal Benefits Improvements and Protection

Act of 2000 and the Medicare Modernization Act of 2003, in the amount of $34,600,000 in fiscal year 2004-2005 and $34,600,000 in fiscal year 2005-2006.

(2) Kentucky Commission on Services and Supports for Individuals with Mental Illness, Alcohol and Other Drug Abuse Disorders, and Dual Diagnoses: The Department for Mental Health and Mental Retardation Services shall provide at least $12,500 each fiscal year to be distributed to support the continued operation of the 14 regional planning councils and Commission activities relating to the mandates of KRS 210.500, 210.502, 210.504, 210.506, and 210.509, through June 30, 2006. The regional planning councils shall make recommendations for, and the Commission shall develop, a two year work plan for specifying goals and strategies relating to services and supports for individuals with mental illness, alcohol and other drug disorders, and dual diagnoses, and efforts to reduce the stigma associated with mental illness and other substance abuse disorders. The Commission shall report workgroup activities and findings to the Governor and the Interim Joint Committee on Health and Welfare by December 1 of each year.

(3) Debt Service: Included in the above General Fund appropriation in fiscal year 2005-2006 is $210,000 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(4) Substance Abuse Prevention and Treatment: Included in the above General Fund (Tobacco) appropriation is $900,000 in each fiscal year for substance abuse prevention and treatment for pregnant women with a history of substance abuse problems.

(5) Safety Net/Community Care: Included in the above General Fund appropriation is $2,000,000 in fiscal year 2005-2006 to mend the safety net of behavioral health services, including but not limited to inpatient and outpatient services, partial hospitalization or psychosocial rehabilitation services, emergency services, crisis stabilization services, consultation and education services, and mental retardation

services, which are provided by the 14 Regional Mental Health/Mental Retardation Boards. These funds shall be allocated to restore or strengthen core services to patients who have no payor source. Funds shall be distributed to the regions on a per capita basis as flexible funds.

(6) Elizabethtown Communicare Comprehensive Care Board - Washington County Duplex: Included in the above General Fund appropriation is $150,000 in fiscal year 2005-2006 to support Phase II of the Elizabethtown Communicare Comprehensive Care Board - Washington County Duplex project.

(7) Homelessness Prevention Pilot Project: Included in the above General Fund appropriation is $100,000 in fiscal year 2005-2006 to establish a homelessness prevention pilot project in Jefferson County and a rural county to be selected based on a statistically demonstrated need based on population.

5. PUBLIC HEALTH

	2004-05	**2005-06**
General Fund (Tobacco)	16,768,000	17,373,000
General Fund	64,649,900	66,857,900
Restricted Funds	70,183,800	71,532,200
Federal Funds	161,002,300	160,981,700
TOTAL	312,604,000	316,744,800

(1) Debt Service: Included in the above General Fund appropriation is $345,000 in fiscal year 2005-2006 for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $6,939,900 in fiscal year 2004-2005 and $7,599,900 in fiscal year 2005-2006 for the Health Access Nurturing Development Services Program; $2,000,000 in each fiscal year for Healthy Start initiatives; $2,000,000 in each fiscal year for Universal Children's Immunizations; $900,000 in each fiscal year for the Folic Acid Program;

$875,000 in each fiscal year for Early Childhood Mental Health; $337,500 in fiscal year 2004-2005 and $287,500 in fiscal year 2005-2006 for Early Childhood Oral Health; $2,715,600 in fiscal year 2004-2005 and $2,710,600 in fiscal year 2005-2006 for the Smoking Cessation Program; and $1,000,000 in each fiscal year for the Kentucky Early Intervention Services First Steps Program.

(3) Local/District Health Department Payments: The Department for Public Health shall not impose a cap or other restriction on the number or amount of services that a Local or District Health Department may provide. The Department for Public Health shall submit all requests for payment for services provided to the Department for Medicaid Services that are submitted by a Local or District Health Department.

(4) Kentucky AIDS Drug Assistance Program: Included in the above General Fund appropriation is $180,000 in fiscal year 2005-2006 for funding the Kentucky AIDS Drug Assistance Program (KADAP).

(5) Diabetes Services: Included in the above General Fund appropriation is $1,400,000 for continuation of base services through Local or District Health Departments in fiscal year 2004-2005 and $1,400,000 for continuation of base services and an additional $900,000 for expanded services through Local or District Health Departments in fiscal year 2005-2006.

(6) Diabetes Research Board: Included in the above General Fund appropriation is $200,000 in fiscal year 2005-2006, which shall be allocated to the Diabetes Research Board.

6. CERTIFICATE OF NEED

	2004-05	**2005-06**
General Fund	117,700	117,700
Restricted Funds	162,900	206,200
TOTAL	280,600	323,900

7. HUMAN SUPPORT SERVICES

	2004-05	2005-06
General Fund	26,621,600	30,469,900
Restricted Funds	691,400	645,900
Federal Funds	23,833,100	24,448,900
TOTAL	51,146,100	55,564,700

(1) Local Match Requirements: Notwithstanding KRS 205.460, entities contracting with the Health and Family Services Cabinet to provide essential services under KRS 205.455 and 205.460 shall provide local match equal to or greater than the amount in effect during fiscal year 2001-2002. Local match may include any combination of materials, commodities, transportation, office space, personal services, or other types of facility services or funds. The Secretary of the Health and Family Services Cabinet shall prescribe the procedures to certify the local match assurance.

8. OMBUDSMAN

	2004-05	2005-06
General Fund	3,767,200	3,767,200
Restricted Funds	400,000	400,000
Federal Funds	2,612,200	2,612,200
TOTAL	6,779,400	6,779,400

9. DISABILITY DETERMINATION SERVICES

	2004-05	2005-06
Restricted Funds	65,800	65,800
Federal Funds	43,643,800	44,692,200
TOTAL	43,709,600	44,758,000

10. COMMUNITY BASED SERVICES

	2004-05	2005-06
General Fund (Tobacco)	8,300,400	8,300,400
General Fund	275,476,700	300,236,700

Restricted Funds	135,169,500	118,779,800
Federal Funds	476,266,700	485,621,100
TOTAL	895,213,300	912,938,000

(1) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $8,120,400 in each fiscal year for the Early Childhood Development Program, and $180,000 in each fiscal year for Child Advocacy Centers.

(2) Out-of-Home Care: Included in the above General Fund appropriation is $20,309,700 in fiscal year 2005-2006 which is necessary to support and sustain the increased number of court-committed children in the care of the Cabinet.

(3) Criminal Background Investigation Fee Establishment: The Secretary shall be authorized to promulgate administrative regulations necessary to prescribe criminal background investigation fee amounts which are reflected in the Restricted Funds appropriation above.

(4) Personal Care Home State Supplementation Payment Increase: Included in the above appropriation is $2,910,000 in General Fund support and $450,000 in Restricted Funds in fiscal year 2005-2006 to increase State Supplementation payments to Personal Care Homes by $20 per month per eligible resident for the personal needs allowance and $2 per day per eligible resident for a facility payment increase.

(5) Kentucky Baptist Children's Home Youth Ranch: Included in the above appropriation is $200,000 in General Fund support in fiscal year 2005-2006 for Alternatives for Children educational classrooms at the Kentucky Baptist Children's Home Youth Ranch.

(6) Bluegrass Domestic Violence Program: Included in the above appropriation is $100,000 in General Fund support in fiscal year 2005-2006 to purchase vans and security equipment and for operating costs.

TOTAL - HEALTH AND FAMILY SERVICES CABINET

	2004-05	**2005-06**

General Fund (Tobacco)	26,423,400	27,028,400
General Fund	1,450,700,300	1,551,139,300
Restricted Funds	873,592,500	781,864,200
Federal Funds	3,867,637,800	3,753,002,800
TOTAL	6,218,354,000	6,113,034,700

I. JUSTICE AND PUBLIC SAFETY CABINET

Budget Units

1. JUSTICE OPERATIONS

a. Justice Administration

	2004-05	2005-06
General Fund (Tobacco)	2,226,800	2,222,700
General Fund	10,796,400	13,333,500
Restricted Funds	2,019,400	3,443,000
Federal Funds	11,904,600	8,837,100
TOTAL	26,947,200	27,836,300

(1) Office of Drug Control Policy: For essential administrative functions for the Office of Drug Control Policy in fiscal year 2004-2005, $500,000 is included in the above General Fund appropriation, $700,000 is included in the above Restricted Funds appropriation, and $300,000 is included in the above Federal Funds appropriation. Notwithstanding KRS 45.229, up to a maximum of $500,000 of the fiscal year 2004-2005 General Fund appropriation unexpended balance shall not lapse and shall carry forward to fiscal year 2005-2006.

Included in the above General Fund appropriation is $1,000,000 in fiscal year 2005-2006 and $1,000,000 in the above Restricted Funds appropriation in fiscal year 2005-2006 for regional Drug Courts to be established in Kentucky's coal-producing counties.

Included in the above General Fund appropriation in fiscal year 2005-2006 is $500,000 to provide drug and substance abuse education programs for Eastern Kentucky

school children.

Included in the above General Fund appropriation in fiscal year 2005-2006 is $1,000,000 for drug and substance abuse treatment for nonviolent offenders in local jails.

Included in the above Restricted Funds appropriation is $1,500,000 in fiscal year 2005-2006 for Operation Unite.

(2) Civil Legal Services for Indigents: Included in the above General Fund appropriation is $1,500,000 in fiscal year 2004-2005 and $1,500,000 in fiscal year 2005-2006 to provide free legal services for indigents.

(3) Office of Investigations: The Office of Investigations shall limit its investigations to the Executive Branch of government.

b. Criminal Justice Training

	2004-05	**2005-06**
Restricted Funds	37,335,300	40,379,000
Federal Funds	3,914,800	3,914,800
TOTAL	41,250,100	44,293,800

(1) Kentucky Law Enforcement Foundation Program Fund: Included in the above Restricted Funds appropriation is $36,277,500 in fiscal year 2004-2005 and $39,321,200 in fiscal year 2005-2006 for the Kentucky Law Enforcement Foundation Program Fund.

(2) Training Incentive Payments: Notwithstanding KRS 15.460(1), $22,915,000 in Restricted Funds in each fiscal year is provided for training incentive payments. Notwithstanding KRS 15.460(1), included in the above Restricted Funds appropriation is $3,100 in fiscal year 2004-2005 and $3,100 in fiscal year 2005-2006 for each participant for training incentive payments.

(3) Training Incentive Stipends to be Effective January 1, 2006: Notwithstanding KRS 15.410, 15.420(2), 15.440(1), 15.460(1), and 15.470(2) and (4), included in the above Restricted Funds appropriation is $1,909,800 in fiscal year 2005-

2006 to initiate a $3,100 annual training incentive stipend for Kentucky state troopers effective January 1, 2006; $81,400 in fiscal year 2005-2006 to initiate a $3,100 annual training incentive stipend for Kentucky State Police arson investigators, Kentucky State Police hazardous devices investigators, and Kentucky State Police legislative security specialists effective January 1, 2006; and $348,200 in fiscal year 2005-2006 to initiate a $3,100 annual training incentive stipend for Kentucky vehicle enforcement officers effective January 1, 2006.

c. Juvenile Justice

	2004-05	**2005-06**
General Fund	82,039,600	82,939,600
Restricted Funds	12,590,700	12,200,000
Federal Funds	16,989,000	15,069,000
TOTAL	111,619,300	110,208,600

(1) Gateway Juvenile Diversion Center: Included in the above General Fund appropriation is $350,000 in fiscal year 2004-2005 and $350,000 in fiscal year 2005-2006 for the operation of the Gateway Juvenile Diversion Center.

(2) Mary Kendall Homes: Included in the above General Fund appropriation is $300,000 in fiscal year 2004-2005 and $300,000 in fiscal year 2005-2006 for the operation of the Mary Kendall Homes.

(3) Madison County Juvenile Detention: The Madison County juvenile detention facility may remain open to hold juveniles from Madison County, and the county shall receive the detention subsidy provided for in KRS 635.060(3).

d. State Police

	2004-05	**2005-06**
General Fund	70,253,700	80,869,200
Restricted Funds	9,152,700	10,765,200
Federal Funds	13,814,700	13,444,700

Road Fund	39,769,100	29,769,100
TOTAL	132,990,200	134,848,200

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

(2) State Police Authorized Strength: The Kentucky State Police sworn officer authorized strength, as defined in KRS 16.010, is 1,070.

(3) State Police Sworn Personnel Training Incentive: Included in the above Restricted Funds appropriation is $1,909,800 in fiscal year 2005-2006 to initiate a $3,100 annual training incentive stipend for state troopers effective January 1, 2006.

(4) Boyd County Crime Lab: The crime lab and its operations located in Boyd County, if moved from its current location, shall be relocated within Boyd County.

(5) Dispatcher Training Incentive: Included in the above General Fund appropriation is $331,500 in fiscal year 2005-2006 to initiate a $3,100 annual training incentive stipend for dispatchers, effective January 1, 2006.

(6) Debt Service: Included in the above General Fund appropriation is $284,000 in fiscal year 2005-2006 to support Bond Funds totaling $6,075,000 authorized in Part II, Capital Projects Budget, of this Act to replace the Records and Secure Evidence Facility.

(7) State/Local Emergency Phone Service Agreement: The Department of State Police may enter into agreements with the governing body of a city, county, urban-county government, or any combination thereof, to provide 911 emergency telephone service.

(8) Training Incentive: Included in the above Restricted Funds appropriation is $81,400 in fiscal year 2005-2006 to initiate a $3,100 annual training incentive stipend for

Kentucky State Police arson investigators, Kentucky State Police hazardous devices investigators, and Kentucky State Police legislative security specialists effective January 1, 2006.

TOTAL - JUSTICE OPERATIONS

	2004-05	2005-06
General Fund (Tobacco)	2,226,800	2,222,700
General Fund	163,089,700	177,142,300
Restricted Funds	61,098,100	66,787,200
Federal Funds	46,623,100	41,265,600
Road Fund	39,769,100	29,769,100
TOTAL	312,806,800	317,186,900

2. CORRECTIONS

a. Corrections Management

	2004-05	2005-06
General Fund	28,024,600	28,695,300
Restricted Funds	13,287,400	12,903,600
TOTAL	41,312,000	41,598,900

(1) Debt Service: Included in the above General Fund appropriation is $345,000 in fiscal year 2005-2006 to provide for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Jailer Mental Health Screening Training: The Kentucky Commission on Services to Individuals with Mental Illness, Alcohol and Other Drug Abuse Disorders, and Dual Diagnoses shall, in its annual review of the Commission plan, include in its duties recommendations for improvements in identifying, treating, housing, and transporting prisoners in jails and juveniles in detention centers with mental illness. Items to be reviewed shall include but not be limited to recommendations for statutory and regulatory changes, training and treatment funding, cost sharing, housing and

transportation costs, appropriate treatment sites, and training requirements for local jailers and other officers of the court who may come in contact with persons incarcerated or in detention but deemed mentally ill.

The training shall continue to be delivered by Regional Mental Health/Mental Retardation Board staff to new jailers and new jail staff, except administrative support, on screening and responding to the needs of inmates with mental illness within six months of employment. Treatment services may also be provided for within this funding allocation.

(3) Appropriations Adjustments: The General Assembly has determined that the Department of Corrections shall be permitted to adjust appropriations between the Community Services and Local Facilities budget unit and the Adult Correctional Institutions budget unit in fiscal year 2004-2005 and fiscal year 2005-2006 unless otherwise directed in this Act. Only adjustments necessary to manage the diverse mix of inmate classifications, custody levels, probation and parole caseloads, and population increases and/or decreases shall be permitted. Any appropriations transferred or otherwise directed between and among these appropriation units shall be documented and justified in writing. No adjustments may be made except upon the prior written concurrence of the State Budget Director. The State Budget Director shall report the adjustments and the necessity of the adjustments to the Interim Joint Committee on Appropriations and Revenue.

b. Adult Correctional Institutions

	2004-05	**2005-06**
General Fund	192,255,300	200,871,500
Restricted Funds	6,535,300	6,000,200
Federal Funds	1,339,500	365,200
TOTAL	200,130,100	207,236,900

(1) Home Incarceration: Notwithstanding KRS 48.310, the following statute is

created to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

SECTION 1. A NEW SECTION OF KRS CHAPTER 532 IS CREATED TO READ AS FOLLOWS:

(1) Any Class C or Class D felon who is serving a sentence in a state-operated prison shall, at the discretion of the commissioner, be eligible to serve the remainder of his or her sentence outside the walls of the detention facility under terms of home incarceration using an approved monitoring device as defined in KRS 532.200, if the felon:

(a) 1. Has not been convicted of, pled guilty to, or entered an Alford plea to a violent felony as defined by the Department of Corrections classification system; or

2. Has not been convicted of, pled guilty to, or entered an Alford plea to a sex crime as defined in KRS 17.500;

(b) Has sixty (60) days or less to serve on his or her sentence;

(c) Has voluntarily participated in a discharge planning process with the department to address his or her education; employment, technical, and vocational skills; and housing, medical, and mental health needs; and

(d) Has needs that may be adequately met in the community where he or she will reside upon release.

(2) A person who is placed under terms of home incarceration pursuant to subsection (1) of this section shall remain in the custody of the Department of Corrections. Any unauthorized departure from the terms of home incarceration may be prosecuted as an escape pursuant to KRS Chapter 520 and shall result in the person being returned to prison.

(3) The Department of Corrections shall promulgate administrative regulations to implement the provisions of this section.

c. Community Services and Local Facilities

	2004-05	**2005-06**
General Fund	88,904,300	99,262,100
Restricted Funds	425,600	371,000
Federal Funds	21,500	-0-
TOTAL	89,351,400	99,633,100

(1) Excess Local Jail Per Diem Costs: In the event that actual local jail per diem payments exceed the amounts provided to support the budgeted average daily population of state felons in county jails for fiscal year 2004-2005 and fiscal year 2005-2006, the payments shall be deemed necessary government expenses and may be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705), subject to notification as to necessity and amount by the State Budget Director who shall report any certified expenditure to the Interim Joint Committee on Appropriations and Revenue.

(2) Local Jail Per Diem Increase: Included in the above General Fund appropriation is $9,200,000 in fiscal year 2005-2006 to provide a per diem rate payment of $30.51 per qualifying prisoner per day to counties for housing state inmates.

d. Local Jail Support

	2004-05	**2005-06**
General Fund	15,276,100	16,236,100

(1) Inmate Medical Care Expenses: Included in the above General Fund appropriation is $931,100 in fiscal year 2004-2005 and $931,100 in fiscal year 2005-2006 for medical care contracts to be distributed, upon approval of the Department of Corrections, to counties by the formula codified in KRS 441.206, and $295,900 in fiscal year 2004-2005 and $295,900 in fiscal year 2005-2006, on a partial reimbursement basis, for medical claims in excess of the statutory threshold pursuant to KRS 441.045. The funding support for medical contracts and catastrophic medical expenses for indigents

shall be maintained in discrete accounts. Any medical claim which exceeds the statutory threshold may be reimbursed for that amount in excess of the statutory threshold. In no event shall this apply to expenses of an elective, as opposed to emergency, basis and expenses shall be paid according to the Kentucky Medical Assistance Schedule.

(2) Local Jail Support: Included in the above General Fund appropriation is $960,000 in fiscal year 2005-2006 to provide a monthly payment of an annual amount of $20,000 to each county with a life safety jail or a closed jail. The payment shall be addition to the monthly payment required by KRS 441.206(2).

TOTAL - CORRECTIONS

	2004-05	**2005-06**
General Fund	324,460,300	345,065,000
Restricted Funds	20,248,300	19,274,800
Federal Funds	1,361,000	365,200
TOTAL	346,069,600	364,705,000

3. VEHICLE ENFORCEMENT

	2004-05	**2005-06**
Restricted Funds	1,141,400	723,500
Federal Funds	3,614,800	3,787,100
Road Fund	12,696,600	12,999,000
TOTAL	17,452,800	17,509,600

(1) Vehicle Enforcement Officers' Training Incentive: Included in the above Restricted Funds appropriation is $348,200 in fiscal year 2005-2006 to initiate a $3,100 annual training incentive stipend for vehicle enforcement officers, effective January 1, 2006.

4. PUBLIC ADVOCACY

	2004-05	**2005-06**
General Fund	25,264,400	25,264,400

Restricted Funds	6,623,400	6,783,200
Federal Funds	1,644,000	1,569,600
TOTAL	33,531,800	33,617,200

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

(2) Increased Caseload Assistance: Included in the above Restricted Funds appropriation is $830,400 in fiscal year 2004-2005 and $990,200 in fiscal year 2005-2006 to provide assistance in handling increasing caseloads in public advocacy offices statewide. Any balance remaining at the end of fiscal year 2004-2005 shall not be transferred to the credit of the General Fund, but shall be carried forward into fiscal year 2005-2006 to be utilized for caseload assistance.

TOTAL - JUSTICE AND PUBLIC SAFETY CABINET

	2004-05	**2005-06**
General Fund (Tobacco)	2,226,800	2,222,700
General Fund	512,814,400	547,471,700
Restricted Funds	89,111,200	93,568,700
Federal Funds	53,242,900	46,987,500
Road Fund	52,465,700	42,768,100
TOTAL	709,861,000	733,018,700

J. PERSONNEL CABINET

1. GENERAL OPERATIONS

	2004-05	**2005-06**
General Fund	1,703,600	4,177,600
Restricted Funds	14,573,600	13,838,300

TOTAL	16,277,200	18,015,900

(1) Flexible Benefit Account: Notwithstanding KRS 18A.225(2)(g), any funds from the calendar year 2004 public employee health insurance program accruing to the Flexible Benefit Account, not otherwise appropriated in fiscal year 2005-2006, and in excess of the amount reflected in Part V, Funds Transfer, of this Act shall be credited to the General Fund Surplus Account.

(2) Debt Service: Included in the above General Fund appropriation is $1,164,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act for the replacement of the Commonwealth's Personnel and Payroll System in the Personnel Cabinet.

2. PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY

	2004-05	**2005-06**
Restricted Funds	5,133,200	5,648,600

3. WORKERS' COMPENSATION BENEFITS AND RESERVE

	2004-05	**2005-06**
Restricted Funds	24,666,800	27,931,500

(1) Appropriation Estimates: The above appropriation represents estimates of the funds necessary to operate this program. If additional funds are required to adequately maintain the program, the necessary Restricted Funds are appropriated, subject to the conditions and procedures provided in this Act.

4. GOVERNMENT TRAINING

	2004-05	**2005-06**
Restricted Funds	1,542,200	1,574,000

5. STATE SALARY AND COMPENSATION FUND

	2004-05	**2005-06**
General Fund	7,053,000	14,100,000

(1) Employee Compensation: The above General Fund appropriation provides a

pool of funds to be allocated in accordance with the procedures contained in Part IV, State Salary/Compensation and Employment Policy, of this Act.

(2) Fiscal Year 2004-2005 Additional Salary and Related Fringe Benefits: Included in the above General Fund appropriation is $7,053,000 in fiscal year 2004-2005 for the State Salary and Compensation Fund, which, notwithstanding the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 12, subsec. (1) (HB 1), is to be appropriated by this Act in lieu of the amount appropriated in that Act. The State Budget Director shall make necessary adjustments to, or recoupments of, any distribution of funds made for this purpose pursuant to HB 1 prior to the effective date of this Act to conform to the adjusted appropriated amount described in this section. Included in the above General Fund appropriation is $14,100,000 in fiscal year 2005-2006 for the State Salary and Compensation Fund for the additional costs related to the three percent cost-of-living adjustment.

6. STATE GROUP HEALTH INSURANCE FUND

	2004-05	**2005-06**
General Fund	17,695,600	38,458,900

(1) Group Health Insurance: The above General Fund appropriation is provided to supplement employer contributions for employee health insurance to be allocated in accordance with the procedures as contained in Part IV, State Salary/Compensation and Employment Policy, of this Act.

(2) Fiscal Year 2004-2005: Included in the above General Fund appropriation is $17,695,600 in fiscal year 2004-2005 for the State Group Health Insurance Fund, which, notwithstanding the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 12, subsec. (2) (HB 1), is to be appropriated by this Act in lieu of the amount appropriated in that Act. Included in the above General Fund appropriation is $15,241,400 in fiscal year 2004-2005 to provide additional health insurance benefits and flexible spending contributions for eligible Executive Branch employees, which,

notwithstanding the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 12, subsec. (2) (HB 1), is to be appropriated by this Act in lieu of the amount appropriated in that Act. Included in the above General Fund appropriation is $2,454,200 in fiscal year 2004-2005 for the Personnel Cabinet to provide assistance to eligible quasi-governmental employers and the Kentucky Community and Technical College System for their employees participating in the state health insurance program for the employer cost of increased benefits to the plan, which, notwithstanding the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 12, subsec. (2) (HB 1), is to be appropriated by this Act in lieu of the amount appropriated in that Act. The State Budget Director shall make necessary adjustments to, or recoupments of, any distribution of funds made for this purpose pursuant to HB 1 prior to the effective date of this Act to conform to the adjusted appropriated amount described in this section.

(3) Fiscal Year 2005-2006: Included in the above General Fund appropriation is $31,191,200 to provide additional health insurance benefits and flexible spending contributions for eligible Executive Branch employees. Included in the above General Fund appropriation is $7,267,700 to provide assistance to eligible quasi-governmental employers, public health departments, and the Kentucky Community and Technical College System in covering the increased costs for employees participating in the state health insurance program.

TOTAL - PERSONNEL CABINET

	2004-05	**2005-06**
General Fund	26,452,200	56,736,500
Restricted Funds	45,915,800	48,992,400
TOTAL	72,368,000	105,728,900

K. POSTSECONDARY EDUCATION

Budget Units

1. COUNCIL ON POSTSECONDARY EDUCATION

	2004-05	2005-06
General Fund (Tobacco)	5,431,300	5,421,300
General Fund	124,139,300	189,386,700
Restricted Funds	3,077,800	1,851,300
Federal Funds	19,099,400	19,099,400
TOTAL	151,747,800	215,758,700

(1) Debt Service: Included in the above General Fund appropriation for the Physical Facilities Fund is $18,515,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act, for Postsecondary Education institutions.

(2) Carry Forward of General Fund Appropriation Balance: Notwithstanding KRS 45.229, the General Fund appropriation in fiscal year 2004-2005 to the Adult Education and Literacy Funding Program shall not lapse.

Notwithstanding KRS 45.229, the General Fund appropriation in fiscal year 2004-2005 to the Science and Technology Funding Program shall not lapse.

(3) Strategic Investment and Incentive Trust Funds Interest Income: Notwithstanding KRS 164.7911, 164.7913, 164.7915, 164.7917, 164.7919, 164.7921, 164.7923, 164.7925, and 164.7927, interest earnings in the amount of $820,000 in fiscal year 2004-2005 and $393,900 in fiscal year 2005-2006 shall be transferred from Strategic Investment and Incentive Trust Fund accounts included under these statutes to Agency Revenue accounts within the Council on Postsecondary Education budget unit in the following amounts and for the following specified purposes: $100,000 in fiscal year 2004-2005 and $282,400 in fiscal year 2005-2006 for the Contract Spaces Program; $105,500 in each year of the biennium for the Minority Student College Preparation Program; $188,400 in each year of the biennium for the Southern Regional Board Doctoral Scholars Program; $100,000 in each year of the biennium for the P-16 Council/Early Math Testing Programs; and $326,100 in fiscal year 2004-2005 for the

Knowledge-Based Economy Academic Program.

(4) Interest Earnings Transfer from the Strategic Investment and Incentive Trust Fund Accounts: Notwithstanding KRS 164.7911, 164.7913, 164.7915, 164.7917, 164.7919, 164.7921, 164.7923, 164.7925, and 164.7927, any expenditures from the Strategic Investment and Incentive Trust Fund accounts in excess of appropriated amounts by the Council on Postsecondary Education shall be subject to KRS 48.630.

(5) Kentucky Science and Technology Corporation: Notwithstanding KRS 154.12-278(3)(j), the Kentucky Science and Technology Corporation shall submit an annual plan detailing the annual allocation of funds from the Science and Technology Funding Program, excluding funds for the Knowledge-Based Economy Academic Programs, for review and approval by the Council on Postsecondary Education and the Office of the Commissioner for the New Economy within the Cabinet for Economic Development, prior to the Council on Postsecondary Education executing a contract with the Corporation to administer Science and Technology Funding programs.

(6) Tuition Affordability: The Council on Postsecondary Education should endeavor to minimize tuition increases to the extent possible and maintain Kentucky's affordability in providing postsecondary education for Kentuckians.

(7) Ovarian Cancer: Notwithstanding KRS 164.476, General Fund (Tobacco) dollars in the amount of $775,000 each fiscal year shall be allotted from the Lung Cancer Research Fund to the Ovarian Cancer Screening Outreach Program at the University of Kentucky.

(8) Meadowbrook Dairy Research and Education Center: Included in the above appropriation is General Fund moneys totaling $270,000 in fiscal year 2005-2006 for project design of a joint dairy merger involving the University of Kentucky and Eastern Kentucky University. The resulting dairy research and education center will be located at the Meadowbrook Farm near the Eastern Kentucky University campus, will be owned by the university, and will be called the EKU/UK Dairy Research and Education

Center. A Memorandum of Understanding will be developed to document the intent of each university to combine existing resources to relocate the University of Kentucky's dairy to this new facility.

(9) Enrollment Growth Funding: Included in the above General Fund appropriation is $5,000,000 in fiscal year 2005-2006 to be allocated, using full-time equivalent enrollment data from 1998 through 2005, by the Council on Postsecondary Education among the postsecondary education institutions to rebalance the base funding of the institutions in the context of significant and disproportionate student enrollment growth over the past several years.

(10) Biotechnology Program: In accordance with KRS 164.7911, $1,100,000 in operating funds and $1,700,000 in Bond Funds is appropriated in fiscal year 2005-2006 to the Research Challenge Trust Fund (KRS 164.7917), for the purpose of establishing a Biotechnology Program in Shrimp Production.

The University of Kentucky, Western Kentucky University, and Kentucky State University shall develop a plan to develop and market the shrimp industry in Kentucky. The Council on Postsecondary Education and the Department of Innovation and Commercialization for a Knowledge-Based Economy shall review the plan, monitor its implementation, and report its findings quarterly to the Interim Joint Committee of Appropriations and Revenue and the Secretary of the Finance and Administration Cabinet.

(11) Employment in Postsecondary Institutions:~~[Notwithstanding KRS 48.310, the following statute shall be amended as follows and shall have permanent effect, subject to future actions by the General Assembly:]~~

Section 1. KRS 164.360 is amended to read as follows:

(1) (a) Each board of regents for the universities may appoint a president, and on the recommendation of the president may, in its discretion, appoint all faculty members and employees and fix their compensation and tenure of service,

subject to the provisions of subsection (2) of this section.

(b) The board of regents for the Kentucky Community and Technical College System shall appoint a president, and on the recommendation of the president may, in its discretion, appoint all faculty members and employees and fix their compensation and tenure of service, subject to the provisions of subsection (2) of this section.

(2) No person shall be employed for a longer period than four (4) years. No person shall be employed at an institution where his relative serves on the board of regents for that institution***, unless that person has been employed for at least thirty-six (36) months prior to the regent's appointment to the board***.

(3) Each board may remove the president of the university or Kentucky Community and Technical College System, and upon the recommendation of the president may remove any faculty member or employees, but no president or faculty member shall be removed except for incompetency, neglect of or refusal to perform his duty, or for immoral conduct. A president or faculty member shall not be removed until after ten (10) days' notice in writing, stating the nature of the charges preferred, and after an opportunity has been given him to make defense before the board by counsel or otherwise and to introduce testimony which shall be heard and determined by the board. Charges against a president shall be preferred by the chairperson of the board upon written information furnished to him, and charges against a faculty member shall be preferred in writing by the president unless the offense is committed in his presence.

2. KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

	2004-05	**2005-06**
General Fund (Tobacco)	900,000	900,000
General Fund	85,055,400	86,233,500
Restricted Funds	104,679,700	107,595,300

Federal Funds	1,714,900	1,726,000
TOTAL	192,350,000	196,454,800

(1) College Access Program: Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $45,442,900 for the College Access Program in fiscal year 2004-2005 and $54,763,400 in fiscal year 2005-2006.

(2) Kentucky Tuition Grant Program: Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation is $22,975,500 for the Kentucky Tuition Grant Program in fiscal year 2004-2005 and $28,470,000 in fiscal year 2005-2006.

(3) Teacher Scholarship Program: Notwithstanding KRS 154A.130(4), included in the above General Fund appropriation for the Teacher Scholarship Program is $1,681,600 in fiscal year 2004-2005 and $1,681,600 in fiscal year 2005-2006.

(4) Tobacco Settlement Funds: Included in the above General Fund (Tobacco) appropriation is $900,000 in fiscal year 2004-2005 and $900,000 in fiscal year 2005-2006 for Early Childhood Scholarships.

(5) Kentucky's Affordable Prepaid Tuition (KAPT) Transfer: Notwithstanding KRS 164A.701 to 164.704 and 393.015, the Board of Directors of the Kentucky Higher Education Assistance Authority shall return the $13,700,100 transferred to the Kentucky Affordable Prepaid Tuition Program from the KAPT Reserve Fund, by action of the KAPT Board of Directors on December 1, 2004, to the General Fund in fiscal year 2004-2005. The Board shall report this action to the Interim Joint Committee on Appropriations and Revenue no later than June 30, 2005. Further transfers from the KAPT Reserve Fund to the KAPT Program are prohibited.

3. EASTERN KENTUCKY UNIVERSITY

	2004-05	**2005-06**
General Fund	72,225,200	73,922,200
Restricted Funds	99,016,500	108,857,500

Federal Funds	45,655,400	47,929,900
TOTAL	216,897,100	230,709,600

(1) Debt Service: Included in the above General Fund appropriation is $3,311,200 in fiscal year 2004-2005 and $3,848,000 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) University Farm: Included in the above General Fund appropriation is $200,000 each fiscal year for maintenance and support of the university farm and which shall be expended for no other purpose.

(3) Martin County Damage Trust Fund: In fiscal year 2004-2005, $150,000 is appropriated from the NR Martin County Damage Trust Fund set up under agreed order July 31, 2002, DOW-25070-042, DOW-25151-042, and DOW-21509-042 to Eastern Kentucky University to provide independent water testing and technical assistance to the citizens of Martin County.

The Secretary of the Finance and Administration Cabinet and the State Budget Director shall develop and implement a Memorandum of Agreement between Eastern Kentucky University and the Fiscal Court of Martin County to ensure that the purposes of this provision are implemented. The Secretary of the Finance and Administration Cabinet shall report to the Interim Joint Committee on Appropriations and Revenue upon completion of the Memorandum of Agreement and the appropriation of funds, before the end of fiscal year 2004-2005.

4. KENTUCKY STATE UNIVERSITY

	2004-05	**2005-06**
General Fund	24,800,900	24,568,500
Restricted Funds	14,176,500	14,176,500
Federal Funds	13,259,000	13,259,000
TOTAL	52,236,400	52,004,000

(1) Debt Service: Included in the above General Fund appropriation is

$1,664,900 in fiscal year 2004-2005 and $873,500 in fiscal year 2005-2006 for debt service for previously issued bonds.

5. MOREHEAD STATE UNIVERSITY

	2004-05	2005-06
General Fund	42,282,300	42,376,100
Restricted Funds	58,397,300	58,585,200
Federal Funds	36,752,900	36,674,500
TOTAL	137,432,500	137,635,800

(1) Debt Service: Included in the above General Fund appropriation is $1,403,600 in fiscal year 2004-2005 and $1,411,200 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) University Farm: Included in the above General Fund appropriation is $200,000 each fiscal year for maintenance and support of the university farm and which shall be expended for no other purpose.

6. MURRAY STATE UNIVERSITY

	2004-05	2005-06
General Fund	50,999,000	52,381,100
Restricted Funds	60,392,600	64,150,700
Federal Funds	13,393,300	13,393,300
TOTAL	124,784,900	129,925,100

(1) Debt Service: Included in the above General Fund appropriation is $1,908,400 in fiscal year 2004-2005 and $1,909,600 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) University Farm: Included in the above General Fund appropriation is $200,000 each fiscal year for maintenance and support of the university farm and which shall be expended for no other purpose.

(3) Breathitt Veterinary Center: Included in the above General Fund

appropriation is $2,535,100 and included in the above Restricted Funds appropriation is $450,000, both in fiscal year 2005-2006, for the Breathitt Veterinary Center. Notwithstanding KRS 48.130 and 48.600, there shall be no reduction in funding.

Included in the above General Fund appropriation in fiscal year 2005-2006 is $300,000 for a new Pathological Incinerator for the Breathitt Veterinary Center, which includes building modification, engineering equipment, and installation.

7. NORTHERN KENTUCKY UNIVERSITY

	2004-05	**2005-06**
General Fund	46,020,500	46,806,300
Restricted Funds	92,525,000	101,001,000
Federal Funds	11,130,700	11,130,700
TOTAL	149,676,200	158,938,000

(1) Debt Service: Included in the above General Fund appropriation is $4,974,500 in fiscal year 2004-2005 and $4,731,700 in fiscal year 2005-2006 for debt service for previously issued bonds.

8. UNIVERSITY OF KENTUCKY

	2004-05	**2005-06**
General Fund	290,905,900	303,070,800
Restricted Funds	939,204,600	976,251,500
Federal Funds	161,818,700	166,596,000
TOTAL	1,391,929,200	1,445,918,300

(1) Debt Service: Included in the above General Fund appropriation is $6,975,500 in fiscal year 2004-2005 and $7,226,000 in fiscal year 2005-2006 for debt service for previously issued bonds for the University of Kentucky and $718,500 in fiscal year 2004-2005 and $734,400 in fiscal year 2005-2006 for debt service for previously issued bonds for Lexington Community College.

(2) County Extension Agents: $1,000,000 in General Fund support is provided

in fiscal year 2005-2006 for the University of Kentucky Cooperative Extension Service to support the cost of the County Extension Enhancement Initiative providing salary adjustment and the establishment of a career advancement track for Cooperative Extension. These adjustments are in addition to any other salary adjustment which may be made.

(3) Oral History Program: Notwithstanding KRS 7B.080, $500,000 is provided from the Kentucky Long-Term Policy Research Center Fund in fiscal year 2004-2005 for the Oral History Program at the University of Kentucky. These funds are eligible to be matched by the Research Challenge Trust Fund Grant.

(4) Kentucky Health Care Infrastructure Authority: Included in the above General Fund appropriation in fiscal year 2005-2006 is $175,000 for the Kentucky Health Care Infrastructure Authority.

(5) Collaborative Center for Literacy Development: Included in the above General Fund appropriation is $1,900,000 in fiscal year 2004-2005 and $2,100,000 in fiscal year 2005-2006 for the Collaborative Center for Literacy Development, which shall be used solely for the Center's purposes. Notwithstanding KRS 48.130 and 48.600, there shall be no reduction in funding for the Collaborative Center for Literacy Development.

(6) West Liberty Technical Center: Included in the above General Fund appropriation is $750,000 in fiscal year 2005-2006 for maintenance and operation of the West Liberty Technical Center.

9. UNIVERSITY OF LOUISVILLE

	2004-05	**2005-06**
General Fund	172,790,800	176,109,100
Restricted Funds	357,507,500	390,008,200
Federal Funds	80,500,500	87,818,700
TOTAL	610,798,800	653,936,000

(1) Debt Service: Included in the above General Fund appropriation is

$11,142,500 in fiscal year 2004-2005 and $11,182,900 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) Quality and Charity Care Trust Agreement: Included in the above General Fund appropriation is $17,693,200 in fiscal year 2004-2005 and $18,070,100 in fiscal year 2005-2006 to fulfill the Commonwealth's contractual obligation relating to indigent care furnished via the Quality and Charity Care Trust Agreement.

Notwithstanding KRS 45.229, the General Fund appropriation related to the Quality and Charity Trust Agreement in fiscal year 2004-2005 shall not lapse.

(3) Kentucky Health Care Infrastructure Authority: Included in the above General Fund appropriation in fiscal year 2005-2006 is $175,000 for the Kentucky Health Care Infrastructure Authority.

10. WESTERN KENTUCKY UNIVERSITY

	2004-05	2005-06
General Fund	70,040,400	71,963,200
Restricted Funds	126,586,000	138,009,000
Federal Funds	35,600,000	39,071,000
TOTAL	232,226,400	249,043,200

(1) Debt Service: Included in the above General Fund appropriation is $3,181,400 in fiscal year 2004-2005 and $3,202,200 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) University Farm: Included in the above General Fund appropriation is $200,000 each fiscal year for maintenance and support of the university farm and which shall be expended for no other purpose.

11. KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM (KCTCS)

	2004-05	2005-06
General Fund	192,279,600	195,006,300

Restricted Funds	212,485,900	236,709,600
Federal Funds	122,901,000	138,924,600
TOTAL	527,666,500	570,640,500

(1) Debt Service: Included in the above General Fund appropriation is $5,994,100 in fiscal year 2004-2005 and $5,974,400 in fiscal year 2005-2006 for debt service for previously issued bonds.

(2) Firefighters Foundation Program Fund: Included in the above Restricted Funds appropriation is $24,035,500 in fiscal year 2004-2005 and $25,198,700 in fiscal year 2005-2006 for the Firefighters Foundation Program Fund. Notwithstanding KRS 95A.250(1), or the provisions of any other law, supplemental payments for each qualified professional firefighter under the Firefighters Foundation Program Fund shall be $3,100 in fiscal year 2004-2005 and $3,100 in fiscal year 2005-2006. Notwithstanding KRS 95A.200 to 95A.265, an additional $250,000 in fiscal year 2004-2005 and $1,000,000 in fiscal year 2005-2006 from the Firefighters Foundation Program Fund is authorized to be expended on firefighter training, equipment, and support activities.

(3) Firefighters Training Center Fund: Notwithstanding KRS 95A.262(3), $985,000 in Restricted Funds is provided each fiscal year of the 2004-2006 fiscal biennium for the Firefighters Training Center Fund.

(4) Postsecondary Workforce Training Program: Included in the above General Fund appropriation is $6,000,000 each year of the biennium for the Postsecondary Workforce Training Program to be used for worker training programs. These funds shall be used specifically to meet the customized workforce training needs of individual companies or consortia of companies.

(5) Mining Careers Initiative: Included in the above General Fund appropriation in fiscal year 2005-2006 is $3,000,000 for the expansion and improvement of mining career education and training.

(6) Retirement Issues: The Kentucky Community and Technical College System

shall work with the Kentucky Employees Retirement System to resolve issues concerning KCTCS employees that may be covered by the Kentucky Employees Retirement System and shall report the resolution of issues to the Interim Joint Committee on Appropriations and Revenue.

(7) Salary Parity: Notwithstanding KRS 164.5805 and 164.5807, the Kentucky Community and Technical College System shall place the highest priority on distributing pay raises in a fair and equitable manner to all employees.

(8) Regional Fire Tower: Notwithstanding KRS 95A.262(3), included in the above Restricted Funds appropriation is $80,000 in fiscal year 2005-2006 to construct a regional firefighter fire tower in Bardwell, Kentucky.

TOTAL - POSTSECONDARY EDUCATION

	2004-05	**2005-06**
General Fund (Tobacco)	6,331,300	6,321,300
General Fund	1,171,539,300	1,261,823,800
Restricted Funds	2,068,049,400	2,197,195,800
Federal Funds	541,825,800	575,623,100
TOTAL	3,787,745,800	4,040,964,000

L. TRANSPORTATION CABINET

Budget Units

1. GENERAL ADMINISTRATION AND SUPPORT

	2004-05	**2005-06**
Restricted Funds	25,607,200	25,542,000
Road Fund	64,956,100	66,530,000
TOTAL	90,563,300	92,072,000

(1) Biennial Highway Construction Programs: The Secretary of Transportation is directed to produce a single document that contains two separately identified sections, as follows:

Section 1 shall detail the enacted fiscal biennium 2004-2006 Biennial Highway Construction Program and Section 2 shall detail the Highway Preconstruction Program Plan for fiscal year 2006-2007 through fiscal year 2009-2010 as identified by the 2004 General Assembly. This document shall mirror in data type and format the fiscal year 2002-2008 Recommended Six-Year Highway Plan as submitted to the 2004 General Assembly. The document shall be published and distributed to members of the General Assembly and the public within 60 days of adjournment of the 2005 Regular Session of the General Assembly.

No executive authority shall expend, or otherwise commit in any manner, available fiscal biennium 2004-2006 Road Fund resources for a project designated as a State Project in the fiscal year 2006-2007 through fiscal year 2009-2010 Highway Preconstruction Program Plan. In the event that federally funded projects contained in the enacted fiscal biennium 2004-2006 Biennial Highway Construction Program are delayed due to unforeseen circumstances, or if additional federal funds are received in excess of the amounts contemplated in this Act, the Transportation Cabinet may advance projects from the Highway Preconstruction Program Plan only to the extent required to assure that the Commonwealth makes full use of all available federal funds.

The Secretary of Transportation is further directed to report monthly to the Legislative Research Commission all activity, as prescribed by KRS 176.430, relating to all projects with open activity conducted by the Transportation Cabinet during the biennium including the year each project phase was enacted in a Six-Year Highway Plan. Pursuant to KRS 48.800(5), the Transportation Cabinet shall submit the electronic monthly report in a format prescribed by the Legislative Research Commission.

Notwithstanding KRS 176.440(2), any project additions or modifications that the 2005 General Assembly may make to the fiscal year 2005-2010 Recommended Six-Year Road Plan shall carry the same force of law as projects that were included in the fiscal year 2005-2010 Recommended Six-Year Road Plan as submitted by the Executive

Branch.

(2) Child Sexual Abuse License Plate Revenue: Notwithstanding KRS 186.1867, the Transportation Cabinet shall review the costs related to the distribution of child victims' license plates. Any revenue received from the sale or renewal of those plates in excess of actual costs shall be transferred to the Child Victims' Trust Fund on an annual basis.

(3) Debt Service: Included in the above Road Fund appropriation is $7,317,300 in fiscal year 2004-2005 and $7,328,100 in fiscal year 2005-2006 for debt service on previously authorized bonds for the new Transportation Cabinet office building and parking structure.

(4) Adopt-A-Highway Litter Program: The Transportation Cabinet and Environmental and Public Protection Cabinet may receive, accept, and solicit grants, contributions of money, property, labor, or other things of value from any governmental agency, individual, nonprofit organization, or private business to be used for the Adopt-a-Highway Litter Program or other statewide litter programs. Any contribution of this nature shall be deemed to be a contribution to a state agency for a public purpose and shall be treated as Restricted Funds under KRS Chapter 45 and reported according to KRS Chapter 48, and shall not be subject to restrictions set forth under KRS Chapter 11A.

~~[**(5) Transportation Cabinet Office Building:** The new Transportation Cabinet Office Building shall be owned by the Transportation Cabinet and any revenue generated from the leasing of office space in the new Transportation Cabinet Office Building shall be deposited in the Road Fund.]~~

2. AVIATION

	2004-05	**2005-06**
Restricted Funds	6,662,100	6,000,000
Federal Funds	15,000	15,000

TOTAL	6,677,100	6,015,000

(1) Operational Costs: Notwithstanding KRS 183.525(5), the above Restricted Funds appropriation includes operational costs of the program in each fiscal year.

(2) Certified Air Carriers and Cap on Sales and Use Tax: The sales and use tax credit shall be an amount equal to the Kentucky sales and use tax otherwise applicable to aircraft fuel, including jet fuel, purchased by the certificated air carrier for its storage, use, or other consumption during the annual period, less $1,000,000. The $1,000,000 amount shall be increased to reflect the Kentucky sales and use tax on aviation fuel attributable to operations of any other certificated air carrier when the other certificated air carrier is purchased, merged, acquired, or otherwise combined with the certified air carrier after the base period. The amount of the increase shall be based on the Kentucky sales and use tax applicable to such aircraft fuel purchased during the 12-month period immediately preceding the purchase, merger, or other acquisition by or in combination with the certified air carrier.

(3) Bluegrass Field Airport: No appropriations to the Air Transportation budget unit shall be utilized for the purpose of studying, planning, or construction of an additional runway at Bluegrass Field Airport.

(4) Transfer of Funds: Notwithstanding KRS 183.525(5), included in the above Restricted Funds appropriation for fiscal year 2005-2006 is $234,000 that shall be transferred to the Economic Development Cabinet, Office of the Secretary, for the debt service payment on $5,000,000 of Airport Relocation Assistance bonds.

3. DEBT SERVICE

	2004-05	**2005-06**
Road Fund	116,113,500	166,840,900

(1) Toll-Road Lease-Rental Payments: Included in the above Road Fund appropriation is $7,928,800 in fiscal year 2004-2005 and $7,815,500 in fiscal year 2005-2006 for toll-road lease-rental payments.

(2) Resource Recovery Road Lease-Rental Payments: Included in the above Road Fund appropriation is $38,831,600 in fiscal year 2004-2005 and $38,828,600 in fiscal year 2005-2006 for Resource Recovery Road lease-rental payments. The Secretary of the Transportation Cabinet shall use Road Fund resources to meet the lease-rental payments to the Kentucky Turnpike Authority for Resource Recovery Road projects in the amount certified by the Transportation Cabinet, pursuant to KRS 143.090. However, if Road Fund resources are not sufficient to meet lease-rental payments, the additional amount required to meet the obligation shall be transferred from the proceeds of the tax levied on the severance or processing of coal by KRS 143.020.

(3) Economic Development Road Lease-Rental Payments: Included in the above Road Fund appropriation is $69,353,100 in fiscal year 2004-2005 and $78,292,800 in fiscal year 2005-2006 for Economic Development Road lease-rental payments relating to projects financed by Economic Development Road Revenue Bonds previously issued by the Kentucky Turnpike Authority.

(4) Economic Development Road Bond Debt Service: Included in the above Road Fund appropriation is $41,904,000 in fiscal year 2005-2006 for Economic Development Road lease-rental payments to the Turnpike Authority of Kentucky relating to projects financed by $450,000,000 in Economic Development Road Revenue Bonds hereby authorized by the General Assembly to be issued in fiscal year 2004-2005 for payment of the cost of the Economic Development Road Projects.

(5) Excess Lease-Rental Payments: Any moneys not required to meet lease-rental payments or to meet the administrative costs of the Kentucky Turnpike Authority shall be transferred to the State Construction account.

(6) Debt Payment Acceleration Fund Account: Notwithstanding KRS 175.505, no portion of the revenues to the state Road Fund provided by the adjustments in KRS 138.220(2), excluding KRS 177.320 and 177.365, shall accrue to the Debt Payment Acceleration Fund account during the 2004-2006 fiscal biennium.

4. HIGHWAYS

	2004-05	2005-06
Restricted Funds	213,858,800	64,222,100
Federal Funds	587,000,000	587,000,000
Road Fund	637,266,800	625,672,600
Highway Bonds	300,000,000	-0-
TOTAL	1,738,125,600	1,276,894,700

(1) Debt Service: Included in the above Federal Funds appropriation is $18,234,000 in fiscal year 2005-2006 for debt service on Grant Anticipation Revenue Vehicle (GARVEE) bonds.

(2) State Supported Construction Programs: Included in the above Road Fund appropriation is $359,833,900 in fiscal year 2004-2005 and $340,735,400 in fiscal year 2005-2006 for the State Supported Construction Program.

(3) State Resurfacing Program: Included in the State Supported Construction Program is $67,320,000 in fiscal year 2004-2005 and $67,320,000 in fiscal year 2005-2006 from the Road Fund for the State Resurfacing Program.

(4) Specialized Contracts Account: Included in the State Supported Construction Program is $100,000 in fiscal year 2004-2005 and $100,000 in fiscal year 2005-2006 from the Road Fund for the Specialized Contracts Account.

(5) Biennial Highway Construction Program: Included in the State Supported Construction Program is $254,673,900 in fiscal year 2004-2005 and $235,575,400 in fiscal year 2005-2006 from the Road Fund for state construction projects in the fiscal biennium 2004-2006 Biennial Highway Construction Program. Included within the above Road Fund appropriation is $2,500,000 in fiscal year 2004-2005 and $2,500,000 in fiscal year 2005-2006 to support the Kentucky Pride Fund created in KRS 224.43-505.

(6) Highway Construction Contingency Account: Included in the State Supported Construction Program is $37,740,000 in fiscal year 2004-2005 and

$37,740,000 in fiscal year 2005-2006 for the Highway Construction Contingency Account. Included within the above Road Fund appropriation is $2,500,000 in fiscal year 2004-2005 and $2,500,000 in fiscal year 2005-2006 to support the Kentucky Pride Fund created in KRS 224.43-505. Included in the above Road Fund appropriation is $2,000,000 in each fiscal year to be deposited to the Industrial Road Access Account within the Transportation Cabinet. The Industrial Road Access Account funds are designated to be used solely by the Secretary of the Economic Development Cabinet. These funds may be expended, encumbered, or committed only upon the direction of the Secretary of the Economic Development Cabinet to the Secretary of the Transportation Cabinet. The Secretary of the Economic Development Cabinet may request from the Secretary of the Transportation Cabinet additional funds to be deposited to the Industrial Road Access Account if the funds are necessary to meet specific economic development opportunities in a local community. Any funds not expended from the Industrial Road Access Account prior to June 30, 2005, shall not lapse to the State Highway Construction Program, but shall remain in the Industrial Road Access Account and carry forward into fiscal year 2005-2006.

(7) 2004-2006 Biennial Highway Construction Plan: Projects in the enacted 2002-2004 Biennial Highway Construction Plan are authorized to continue their current authorization into the 2004-2006 fiscal biennium.

(8) Kentucky Transportation Center: Notwithstanding KRS 177.320(4), included in the above Road Fund appropriation is $290,000 in fiscal year 2004-2005 and $290,000 in fiscal year 2005-2006 for the Kentucky Transportation Center.

(9) New Highway Equipment Purchases: Notwithstanding KRS 48.710(3), Restricted Funds are appropriated in the amounts of $1,500,000 in fiscal year 2004-2005 and $1,500,000 in fiscal year 2005-2006 from the sale of surplus equipment to purchase new highway equipment.

(10) State Match Provisions: The Transportation Cabinet is authorized to utilize

state construction moneys or Toll credits to match federal highway moneys in the event that unanticipated additional Federal Funds are provided to Kentucky and the state match appropriations have been exhausted.

(11) Excess Debt Service/Lease-Rental Appropriations: Any Road Fund appropriations that are not needed to pay lease-rental payments to the Kentucky Turnpike Authority or debt service on the new Transportation Cabinet Office Building shall be credited to the State Construction Account.

(12) Federal Aid Highway Funds: If additional federal highway moneys are made available to Kentucky by the United States Congress, the funds shall be used according to the following priority: (a) Any demonstration-specific or project-specific money shall be used on the project identified; and (b) All other funds shall be used to ensure that projects in the fiscal biennium 2004-2006 Biennial Highway Construction Plan are funded. If additional federal moneys remain after these priorities are met, the Transportation Cabinet may select projects from the Four-Year Preconstruction Program.

(13) Demonstration Projects: The Transportation Cabinet is authorized to select up to five design/build demonstration road related projects. Notwithstanding any conflicting provisions of KRS Chapters 45A, 176, and 177, for procurement purposes, the Transportation Cabinet shall utilize a qualifications-based bidding process within the context of the provisions of KRS Chapter 176. The Secretary of the Transportation Cabinet shall determine the nature and scope of each design/build project.

(14) Road Fund Cash Management: The Secretary of the Transportation Cabinet is authorized to continue the Cash Management Plan to address the policy of the General Assembly to expeditiously initiate and complete projects in the fiscal biennium 2004-2006 Biennial Highway Construction Plan. Notwithstanding KRS Chapter 45, specifically including KRS 45.242 and 45.244, the Secretary may concurrently advance projects in the Biennial Highway Construction Plan by employing management techniques that maximize the Cabinet's ability to contract for and effectively administer

the project work. Under the approved Cash Management Plan, the Secretary is directed to continuously ensure that the unspent project and Road Fund balances available to the Transportation Cabinet are sufficient to meet expenditures consistent with appropriations provided.

(15) Biennial Highway Construction Program: In the event that federally funded projects contained in the enacted fiscal biennium 2004-2006 Biennial Highway Construction Program are delayed due to unforeseen circumstances, or if additional Federal Funds are received in excess of the amounts contemplated in this Act, the Transportation Cabinet may advance projects from the Highway Preconstruction Program Plan only to the extent required to ensure that the Commonwealth makes full use of all available Federal Funds.

(16) Grant Anticipation Revenue Vehicle (GARVEE) Bonds: Included in the above Restricted Funds appropriation is $150,000,000 in fiscal year 2004-2005 for GARVEE Bond Funds.

(17) Economic Development Road Bond Funds: $300,000,000 in Economic Development Bond Funds is provided to be issued in fiscal year 2004-2005 to support Economic Development Road Projects.

(18) Road Fund Bonds: The above Economic Development Bond Funds appropriation shall be used to fund projects contained within the 2004-2006 fiscal years of the Six-Year Road Plan.

(19) Continuing Appropriation: Notwithstanding KRS 48.710, unexpended Road Fund appropriations in the Highways budget unit for the State Funded Construction program and the Maintenance program in fiscal year 2004-2005 shall not lapse to the Road Fund Surplus Account, but shall carry forward from one fiscal year to the next.

(20) Programmatic Adjustments: The Secretary of Transportation is authorized to adjust the specific sums for the Highways appropriation programs enumerated above for the purpose of enhancing public safety, maximizing available Federal Funds,

supporting economic development, and accelerating state construction projects.

(21) Miscellaneous Road Fund Projects:

(a) Surplus Property: The Big Creek Toll Facility located on the Hal Rogers Parkway, formerly known as the Daniel Boone Parkway, is hereby declared surplus, and the Cabinet is directed to transfer the property to the Clay County Fiscal Court as of the effective date of this Act, for the use and benefit of the Big Creek Fire Department and Rescue Squad.

Land Parcel 66, located at the junction of KY 229 and the Cumberland Gap Parkway, is hereby declared surplus, and the Cabinet is directed to transfer the property to the Knox County Fiscal Court as of the effective date of this Act, for the use and benefit of the Bailey Switch Volunteer Fire Department.

The Thousandstiks Toll Facility located on the Hal Rogers Parkway, formerly known as the Daniel Boone Parkway, is hereby declared surplus, and the Cabinet is directed to transfer the property to the Leslie County Fiscal Court as of the effective date of this Act.

The Transportation Cabinet land parcel, approximately two acres in area, being bounded on the south side by Foxhaven Drive, on the east by the US 25/US 421 Connector Road, on the north by Old Lexington Road, and on the west by the east line of the Northgate Subdivision, shall be declared surplus property by the Transportation Cabinet and be transferred to the city of Richmond, Kentucky.

(b) Toll Road Facilities: If Federal Funds become available to the state to support retirement of toll roads debt, then each affected toll road facility within the Commonwealth shall close and all affected toll road employees shall be reassigned within the Transportation Cabinet.

(c) Location of Proposed I-66: The location of the proposed I-66 in the Barren County and Warren County area shall be limited to alternative highway corridors extending from the Louie B. Nunn Parkway, formerly known as the Cumberland

Parkway, to the Natcher Parkway north of the City of Bowling Green.

The proposed I-66 corridor through the Purchase Area shall include the corridor through Ballard County, exiting the state of Kentucky at Wickliffe, Kentucky.

(d) Sound Barriers: A sound barrier shall be installed on I-64 for the St. Regis neighborhood. The cost related to the installation of the sound barrier shall be funded from Road Fund resources.

(e)[~~ **Interlocal Agreement:** Any local government shall be permitted to enter into a cooperative agreement with the Transportation Cabinet to maintain traffic control devices on state-maintained roads within the local government's jurisdiction and shall be reimbursed by the Transportation Cabinet for the actual cost of such maintenance. The agreement may permit local governments to make temporary repairs to state-maintained road surfaces with the local government's jurisdiction and shall be reimbursed by the Transportation Cabinet for the actual cost of the temporary repairs.~~

~~**(f)**~~] **Paving and Rehabilitation:** The Kentucky Transportation Cabinet is encouraged to provide grading and paving rehabilitation efforts on I-64 from Grayson to the West Virginia border at the level equal to that accomplished on I-64 in Bath County, Rowan County, and the remainder of Carter County.

5. JUDGMENTS

(1) Payment of Judgments: Road Fund resources required to pay judgments shall be transferred from the State Construction Account at the time when actual payments must be disbursed from the State Treasury.

(2) Carry Forward of Road Fund Appropriation Balance: Notwithstanding KRS 45.229, any funds not expended by June 30, 2005, shall not lapse and shall carry forward.

6. PUBLIC TRANSPORTATION

	2004-05	**2005-06**
General Fund	5,203,400	5,203,400

Restricted Funds	500,000	508,900
Federal Funds	27,227,600	27,230,900
TOTAL	32,931,000	32,943,200

(1) Toll Credits: The Transportation Cabinet is authorized to use toll credits to match Federal Funds to transit systems capital grants.

(2) Human Services Transportation Delivery Program: Consistent with other provisions of this Act, the Human Services Transportation Delivery Program shall continue to be operated under KRS 281.870, 281.872, 281.873, 281.874, 281.875, 281.876, 281.877, 281.878, and 281.879.

(3) Nonpublic School Transportation: Included in the above General Fund appropriation is $2,950,000 in fiscal year 2004-2005 and $2,950,000 in fiscal year 2005-2006 for nonpublic school transportation.

7. REVENUE SHARING

	2004-05	**2005-06**
Road Fund	236,928,500	229,080,600
Highway Bonds	150,000,000	-0-
TOTAL	386,928,500	229,080,600

(1) County Road Aid Program Center: (a) Included in the above Road Fund appropriation is $89,687,000 in fiscal year 2004-2005 and $86,722,400 in fiscal year 2005-2006 for the County Road Aid Program in accordance with KRS 177.320, 179.410, 179.415, and 179.440. Notwithstanding KRS 177.320(2), the above amounts have been reduced by $38,000 in fiscal year 2004-2005 and $38,000 in fiscal year 2005-2006 which has been appropriated to the Highways appropriation unit for the support of the Kentucky Transportation Center.

(b) Included in the above Bond Funds is $100,000,000 in fiscal year 2004-2005 for the County Road Aid Program, expressly for bridges and paving and rehabilitation of existing roads. From that amount, $50,000,000 shall be distributed in accordance with

KRS 177.320, 179.410, 179.415 and 179.440, and $50,000,000 shall be distributed by application process as determined by the Transportation Cabinet.

(2) Rural Secondary Program: Included in the above Road Fund appropriation is $108,800,800 in fiscal year 2004-2005 and $105,204,400 in fiscal year 2005-2006 for the Rural Secondary Program in accordance with KRS 177.320, 177.330, 177.340, 177.350, and 177.360. Notwithstanding KRS 177.320(1), the above amounts have been reduced by $46,000 in fiscal year 2004-2005 and $46,000 in fiscal year 2005-2006 which has been appropriated to the Department of Highways appropriation unit for the support of the Kentucky Transportation Center.

(3) Municipal Road Aid Program: (a) Included in the above Road Fund appropriation is $37,737,200 in fiscal year 2004-2005 and $36,489,800 in fiscal year 2005-2006 for the Municipal Road Aid Program in accordance with KRS 177.365, 177.366, and 177.369. Notwithstanding KRS 177.365(1), the above amounts have been reduced by $16,000 in fiscal year 2004-2005 and $16,000 in fiscal year 2005-2006 which has been appropriated to the Department of Highways appropriation unit for the support of the Kentucky Transportation Center.

(b) Included in the above Bond Funds is $50,000,000 in fiscal year 2004-2005 for the Municipal Road Aid Program, expressly for bridges and paving and rehabilitation of existing roads. From that amount, $25,000,000 shall be distributed in accordance with KRS 177.365, 177.366, and 177.369, and $25,000,000 shall be distributed by application process as determined by the Transportation Cabinet.

(4) Energy Recovery Road Fund: Included in the above Road Fund appropriation is $703,500 in fiscal year 2004-2005 and $664,000 in fiscal year 2005-2006 for the Energy Recovery Road Fund in accordance with KRS 177.977, 177.9771, 177.9772, 177.978, 177.979, and 177.981.

8. VEHICLE REGULATION

	2004-05	**2005-06**

Restricted Funds	3,868,000	4,040,400
Federal Funds	842,700	894,700
Road Fund	15,834,000	15,898,000
TOTAL	20,544,700	20,833,100

(1) Motorcycle Education Program: Notwithstanding KRS 186.890(1) and (2), all revenues from the collection of fees relating to the Motorcycle Safety Education Program Fund shall be utilized to provide motorcycle safety programs. No administrative costs for other programs or budget units within the Transportation Cabinet shall be deducted from the Motorcycle Safety Education Program. The Transportation Cabinet shall report biennially to the Interim Joint Committee on Appropriations and Revenue of the revenues deposited to the Fund, the expenditures incurred, and available balances. In addition, the Cabinet shall identify the safety programs provided, the cost of the programs, their locations, and the number of program attendees.

TOTAL - TRANSPORTATION CABINET

	2004-05	**2005-06**
General Fund	5,203,400	5,203,400
Restricted Funds	250,496,100	100,313,400
Federal Funds	615,085,300	615,140,600
Road Fund	1,071,098,900	1,104,022,100
Highway Bonds	450,000,000	-0-
TOTAL	2,391,883,700	1,824,679,500

M. NECESSARY GOVERNMENT EXPENSES

Budget Unit

1. NECESSARY GOVERNMENT EXPENSES

	2004-05	**2005-06**
General Fund	-0-	-0-

PART II

CAPITAL PROJECTS BUDGET

(1) Capital Construction Fund Appropriations and Reauthorizations: Moneys in the Capital Construction Fund are appropriated for the following capital projects subject to the conditions and procedures in this Act. Items listed without appropriated amounts are previously authorized for which no additional amount is required. These items are listed in order to continue their current authorization into the 2004-2006 fiscal biennium. Unless otherwise specified, reauthorized projects shall conform to the original authorization enacted by the General Assembly.

(2) Expiration of Existing Line-Item Capital Construction Projects: All appropriations to existing line-item capital construction projects expire on June 30, 2005, unless reauthorized in this Act with the following exceptions: (a) A construction contract for the project shall have been awarded by June 30, 2005; (b) Permanent financing or a short-term line of credit sufficient to cover the total authorized project scope shall have been obtained in the case of projects authorized for bonds; (c) Grant or loan agreements, if applicable, shall have been finalized and properly signed by all necessary parties; and (d) Any capital construction project authorized pursuant to actions approved by the 2003 General Assembly in House Bill 269 (2003 Ky. Acts ch. 156, Part II, R. Coal Severance Tax Projects), unless otherwise provided for in this Act, is deemed to be reauthorized up to the total amount of receipts allocated to the single county account at the end of fiscal year 2003-2004. Notwithstanding the criteria set forth in this section, the disposition of 2002-2004 biennium nonstatutory appropriated maintenance pools funded from Capital Construction Investment Income shall remain subject to the provisions of KRS 45.770(4)(c) and (d).

(3) New Bond Projects: Bond projects authorized for the first time in this Part which have debt service supported by state General Fund appropriations are authorized in the first year of the biennium. Debt service has been included effective July 1, 2005, for those projects that have progressed sufficiently to warrant the immediate sale of bonds,

subject to the approval of the State Budget Director and the Secretary of the Finance and Administration Cabinet. The sale of all other bonds to finance the remaining projects shall occur after August 1, 2005.

(4) Lapse of General Fund Debt Service Appropriations for Canceled Projects: If any authorized capital construction or major equipment projects are canceled, any General Fund appropriated debt service for those same projects shall lapse to the credit of the General Fund.

(5) Bond Proceeds Investment Income: Investment income earned from bond proceeds beyond that which is required to satisfy Internal Revenue Service arbitrage rebates and penalties and excess bond proceeds upon the completion of a bond-financed capital project may be used to pay debt service according to the Internal Revenue Service Code and accompanying regulations. Notwithstanding KRS 48.010(13)(b), 48.720, or any section of this Act, any funds appropriated but not required to pay debt service because of this fund source substitution shall be credited to the Statewide Deferred Maintenance Fund account each year. Unneeded debt service resulting from any other circumstance shall lapse in accordance with KRS 48.010(13)(b), 48.720, and other provisions of this Act except for the following: if the fund balance in the Emergency Repair, Maintenance, and Replacement Fund falls below $5,000,000 in fiscal year 2004-2005, any debt service lapse necessary to bring the fund balance to $5,000,000 in that fiscal year shall be credited to the Emergency Repair, Maintenance, and Replacement Fund. No transfer to the Emergency Repair, Maintenance, and Replacement Fund, or the Statewide Deferred Maintenance Pool Account, shall be made based on the above provisions if the lapse from other General Fund accounts is insufficient to meet appropriations approved in other Parts of this Act.

(6) Appropriations for Projects Not Line-Itemized: Inasmuch as the identification of specific projects in a variety of areas of the state government cannot be ascertained with absolute certainty at this time, amounts are appropriated for specific

purposes to projects which are not individually identified in this Act in the following areas: Kentucky Infrastructure Authority Water and Sewer Projects; Repair of State-Owned Dams; Land Acquisition; Property Demolition; Guaranteed Energy Savings projects; Wetland and Stream Mitigation; Phase I Tobacco Settlement Agricultural Development Initiative; Economic Development projects which shall include authorization for the High-Tech Construction Pool and the High-Tech Investment Pool; Military Affairs Various Facilities Deferred Maintenance; Parks Renovation Pool; Education - Various Major Maintenance, Kentucky School for the Deaf; Statewide Repair, Maintenance, and Replacement Pool; Infrastructure projects; Various Projects Pool - KSU; and University Major Items of Equipment Pools. Any projects estimated to cost over $400,000 and equipment estimated to cost over $100,000 shall be reported to the Capital Projects and Bond Oversight Committee. All moneys transferred to the Finance and Administration Cabinet for capital construction from any appropriations, including income from investments, shall be expended, accounted for, and otherwise treated in the same manner as funds appropriated directly to the Finance and Administration Cabinet for capital construction.

A. GENERAL GOVERNMENT

Budget Units	**2004-05**	**2005-06**
1. DEPARTMENT OF VETERANS' AFFAIRS		
001. New State Veterans Cemetery - Central Kentucky Reauthorization		
002. New Veterans Cemetery - Northern Kentucky Reauthorization		
003. Maintenance Pool		
Investment Income	100,000	100,000
2. GOVERNOR'S OFFICE OF AGRICULTURAL POLICY		
001. Kentucky Agriculture Finance		

Corporation - Loan Pool		
Bond Funds	17,000,000	-0-

3. KENTUCKY INFRASTRUCTURE AUTHORITY

001. KIA Fund A - Federally Assisted		
Wastewater Program		
Reauthorization Additional		
Federal Funds	11,000,000	-0-
Bond Funds	2,200,000	-0-
TOTAL	13,200,000	-0-
002. KIA Fund F Drinking Water Revolving		
Loan Program		
Reauthorization Additional		
Federal Funds	13,000,000	-0-
Bond Funds	2,600,000	-0-
TOTAL	15,600,000	-0-

(1) Funds Appropriations: The Bond Funds appropriated in items 001. and 002. above are the required state match for the federal program. The Federal Funds associated with the program are appropriated in Part I, Operating Budget, of this Act to comply with the Federal Cash Management Act.

(2) Expenditure of Loan Repayments Cash Balances: The Kentucky Infrastructure Authority is authorized to expend the cash balances from loan repayments on deposit at the trustee bank for financial assistance, in the form of low-interest loans, to governmental agencies for professional planning and preliminary engineering design work required for eligible Fund A wastewater projects.

003. Infrastructure for Economic Development		
Fund for Coal-Producing Counties		
Bond Funds	80,000,000	-0-

(1) Project Identification: The authorized projects to be funded from the Infrastructure for Economic Development Fund for Coal-Producing Counties Bond Funds are identified in Volume Ia of the State/Executive Branch Budget Memorandum.

(2) Project Revision Authorization: The recipient of Infrastructure for Economic Development Fund for Coal-Producing Counties project funds, identified in Volume Ia of the State/Executive Branch Budget Memorandum, may certify to the Commissioner for the Governor's Office for Local Development that a specified project is no longer an active project and may request reallocation of the project funds to another project. Notwithstanding any other statute to the contrary, upon authorization by the State Budget Director and notification to the Interim Joint Committee on Appropriations and Revenue, the Commissioner for the Governor's Office for Local Development may approve the reallocation of funds.

004.	Infrastructure for Economic Development Fund for Tobacco Counties Bond Funds	126,000,000	-0-

(1) Project Identification: The authorized projects to be funded from the Infrastructure for Economic Development Fund for Tobacco Counties Bond Funds are identified in Volume Ia of the State/Executive Budget Memorandum.

(2) Project Revision Authorization: The recipient of Infrastructure for Economic Development Fund for Tobacco Counties project funds, identified in Volume Ia of the State/Executive Branch Budget Memorandum, may certify to the Commissioner for the Governor's Office for Local Development that a specified project is no longer an active project and may request reallocation of the project funds to another project. Notwithstanding any other statute to the contrary, upon authorization by the State Budget Director and notification to the Interim Joint Committee on Appropriations and Revenue, the Commissioner for the Governor's Office for Local Development may approve the reallocation of funds.

005. Bullitt County Fiscal Court - Hillview Water
and Sewer Projects
Reauthorization and Reallocation ($175,000 Bond Funds)
The above project is authorized from reallocation from the
Shelbyville Water and Sewer - Zaring Mill Road Project
(2003 Ky. Acts ch. 156, page 1910)

006. Brownsville Municipal Water (WX21061018)
Reauthorization and Reallocation ($130,000 Bond Funds)
The above project is authorized from a reallocation from the City of
Brownsville - Sewer Line Extension project (2003 Ky. Acts ch. 156,
page 1903).

007. Brownsville Municipal Water (WX21061018)
Reauthorization and Reallocation ($228,000 Bond Funds)
The above project is authorized from a reallocation from the City of
Brownsville - Sewer Line Extension project (2003 Ky. Act ch. 156,
page 1903).

008. Carter County Fiscal Court - Olive Hill Sewer Project
Reauthorization and Reallocation ($600,000 Bond Funds)
The above project is authorized from a reallocation from the
Carter County Fiscal Court - Olive Hill Water Improvements
and Line Extension project (2003 Ky. Acts ch.156, page 1895).

009. City of West Liberty - Water Storage and WTP Improvements
Reauthorization and Reallocation ($400,000 Bond Funds)
The above project is authorized from a reallocation from the
West Liberty - Water Tank project (2003 Ky. Acts ch. 156, page 1899).

010. Winchester Municipal Utilities - Skylark/ Chickadee/
Redwing Sanitary Sewer Improvements

Reauthorization and Reallocation ($500,000 Bond Funds)

The above project is authorized from a reallocation from the Winchester Municipal Utilities - KY 15 Elevated Press project (2003 Ky. Acts ch. 156, page 1903).

011. Knott County Fiscal Court - Water and Sewer Hwy. 1679/550 (WX21119002)

Reauthorization and Reallocation ($674,090 Bond Funds)

The above project is authorized from a reallocation from the Southern Water and Sewer District - Water Line Extension on Right Beaver Creek project (2003 Ky. Acts ch.156, page 1897).

4. MILITARY AFFAIRS

001. Upgrade Statewide Radio System		
Federal Funds	2,500,000	-0-
002. Runway/Taxiway/Apron Rehabilitation - Additional		
Federal Funds	1,901,000	-0-
003. Construct CCA Perimeter Security Fencing		
Federal Funds	402,000	-0-
Capital Construction Surplus	45,000	-0-
TOTAL	447,000	-0-
004. Construct Aircraft Modification Building at Bluegrass Station		
Restricted Funds	500,000	-0-
Federal Funds	1,500,000	-0-
TOTAL	2,000,000	-0-
005. Maintenance Pool		
Investment Income	860,000	-0-
006. Maintenance Pool -Bluegrass Station		

	Restricted Funds	2,500,000	2,500,000
007.	Maintenance Pool - Air Transportation		
	Investment Income	450,000	450,000
008.	Hangar/Warehouse/Office Buildings		
	- Bluegrass Station		
	Agency Bonds	12,020,000	-0-
009.	Various Facilities – Deferred Maintenance		
	Bond Funds	2,300,000	-0-
010.	Aircraft Maintenance		
	General Fund	150,000	-0-
5.	**GOVERNOR'S OFFICE FOR LOCAL DEVELOPMENT**		
001.	Flood Control Matching Fund - Additional		
	Restricted Funds	1,500,000	1,500,000
002.	Community Economic Growth Program		
	Bond Funds	5,000,000	5,000,000
003.	Southeastern Regional Agricultural		
	and Exposition Center in Corbin		
	Bond Funds	12,000,000	-0-
004.	James E. Bruce Convention Center		
	in Hopkinsville		
	General Fund	1,000,000	-0-
005.	Knox Partners Community Education Center		
	Bond Funds	2,000,000	-0-
6.	**ATTORNEY GENERAL**		
001.	Franklin County - Lease		
7.	**UNIFIED PROSECUTORIAL SYSTEM - COMMONWEALTH'S ATTORNEYS**		
001.	Jefferson County - Lease		

8. AGRICULTURE

001. Franklin County - Lease

9. TREASURY

001. Checksealer Equipment - Lease - Additional

Capital Construction Surplus	63,000	63,000

002. Printers

General Fund	-0-	140,700

10. KENTUCKY RETIREMENT SYSTEMS

001. Franklin County - Lease

11. BOARD OF NURSING

001. Jefferson County – Lease

12. KENTUCKY RIVER AUTHORITY

001. KY River Dam Maintenance Pool

Restricted Funds	500,000	500,000

002. Kentucky River Water Storage Enhancement (KRWSE)

Restricted Funds	727,000	-0-

003. Water Release Project - Additional

Restricted Funds	1,098,100	-0-

B. COMMERCE CABINET

Budget Units	**2004-05**	**2005-06**

1. PARKS

001. Maintenance Pool

Investment Income	3,990,000	-0-

002. Parks Renovation Pool

Bond Funds	35,000,000	-0-

(1) Permitted Use of Bond Funds: These Bond Funds may be used for any

Department of Parks or Kentucky Horse Park Commission facility owned by the Commonwealth.

003.	Herrington Lake State Park and Lodge - Design and Land Acquisition		
	Bond Funds	2,000,000	-0-
004.	Kincaid Lake Lodge - Design and Engineering		
	Bond Funds	500,000	-0-
2.	**HORSE PARK COMMISSION**		
001.	Construct Permanent Seating Stadium Jumping Area		
	Other Funds	-0-	1,000,000
002.	Maintenance Pool		
	Investment Income	575,000	-0-
003.	Horse Park Indoor Arena - Design		
	Bond Funds	1,500,000	-0-
3.	**STATE FAIR BOARD**		
001.	Repave Parking Lots E, J and Ashton/Adair		
	Restricted Funds	1,281,000	49,000
002.	Replace Paving from Gate 1 to Gate 2		
	Restricted Funds	900,000	-0-
003.	Renovate Existing Restrooms		
	Restricted Funds	44,000	788,000
004.	Renovate KICC Pedway System		
	Restricted Funds	50,000	950,000
005.	Maintenance Pool		
	Restricted Funds	1,000,000	1,000,000
006.	Design East Wing/Hall Renovation Project		
	Bond Funds	50,000,000	-0-

Agency Bonds	5,000,000	-0-
TOTAL	55,000,000	-0-

4. FISH AND WILDLIFE RESOURCES

001. Automated License Sales System Upgrade		
Restricted Funds	650,000	-0-
002. Fees-in-Lieu-of Stream Mitigation Projects Pool		
Restricted Funds	5,000,000	5,000,000
003. Maintenance Pool		
Restricted Funds	400,000	400,000
004. Land Acquisition Pool		
Restricted Funds	700,000	700,000
005. Edmonson County Environmental Study		
Reauthorization and Reallocation		

5. HISTORICAL SOCIETY

001. KY History Center - Purchase Casework		
Capital Construction Surplus	250,000	-0-

6. KENTUCKY CENTER FOR THE ARTS

001. Maintenance Pool		
Investment Income	252,000	160,000

C. ECONOMIC DEVELOPMENT CABINET

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

Administration Cabinet. Included in the documentation shall be the rationale for selection and expected economic development impact.

(2) Permissible Use of Available KEDFA Funds: Moneys available to the Kentucky Economic Development Finance Authority (KEDFA) under KRS 154.20-010 to 154.20-180 shall be used exclusively for the purposes of those statutes or as expressly provided for in this Act. Nothing in this Act shall prohibit the transfer of funds from KEDFA to the New Economy Program as set out in this Act.

(3) Seeding Innovation Project: The Kentucky Economic Development Finance Authority Board is encouraged to work with the Department of Innovation and Commercialization for a Knowledge-Based Economy to provide up to $500,000 each year of the 2004-2006 fiscal biennium to fund the Seeding Innovation Project for Kentucky's elementary and secondary schools.

(4) Commercialization and Innovation: Notwithstanding any provisions of KRS 154.20-010 to 154.20-180 to the contrary, included in the Economic Development Bond Pool below is $5,000,000 to support Department of Innovation and Commercialization for a Knowledge-Based Economy projects.

Budget Units	**2004-05**	**2005-06**
1. SECRETARY		
001. New Economy High-Tech Investment/ Construction Pool		
Restricted Funds	11,575,000	10,985,000
002. Airport Relocation Assistance		
Agency Bonds	5,000,000	-0-
003. Crispus Attucks - Small Business Incubator		
Bond Funds	250,000	-0-

(1) Apportionment of Funds: The Commissioner of the Department of Innovation and Commercialization for a Knowledge-Based Economy shall determine the

amounts to be apportioned between the High-Tech Investment Pool and the High-Tech Construction Pool.

2. FINANCIAL INCENTIVES

001. Economic Development Bond Pool		
Reauthorization ($5,000,000 Bond Funds)		
Bond Funds - Additional	15,000,000	-0-
002. Purchase Regional Industrial Park		
Restricted Funds	2,250,000	-0-

D. DEPARTMENT OF EDUCATION

Budget Unit	**2004-05**	**2005-06**
1. OPERATION AND SUPPORT SERVICES		
001. Save Energy Performance Contract Project		
002. Various Major Maintenance - KSD		
Bond Funds	3,839,000	-0-
003. Maintenance Pool		
Investment Income	675,000	-0-
004. Rockcastle Area Vocational Technical School		
Bond Funds	-0-	8,000,000
005. Facility for Education Arts Programs		
Bond Funds	-0-	1,800,000

E. EDUCATION CABINET

Budget Units	**2004-05**	**2005-06**
1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT		
001. Guaranteed Energy Savings Project		
002. Maintenance Pool		
Investment Income	395,000	460,000

2. KENTUCKY EDUCATIONAL TELEVISION

001. Replace Roof at Network Center		
Bond Funds	1,000,000	-0-
002. Maintenance Pool		
Investment Income	100,000	100,000

3. SCHOOL FACILITIES CONSTRUCTION COMMISSION

001. School Facilities Construction Commission

Reauthorization ($121,724,700 Bond Funds)

002. Urgent Need School Trust Fund

Reauthorization ($55,284,000 Bond Funds)

003. Category 5 School Buildings

Reauthorization ($54,730,900 Bond Funds)

004. Offers of Assistance		
Bond Funds	67,735,000	-0-
005. Urgent Need School Trust Fund		
Bond Funds	91,536,000	-0-
006. Additional Construction Cost		
Bond Funds	6,811,300	-0-

4. TEACHERS' RETIREMENT SYSTEM

001. KTRS Pension Management System		
Restricted Funds	-0-	2,000,000

5. EMPLOYMENT AND TRAINING

(1) Facility Replacement and Renovation Program: The General Assembly authorizes the Office of Employment and Training to develop and implement a facility replacement and renovation program to improve the quality of Department of Workforce Investment facilities used by the Office of Employment and Training and its clients, and to reduce departmental reliance on lease/rental properties. The Office of Employment and Training is directed to coordinate this program with the Secretary of the Finance and

Administration Cabinet. Proceeds acquired from the sale, transfer, or other disposition of existing facilities may be expended toward the purchase, construction, renovation, and equipping and furnishing of replacement facilities. Expenditures authorized by this provision are limited to the use of funds solely derived from the sale of Department-owned facilities, which equity rights are shared between both the state and the federal government.

6. VOCATIONAL REHABILITATION

001. Replace Roof Perkins Rehabilitation Center		
Bond Funds	1,320,000	-0-
002. Franklin County - Lease		
003. Fayette County - Lease		

F. ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Budget Units	**2004-05**	**2005-06**
1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT		
001. Maintenance Pool		
Investment Income	500,000	200,000
002. Network Upgrade		
Investment Income	500,000	-0-
003. Kentucky Heritage Land Conservation Fund		
Additional		
Restricted Funds	3,000,000	3,000,000
Federal Funds	1,000,000	1,000,000
TOTAL	4,000,000	4,000,000
2. ENVIRONMENTAL PROTECTION		
001. State-Funded Leaking Underground Storage Tanks		
Restricted Funds	500,000	500,000
002. State-Owned Dam Repair		

	Bond Funds	1,000,000	-0-
003.	Hazardous Waste Management Fund		
	Restricted Funds	2,100,000	2,100,000
004.	National Environmental Exchange		
	Network Grant		
	Federal Funds	150,000	350,000
005.	Franklin County - Lease (DoW Comm., Ash Bldg.)		
006.	Franklin County - Lease (Air Qual., Schenkel Ln.)		
3.	**SURFACE MINING RECLAMATION AND ENFORCEMENT**		
001.	Franklin County - Lease		
4.	**KENTUCKY NATURE PRESERVES COMMISSION**		
001.	Kentucky Nature Preserves Acquisition Fund		
	Other Funds	300,000	300,000
5.	**PETROLEUM STORAGE TANK ENVIRONMENTAL ASSURANCE FUND**		
001.	Petroleum Storage Tank Environmental		
	Assurance Fund		
	Bond Funds	25,000,000	-0-
6.	**HOUSING, BUILDINGS AND CONSTRUCTION**		
001.	Franklin County - Lease		
7.	**INSURANCE**		
001.	Franklin County - Lease		
8.	**LABOR**		
001.	Franklin County - Lease		
002.	Franklin County - Lease		

G. FINANCE AND ADMINISTRATION CABINET

Budget Units		**2004-05**	**2005-06**
1.	**GENERAL ADMINISTRATION**		

001. Two Inserting Machines – Postal Services

Investment Income	300,000	-0-

002. Finance Genesco Building - Lease

2. CONTROLLER

001. Management Administrative Reporting System Upgrade

Restricted Funds	6,000,000	2,000,000
Investment Income	1,000,000	2,500,000
TOTAL	7,000,000	4,500,000

002. Phase II Tobacco Settlement Payments

Bond Funds	87,000,000	-0-
General Fund	27,000,000	-0-
TOTAL	114,000,000	-0-

(1) Phase II Tobacco Settlement Payments: The bonds shall be issued by the Kentucky Asset/Liability Commission or any other applicable state entity authorized by law to issue bonds, as designated by the Secretary of the Finance and Administration Cabinet. The bonds shall be issued by June 30, 2005, and shall be issued for a term not to exceed 20 years. Funds may be provided to the Kentucky Tobacco Settlement Trust Corporation for costs incurred to provide for the issuance of the Phase II Settlement Payments checks. The necesary funds may be provided from the $114,000,000 General Fund and Bond Fund proceeds identified in Section 2. Controller, Item 002.

3. FACILITIES AND SUPPORT SERVICES

001. Acquire Land/Demolish Bldgs. - Statewide - Additional

Investment Income	975,000	-0-

002. Improve Site Infrastructure - KY Capitol Complex II

Restricted Funds	1,800,000	-0-
Bond Funds	6,000,000	-0-
TOTAL	7,800,000	-0-

(1) Restricted Funds – Kentucky Capitol Complex: The Restricted Funds authorized for the Improve Site Infrastructure – KY Capitol Complex II project are restricted by the Federal Government. One of the authorized uses is for energy-related projects. It is the intention of the General Assembly that these funds be used to offset a portion of the cost for the new Power Plant Building at the Capitol Annex which will result in substantial energy savings.

003. Capital Construction and Equipment Purchase Contingency Fund

General Fund	5,000,000	-0-
Investment Income	1,400,000	-0-
TOTAL	6,400,000	-0-

004. Governor's Mansion HVAC and Window Replacement

General Fund	800,000	-0-

005. Deferred Maintenance Fund

Capital Construction Surplus	444,400	-0-

006. Guaranteed Energy Performance Projects Pool

(1) Authorization and Purpose of Pool: The Guaranteed Energy Performance Projects Pool shall serve as a central project pool for Guaranteed Energy Savings Performance Contracts in any state-owned building. These contracts will function as lease-purchase procurements, using energy savings as payment for improvements, as provided by KRS 56.770 to 56.784. The Finance and Administration Cabinet is authorized to enter into various guaranteed energy performance contracts for facilities in any state agency.

007. Emergency Repair, Maintenance & Replacement Fund

General Fund	2,500,000	-0-
Investment Income	2,500,000	-0-
TOTAL	5,000,000	-0-

008. Maintenance Pool		
Restricted Funds	124,000	124,000
Investment Income	3,750,000	-0-
TOTAL	3,874,000	124,000
009. Statewide Repair, Maintenance, and Replacement Pool Fund		
Bond Funds	18,225,000	-0-

(1) Statewide Repair, Maintenance, and Replacement Pool Fund: Included in the above Statewide Repair, Maintenance, and Replacement Pool Fund are the following Bond Funds supported projects and related appropriations in fiscal year 2004-2005:

(a) Military Affairs, Construct 30 New T-Hangars, Capital City Airport, $1,350,000;

(b) Military Affairs, Maintenance Pool, $860,000;

(c) Parks, Maintenance Pool, $3,990,000;

(d) Kentucky Horse Park Commission, Maintenance Pool, $575,000;

(e) Department of Education, Operations and Support Services, $675,000;

(f) Environmental and Public Protection Cabinet, Department for Environmental Protection, State-Owned Dam Repair, $1,000,000;

(g) Facilities and Support Services, Acquire Land/Demolish Buildings Statewide, $975,000;

(h) Facilities and Support Services, Statewide Deferred Maintenance Fund, $1,000,000;

(i) Facilities and Support Services Maintenance Pool, $3,750,000;

(j) Health and Family Services Cabinet, Department for Mental Health and Mental Retardation Services, Maintenance Pool, $1,500,000;

(k) Health and Family Services Cabinet, Miscellaneous Roof Pool, $700,000; and

(l) Justice and Public Safety Cabinet, Corrections Management, Maintenance Pool, $1,850,000.

010. Renovate State Office Bldg. Phase II

Bond Funds	35,000,000	-0-

4. COMMONWEALTH OFFICE OF TECHNOLOGY

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

001. UCJIS -Court Improvements (E-Warrants)

Federal Funds	1,000,000	-0-
Bond Funds	4,500,000	-0-
TOTAL	5,500,000	-0-

002. Enterprise Infrastructure Security

Restricted Funds	1,000,000	-0-

003. Enterprise Storage Solution

Restricted Funds	1,000,000	1,000,000

004. Enterprise Tape Equipment/Media Solution

Restricted Funds	1,200,000	-0-

005. Enterprise Messaging

Restricted Funds	660,000	-0-

006. Disaster Recovery Project – Design

Restricted Funds	-0-	1,200,000

007. KY Information Highway Upgrade Expansion - Additional

Restricted Funds	3,500,000	-0-

008. Enterprise UNIX Server(s) Consolidation

Restricted Funds	2,000,000	1,300,000

009. Enterprise Server Complex Upgrade

Restricted Funds	1,250,000	1,250,000

010. Statewide Digital Orthoimagery Basemap Updating

Restricted Funds	200,000	-0-
Federal Funds	300,000	-0-
TOTAL	500,000	-0-

011. Disk Storage Upgrade

Restricted Funds	800,000	-0-

012. Public Safety Communications Infrastructure - KEWS

Bond Funds	13,768,000	-0-

013. Franklin County - Lease

5. REVENUE

001. Develop Streamlined Sales Tax Simplification System

Bond Funds	14,062,000	-0-

002. Franklin County - Lease - Perimeter Park

003. Franklin County - Lease - 200 Fair Oaks

004. Franklin County - Lease - 100 Fair Oaks

005. Business Refund Off-Set System

Bond Funds	1,750,000	-0-

006. Collection System Interface Phase I

Bond Funds	1,500,000	-0-

007. Scanner Replacement

General Fund	875,000	-0-

6. KENTUCKY LOTTERY CORPORATION

001. Sales and Quota System

Other Funds	500,000	-0-

002. Potential Buyout of On-line Gaming System

Other Funds	12,250,000	-0-

003. Contingency on Property Adjacent to New Headquarters

Other Funds	3,750,000	-0-
004. Network Storage and Associated Infrastructure		
Other Funds	500,000	-0-
005. iSeries System Upgrades		
Other Funds	1,500,000	-0-
006. Data Processing, Telecomm., and Related Equipment		
Other Funds	3,000,000	3,000,000

(1) Property Acquisition: The Kentucky Lottery Corporation may acquire properties related to the consolidation of the Kentucky Lottery Corporation's facilities assuming one or more of the properties becomes available for purchase. The purchase price of the properties shall not exceed $3,750,000 in the aggregate.

H. HEALTH AND FAMILY SERVICES CABINET

Budget Units	**2004-05**	**2005-06**
1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT		
001. Safeguarding Children at Risk (TWIST Re-Write)		
Federal Funds	1,188,000	-0-
Bond Funds	2,205,000	-0-
TOTAL	3,393,000	-0-
002. Server Refresh Phase I		
Federal Funds	500,000	-0-
Capital Construction Surplus	500,000	-0-
TOTAL	1,000,000	-0-
003. Network Infrastructure Upgrade		
Federal Funds	972,000	-0-
Bond Funds	782,000	-0-
Capital Construction Surplus	190,000	-0-
TOTAL	1,944,000	-0-

004. Child Support Enforcement (KASES II)		
Federal Funds	3,960,000	-0-
Bond Funds	2,040,000	-0-
TOTAL	6,000,000	-0-
005. Support for Health and Welfare Services (KAMES)		
General Fund	1,000,000	6,000,000
Federal Funds	1,667,000	10,000,000
TOTAL	2,667,000	16,000,000
006. Telecommunications Upgrade – Various Facilities		
Federal Funds	400,000	-0-
Capital Construction Surplus	400,000	-0-
TOTAL	800,000	-0-

007. Boone County - Lease

008. Boyd County - Lease

009. Campbell County - Lease

010. Fayette County - Lease

011. Fayette County - Lease

012. Franklin County - Lease

013. Franklin County - Lease

014. Hardin County - Lease

015. Harlan County - Lease

016. Henderson County - Lease

017. Jefferson County - Lease

018. Johnson County - Lease

019. Kenton County - Lease

020. Kenton County - Lease

021. OTS Franklin - Lease

022. Perry County - Lease

023. Shelby County - Lease

024. Warren County - Lease

2. MENTAL HEALTH AND MENTAL RETARDATION SERVICES

001. Upgrade HVAC Pipes & Electric - Glasgow

Bond Funds	2,200,000	-0-

002. Replace Roof - Oakwood

Bond Funds	2,200,000	-0-

003. Fair Oaks Franklin County - Lease

004. VA Hospital - Lease

005. Maintenance Pool

Investment Income	1,300,000	-0-

006. Chiller Pool

Investment Income	450,000	-0-

3. PUBLIC HEALTH

001. Purchase Laboratory Equipment - Tandem Mass Sp.- Newborn Screening # 1

General Fund (Tobacco)	330,000	-0-

002. Replace Laboratory Equipment - DPH

Investment Income	350,000	-0-

003. Purchase Laboratory Equipment - Tandem Mass Sp.- Newborn Screening #2

General Fund (Tobacco)	330,000	-0-

004. Upgrade KASPER System DPH

Bond Funds	5,000,000	-0-

I. JUSTICE AND PUBLIC SAFETY CABINET

Budget Units	**2004-05**	**2005-06**

1. JUVENILE JUSTICE

001. Maintenance Pool

Investment Income	450,000	450,000

2. STATE POLICE

001. Maintenance Pool

Investment Income	300,000	300,000

002. Laboratory Information Management System (LIMS)

Restricted Funds	750,000	-0-

003. Replace Records and Secure Evidence Facility

Bond Funds	-0-	6,075,000

3. CORRECTIONS MANAGEMENT

001. Perform Energy Perf. Contracting - Various II

002. Replace Electronic Offender Mgt. Systems Ph I

Bond Funds	5,000,000	-0-

003. Maintenance Pool

Investment Income	2,672,000	-0-

4. PUBLIC ADVOCACY

001. Franklin County - Lease

J. PERSONNEL CABINET

Budget Unit

1. GENERAL OPERATIONS

001. Replace Commonwealth's Personnel Payroll System

Bond Funds	-0-	25,000,000

002. On-line Health Insurance Application

Restricted Funds	1,250,000	-0-

003. Franklin County - Lease

K. POSTSECONDARY EDUCATION

Budget Units	2004-05	2005-06
1. COUNCIL ON POSTSECONDARY EDUCATION		
001. Franklin County - Lease		
002. KYVL Portal Statewide License Replacement		
Restricted Funds	1,000,000	-0-
003. Biotechnology Building - Shrimp Production		
Bond Funds	1,700,000	-0-
2. KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY		
001. Purchase Inserter		
Restricted Funds	140,000	-0-
3. KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION		
001. Upgrade IBM iseries-Based Equipment		
Restricted Funds	700,000	-0-
002. Jefferson County - Lease		
4. EASTERN KENTUCKY UNIVERSITY		
001. Renovate Student Health Center		
Restricted Funds	2,072,000	-0-
002. Upgrade Academic Computing		
Restricted Funds	2,300,000	2,600,000
003. Purchase Networked Education System Component		
Restricted Funds	3,450,000	3,500,000
004. Expand, Upgrade Campus Data Network		
Restricted Funds	7,212,000	6,000,000
005. Upgrade Administrative Computing System		
Restricted Funds	1,650,000	1,500,000
006. Purchase Fourier Trans. Nuc. Mag. Res. Spect.		
Restricted Funds	135,000	-0-

007.	Construct E & G Life Safety Begley Elevator		
	Reauthorization ($750,000 Restricted Funds)		
008.	Purchase of Property		
	Restricted Funds	3,000,000	-0-
009.	Guaranteed Energy Savings Project		
010.	Renovate Watts Property (Elmwood)		
	Reauthorization ($2,000,000 Restricted Funds)		
011.	Expand and Renovate Presnell Building		
	Reauthorization ($1,000,000 Restricted Funds)		
012.	Expand Indoor Tennis Facility		
	Restricted Funds	1,000,000	-0-
013.	Construct Business Technology Center - Phase II		
	Bond Funds	32,850,000	-0-
014.	Renovate Residence Hall		
	Agency Bonds	7,500,000	-0-
015.	Science Complex		
	Bond Funds	5,000,000	-0-
016.	Manchester Postsecondary Education Center		
	Bond Funds	9,000,000	-0-
017.	Construct Intramural Fields		
	Agency Bonds	2,300,000	-0-
5.	**KENTUCKY STATE UNIVERSITY**		
001.	Bradford Hall Structural Repair		
	Restricted Funds	900,000	-0-
002.	Expand Business Wing & Renovate Bradford Hall		
	Restricted Funds	8,400,000	16,600,000
003.	Construct New Residence Hall		

	Restricted Funds	20,000,000	-0-
004.	Roof Repairs & Replacement Exum/Combs/Bell Gym		
	Restricted Funds	450,000	450,000
005.	Extend Fiber Network to South Campus		
	Restricted Funds	839,000	-0-
006.	Implement Smart Card Technology		
	Restricted Funds	1,165,000	-0-
007.	Add New Chiller		
	Restricted Funds	2,392,000	-0-
008.	Hill Student Center 3rd Floor Build-out		
	Restricted Funds	600,000	-0-
009.	Telecommunication Equipment (PBX)		
	Restricted Funds	1,352,000	-0-
010.	Alumni Stadium Structural Repair		
	Restricted Funds	400,000	-0-
011.	Expand Cooperative Extension Bldg.		
	Federal Funds	-0-	3,353,000
012.	Softball Field		
	Restricted Funds	500,000	-0-
013.	Guaranteed Energy Savings Project		
014.	Design Parking Garage		
	Restricted Funds	1,500,000	-0-
015.	Hathaway Hall renovation - Phase II		
	Bond Funds	7,400,000	-0-
016.	Young Hall Renovation - Additional		
	Reauthorization ($4,547,000 Agency Bonds)		
	Bond Funds	5,339,000	-0-

	Restricted Funds	396,000	-0-
	TOTAL	5,735,000	-0-
017.	Various Projects Pool		
	Agency Bonds	1,000,000	-0-
6.	**MOREHEAD STATE UNIVERSITY**		
001.	Major Item of Equipment Pool		
	Restricted Funds	3,740,000	-0-
002.	Comply with ADA- E & G - Additional		
	Restricted Funds	500,000	-0-
003.	Enhance Network/Infrastructure Resources		
	Reauthorization ($2,250,000 Restricted Funds)		
004.	Enhance Library Automation Resources		
	Reauthorization ($750,000 Restricted Funds)		
005.	Enhance Distance Learning Systems		
	Reauthorization ($2,500,000 Restricted Funds)		
006.	Expand Compressed Video Resources - Additional		
	Restricted Funds	309,000	-0-
007.	Upgrade Instruct. PCs/LANS/Peripherals		
	Reauthorization ($2,500,000 Restricted Funds)		
008.	Upgrade Administrative Office Systems		
	Reauthorization ($2,000,000 Restricted Funds)		
009.	Reconstruct Central Campus		
	Reauthorization ($780,000 Restricted Funds)		
010.	Acquire Land Related to Master Plan		
	Restricted Funds	2,000,000	-0-
011.	Replace Boiler Tubes		
	Restricted Funds	800,000	-0-

012. Replace Bag House		
Restricted Funds	2,000,000	-0-
013. Comply with ADA -Auxiliary		
Reauthorization ($1,200,000 Restricted Funds)		
014. Construct Family Housing Complexes Phase II - Additional		
Reauthorization ($4,000,000 Restricted Funds)		
Restricted Funds	700,000	-0-
015. Kentucky Geodetic Infrastructure – Phase I		
Federal Funds	5,000,000	-0-
016. Implement Integrated ERP System		
Restricted Funds	5,000,000	-0-
017. NASA Space Science Center		
Bond Funds	12,200,000	-0-
Federal Funds	5,000,000	-0-
TOTAL	17,200,000	-0-
018. Expand Student Wellness Center		
Agency Bonds	1,000,000	-0-
019. Design Health Science Classroom Building		
Bond Funds	1,500,000	-0-
020. Design Residence Hall Renovation/Improvement		
Restricted Funds	5,000,000	-0-
021. Clay Community Center - Eight Additional Classrooms		
Bond Funds	1,500,000	-0-

7. MURRAY STATE UNIVERSITY

001. Guaranteed Energy Savings Project		
002. Acquire Land		
Restricted Funds	499,800	-0-

003.	Install 350 Ton Chiller - Reg. Special Events Center - Additional		
	Reauthorization ($400,000 Restricted Funds)		
	Restricted Funds	260,000	-0-
004.	Construct Public Safety Building		
	Restricted Funds	1,500,000	-0-
005.	Repair Stewart Stadium - Structural		
	Restricted Funds	2,000,000	-0-
006.	Install Baseball Field and Stadium Sidewalk Lights		
	Reauthorization ($600,000 Restricted Funds)		
007.	Replace Breathitt Veterinary Center Incinerator		
	Restricted Funds	1,500,000	-0-
008.	Upgrade Campus Electrical Distribution System		
	Reauthorization ($10,765,000 Restricted Funds)		
009.	Replace Campus Communications Infrastructure		
	Restricted Funds	2,500,000	-0-
010.	Replace Telephone Switching System - Additional		
	Reauthorization ($1,000,000 Restricted Funds)		
	Restricted Funds	525,000	-0-
011.	Replace Clark Hall Water Piping, Fixtures, Etc. - Additional		
	Reauthorization ($600,000 Restricted Funds)		
	Restricted Funds	400,000	-0-
012.	Replace Springer Hall Water Piping, Fixtures, Etc. - Additional		
	Reauthorization ($800,000 Restricted Funds)		
	Restricted Funds	450,000	-0-
013.	Replace Franklin Hall Water Piping, Fixtures, Etc. - Additional		
	Reauthorization ($600,000 Restricted Funds)		
	Restricted Funds	400,000	-0-

014. Replace Richmond Hall Water Piping Fixtures, Etc. - Additional
Reauthorization ($600,000 Restricted Funds)
Restricted Funds 400,000 -0-
015. Replace Regents Hall Domestic Water Piping
Reauthorization ($500,000 Restricted Funds)
016. Upgrade College Courts Electrical System
Reauthorization ($1,200,000 Restricted Funds)
017. Renovate College Courts
Reauthorization ($3,636,000 Restricted Funds)
018. Renovate College Courts Interiors (12 Buildings)
Reauthorization ($2,000,000 Restricted Funds)
019. Replace Student Writing and Design Lab Computers
Restricted Funds 414,000 -0-
020. Upgrade Campus Network to Gigabit Ethernet System - Additional
Reauthorization ($1,000,000 Restricted Funds)
Restricted Funds 469,000 -0-
021. Install Online Centralized Data Access/Warehouse
Restricted Funds 520,000 -0-
022. Establish Centralized Technology Refresh Program
Restricted Funds 2,600,000 -0-
023. Purchase BVC Electron Microscope-Scanning Type
Restricted Funds 300,000 -0-
024. Replace Franklin Hall
Reauthorization ($8,000,000 Restricted Funds)
025. Remove Elizabeth Hall Asbestos Ceiling
Reauthorization ($450,000 Restricted Funds)
026. Remove Hester Hall Asbestos Ceilings

	Reauthorization ($450,000 Restricted Funds)		
027.	Repair Winslow Cafeteria Exterior - Additional Reauthorization ($500,000 Restricted Funds)		
	Restricted Funds	500,000	-0-
028.	RESNET Improvements		
	Restricted Funds	400,000	-0-
029.	ITV Upgrade		
	Restricted Funds	400,000	-0-
030.	New Science Complex		
	Bond Funds	15,000,000	-0-
031.	Construct New Residential College Facility		
	Agency Bonds	13,077,000	-0-
	Restricted Funds	13,077,000	-0-
	TOTAL	26,154,000	-0-
032.	Renovate/Addition - Waterfield Library		
	Restricted Funds	7,000,000	-0-
8.	**NORTHERN KENTUCKY UNIVERSITY**		
001.	Repair Structure of Landrum Hall/Phase II		
	Restricted Funds	900,000	-0-
002.	Renovate/Expand Landrum Hall -Design		
	Restricted Funds	700,000	-0-
003.	Replace Power Distribution Infrastructure		
	Restricted Funds	3,000,000	-0-
004.	Upgrade AS &T Instructional Space		
	Restricted Funds	3,100,000	-0-
005.	Land Acquisition Pool - 2004-2006		
	Restricted Funds	3,000,000	-0-

006.	Replace Air Handlers		
	Restricted Funds	875,000	-0-
007.	Replace Elevators Landrum Hall/Lucas Admin Center		
	Restricted Funds	900,000	-0-
008.	Construct Sports Complex		
	Restricted Funds	12,000,000	-0-
009.	Initiate Phase II Master Plan		
	Restricted Funds	2,200,000	-0-
010.	Construct New Parking Deck		
	Restricted Funds	10,670,000	-0-
011.	Expand Regents Hall		
	Restricted Funds	1,300,000	-0-
012.	Reconstruct Central Plaza Phase II		
	Restricted Funds	3,500,000	-0-
013.	Enhance Info Technology Infrastructure		
	Reauthorization ($2,700,000 Restricted Funds)		
014.	Enhance Instructional Info Technology		
	Restricted Funds	3,600,000	-0-
015.	Construct Alumni Center		
	Restricted Funds	5,100,000	-0-
016.	Purchase Coach Bus		
	Restricted Funds	400,000	-0-
017.	Purchase Direct Image Platesetter		
	Restricted Funds	150,000	-0-
018.	Replace Admin Application System		
	Restricted Funds	9,750,000	-0-
019.	Office Space - Lease		

020.	METS Center - Lease		
021.	Regional Special Events Center		
	Bond Funds	54,000,000	-0-
	Restricted Funds	6,000,000	-0-
	TOTAL	60,000,000	-0-
022.	Construct New Student Union Building		
	Agency Bonds	14,750,000	-0-
	Restricted Funds	21,050,000	-0-
	TOTAL	35,800,000	-0-
023.	Construct New Parking Deck - Phase II		
	Restricted Funds	10,670,000	-0-

9. UNIVERSITY OF KENTUCKY

001.	Major Item of Equipment Pool		
	Restricted Funds	75,000,000	-0-
002.	Construct Gatton Building Complex - Design		
	Restricted Funds	4,500,000	-0-
003.	Construct Law School Building - Design		
	Restricted Funds	4,000,000	-0-
004.	Purchase/Renovate Facility for College of Design		
	Restricted Funds	16,528,000	-0-
005.	Construct Digital Technologies Building - Design		
	Restricted Funds	3,000,000	-0-
006.	Expand Plant, Soil & Envir. Sci. Facil. - Design		
	Restricted Funds	1,500,000	-0-
007.	Expand Chemistry-Physics Building Design		
	Restricted Funds	5,500,000	-0-
008.	Expand & Upgrade Livestock Disease Diag. Center		

	Bond Funds	8,500,000	-0-
009.	Construct Bio-Medical Research Building Design		
	Restricted Funds	6,000,000	-0-
010.	Construct Early Childhood Development/Family Center -Additional		
	Reauthorization ($8,000,000 Restricted Funds)		
	Restricted Funds	1,956,000	-0-
011.	Expand KGS Well Sample & Core Repository		
	Restricted Funds	3,759,000	-0-
012.	Renovate Sections of Funkhouser		
	Restricted Funds	4,923,000	-0-
013.	Improve Life Safety, Project Pool		
	Restricted Funds	5,290,000	-0-
014.	Improve Plant - Capital Renewal Pool		
	Restricted Funds	15,000,000	-0-
015.	Upgrade Fume Hoods TH Morgan - Life Safety		
	Restricted Funds	2,738,000	-0-
016.	Upgrade Fume Hoods Research #3 - Life Safety		
	Reauthorization ($4,825,000 Restricted Funds)	-0-	-0-
017.	Upgrade HVAC - CAER Ph. III Life Safety - Additional		
	Reauthorization ($450,000 Restricted Funds)		
	Restricted Funds	25,000	-0-
018.	Upgrade Pharm. Fume Hood I - Life Safety		
	Reauthorization ($4,300,000 Restricted Funds)	-0-	-0-
019.	Improve IAQ - Phase I - Life Safety		
	Reauthorization ($500,000 Restricted Funds)	-0-	-0-
020.	Abate Asbestos LC II - Life Safety		
	Reauthorization ($500,000 Restricted Funds)	-0-	-0-

021.	Improve Accessibility Project Pool		
	Restricted Funds	437,000	-0-
022.	Renovate Running Track		
	Reauthorization ($2,500,000 Restricted Funds)	-0-	-0-
023.	Lease-Purchase High Performance Research Comp.		
	Restricted Funds	6,500,000	-0-
024.	Construct Medical Center Education Building		
	Restricted Funds	27,000,000	-0-
025.	Construct Environmental Institute - Additional		
	Reauthorization ($12,604,000 Restricted Funds)		
	Restricted Funds	1,683,000	-0-
026.	Expand/Renovate Art Museum in Singletary Center		
	Restricted Funds	10,075,000	-0-
027.	Upgrade Pilot - Scale Mineral Process Facility		
	Restricted Funds	500,000	-0-
028.	Lease-Purchase Large Scale Computing		
	Restricted Funds	3,500,000	-0-
029.	Renovate COHR Space in the Dental Building		
	Reauthorization ($1,875,000 Restricted Funds)	-0-	-0-
030.	Expand CAER Laboratories		
	Restricted Funds	3,833,000	-0-
031.	Lease-Purchase Enterprise Storage System		
	Restricted Funds	1,200,000	-0-
032.	Lease-Purchase UPS System		
	Restricted Funds	800,000	-0-
033.	Upgrade Electric & Lighting in Guignol Theatre		
	Restricted Funds	890,000	-0-

034.	Lease-Purchase Campus Infrastructure Upgrade		
	Reauthorization ($3,500,000 Restricted Funds)	-0-	-0-
035.	Lab Security Systems Project Pool		
	Restricted Funds	500,000	-0-
036.	Renovate 3rd Floor Little Library		
	Restricted Funds	2,200,000	-0-
037.	Install Emergency Generator in Computing Facility		
	Restricted Funds	425,000	-0-
038.	Renovate Med. Center Library - Additional		
	Reauthorization ($2,000,000 Restricted Funds)		
	Restricted Funds	3,500,000	-0-
039.	Renovate King Library South - 1930 Section - Additional		
	Reauthorization ($8,025,000 Restricted Funds)		
	Restricted Funds	9,876,000	-0-
040.	Land Acquisition Pool		
	Restricted Funds	15,000,000	-0-
041.	Renovate Practice Instruction Space in Pharmacy		
	Restricted Funds	3,200,000	-0-
042.	Lease-Purchase Apartment Complex		
	Restricted Funds	11,000,000	-0-
043.	Renovate Outpatient Clinic in Kentucky Clinic - Additional		
	Reauthorization ($2,000,000 Restricted Funds)		
	Restricted Funds	237,000	-0-
044.	Replace Air Handling Units Central Computing Facility		
	Restricted Funds	510,000	-0-
045.	Renovate Graduate Edu. & Research Space in Nursing		
	Restricted Funds	1,600,000	-0-

046.	Renovate Bowman Hall		
	Restricted Funds	8,221,000	-0-
047.	Construct New Housing		
	Restricted Funds	49,991,000	-0-
048.	Renovate Reynolds Building		
	Restricted Funds	12,310,000	-0-
049.	Lease-Purchase Data Warehouse		
	Restricted Funds	600,000	-0-
050.	Purchase Server/Workstation for Software		
	Restricted Funds	400,000	-0-
051.	Renovate Taylor Education Building		
	Restricted Funds	17,864,000	-0-
052.	Construct Parking Structure - Central Campus		
	Restricted Funds	17,000,000	-0-
053.	Construct Parking Structure - North Campus		
	Restricted Funds	25,248,000	-0-
054.	Renovate Kastle Hall		
	Restricted Funds	8,269,000	-0-
055.	Lease-Purchase Tape Library		
	Restricted Funds	500,000	-0-
056.	Expand Grehan Journalism Building		
	Restricted Funds	12,740,000	-0-
057.	Construct New Alumni Center		
	Restricted Funds	15,250,000	-0-
058.	Expand Animal Science Research Center Phase II		
	Restricted Funds	23,184,000	-0-
059.	Renovate Central Computing Facility		

Restricted Funds	2,360,000	-0-
060. Renovate Koinonia House		
Restricted Funds	1,950,000	-0-
061. Lease-Purchase Fire Suppression Upgrade		
Restricted Funds	850,000	-0-
062. Renovate Slone Building		
Restricted Funds	7,993,000	-0-
063. Purchase Police Communications Equipment		
Restricted Funds	571,000	-0-
064. Purchase Upgraded Integrated Library System		
Restricted Funds	700,000	-0-
065. Lease-Purchase Network Security Hardware		
Restricted Funds	1,500,000	-0-
066. Fit-up Education Space in Health Science Building		
Restricted Funds	1,000,000	-0-
067. Replace Steam and Condensate Pipe		
Reauthorization ($5,000,000 Restricted Funds)	-0-	-0-
068. Replace Air Handling Units in Research #1		
Restricted Funds	1,600,000	-0-
069. Lease-Purchase Telephone Switch Convergence		
Restricted Funds	12,000,000	-0-
070. Upgrade Elevator Controls in Nursing Building		
Restricted Funds	600,000	-0-
071. Purchase Digital Media Distribution System		
Restricted Funds	186,000	-0-
072. Renovate School of Public Health Building		
Restricted Funds	3,751,000	-0-

073.	Replace Nutter Football Field		
	Restricted Funds	2,000,000	-0-
074.	Memorial Coliseum Expansion		
	Restricted Funds	27,500,000	-0-
075.	Renovate Commonwealth Stadium Concrete		
	Restricted Funds	2,500,000	-0-
076.	Lease-Purchase Unix Cluster		
	Restricted Funds	600,000	-0-
077.	Upgrade Network for Software		
	Restricted Funds	250,000	-0-
078.	Purchase Integrated Imaging System		
	Restricted Funds	130,000	-0-
079.	Lease-Purchase Video Switch Expansion		
	Restricted Funds	250,000	-0-
080.	Replace Law Building Marble Facade		
	Restricted Funds	838,000	-0-
081.	Construct Multi-Care Clinic Building		
	Restricted Funds	20,500,000	-0-
082.	Purchase Network Infrastructure Restructuring		
	Restricted Funds	160,000	-0-
083.	Lease-Purchase UPS Upgrade for Communications		
	Restricted Funds	800,000	-0-
084.	Expand Patient Parking in Structure #3		
	Reauthorization ($7,000,000 Restricted Funds)	-0-	-0-
085.	Purchase GIS Remote Sensing Teaching Lab		
	Reauthorization ($160,000 Restricted Funds)	-0-	-0-
086.	Replace Central Facilities Management System		

	Reauthorization ($3,000,000 Restricted Funds)	-0-	-0-
087.	Renovate Photography Space in Nursing Building		
	Restricted Funds	650,000	-0-
088.	Replace Chemistry Physics Ductwork		
	Restricted Funds	2,000,000	-0-
089.	Fit-up 4th Floor BBSRB		
	Restricted Funds	7,315,000	-0-
	Federal Funds	3,685,000	-0-
	TOTAL	11,000,000	-0-
090.	Replace Central Fire Alarm System		
	Restricted Funds	2,500,000	-0-
091.	Upgrade the Vivarium in Sanders Brown Building		
	Restricted Funds	2,000,000	-0-
	Federal Funds	2,000,000	-0-
	TOTAL	4,000,000	-0-
092.	Purchase Redundant Disk Server System		
	Restricted Funds	170,000	-0-
093.	Renovate Substation #2		
	Restricted Funds	2,780,000	-0-
094.	Renovate Labs in the Pharmacy Building - Additional		
	Reauthorization ($1,400,000 Restricted Funds)		
	Restricted Funds	600,000	-0-
	Federal Funds	2,000,000	-0-
	TOTAL	2,600,000	-0-
095.	Improve Central Heating Plant -Additional		
	Reauthorization ($2,750,000 Restricted Funds)		
	Restricted Funds	1,250,000	-0-

096.	Renovate Facade - Agriculture Building North - Additional		
	Reauthorization ($3,820,000 Restricted Funds)		
	Restricted Funds	180,000	-0-
097.	Improve Storm Sewer Funkhouser - Additional		
	Reauthorization ($1,003,000 Restricted Funds)		
	Restricted Funds	100,000	-0-
098.	Purchase Instructional Video Studio		
	Restricted Funds	250,000	-0-
099.	Guaranteed Energy Performance Project		
100.	Install Chilled Water Pipe-Clg 2 to Pit -Additional		
	Reauthorization ($1,300,000 Restricted Funds)		
	Restricted Funds	200,000	-0-
101.	Install Cooling Secondary Pumping - Additional		
	Reauthorization ($2,250,000 Restricted Funds)		
	Restricted Funds	250,000	-0-
102.	Renovate Animal Facility in Tobacco & Health Building		
	Restricted Funds	1,500,000	-0-
103.	Replace Cooling Plant Chillers - Additional		
	Reauthorization ($5,000,000 Restricted Funds)		
	Restricted Funds	1,000,000	-0-
104.	Renovate Imaging Center at KY Clinic		
	Restricted Funds	2,000,000	-0-
105.	Replace Master Clock and Bell System		
	Reauthorization ($1,500,000 Restricted Funds)	-0-	-0-
106.	Expand Ophthalmology Clinic in Med. Plaza		
	Restricted Funds	582,000	-0-
107.	Repair Concrete Phase I General Campus		

Restricted Funds	750,000	-0-
108. Renovate Imaging Center I		
Restricted Funds	530,000	-0-
109. Repair Blacktop Phase I General Campus		
Restricted Funds	750,000	-0-
110. Renovate Research Labs in Med. Center, III		
Restricted Funds	1,000,000	-0-
111. Upgrade Electrical Substation		
Restricted Funds	4,000,000	-0-
112. Renovate Education Space in Med. Science		
Reauthorization ($2,300,000 Restricted Funds)	-0-	-0-
113. Installed Chilled Water Pipe to South Campus		
Restricted Funds	5,000,000	-0-
114. Renovate Research Labs in Med. Center, I		
Reauthorization ($750,000 Restricted Funds)	-0-	-0-
115. Install Chilled Water Additions General Campus		
Restricted Funds	1,000,000	-0-
116. Renovate Imaging Center, II		
Restricted Funds	530,000	-0-
117. Purchase Shared Desktop Environment		
Restricted Funds	250,000	-0-
118. Install Med. Center Chilled Water Loop - Additional		
Reauthorization ($625,000 Restricted Funds)		
Restricted Funds	75,000	-0-
119. Renovate Research Labs in Medical Center, IV		
Restricted Funds	1,250,000	-0-
120. Replace High Voltage Wiring - Additional		

	Reauthorization ($441,000 Restricted Funds)		
	Restricted Funds	334,000	-0-
121.	Renovate Research Labs in Med. Center, II		
	Reauthorization ($900,000 Restricted Funds)	-0-	-0-
122.	Replace McVey Hall HVAC		
	Restricted Funds	3,000,000	-0-
123.	Renovate Research Space Med. Center, I		
	Reauthorization ($1,500,000 Restricted Funds)	-0-	-0-
124.	Replace Mathews Building HVAC		
	Restricted Funds	1,000,000	-0-
125.	Replace HVAC Slone Building		
	Restricted Funds	2,320,000	-0-
126.	Replace HVAC Kastle Hall		
	Restricted Funds	3,000,000	-0-
127.	Replace Fine Arts HVAC		
	Restricted Funds	3,000,000	-0-
128.	Replace Three Elevators MI King South - Additional		
	Reauthorization ($742,000 Restricted Funds)		
	Restricted Funds	233,000	-0-
129.	Renovate Barker Hall		
	Restricted Funds	5,060,000	-0-
130.	Add Centralized Emergency Generator		
	Restricted Funds	5,034,000	-0-
131.	Upgrade Communication Infrastructure, II		
	Reauthorization ($450,000 Restricted Funds)	-0-	-0-
132.	Expand Plant Capacity Infrastructure - Additional		
	Reauthorization ($15,000,000 Restricted Funds)		

Restricted Funds	8,000,000	-0-
133. Renovate Teaching Space in Med. Plaza		
Restricted Funds	500,000	-0-
134. Install HVAC in Keeneland Hall - Additional Reauthorization ($2,962,000 Restricted Funds)		
Restricted Funds	2,147,000	-0-
135. Renovate Faculty Office Space in Med. Center		
Restricted Funds	500,000	-0-
136. Replace Holmes Elevator - Additional Reauthorization ($585,000 Restricted Funds)		
Restricted Funds	56,000	-0-
137. Renovate Foundation Offices in MRISC Building		
Restricted Funds	500,000	-0-
138. Install Commons Elevator		
Restricted Funds	400,000	-0-
139. Renovate Breast Clinic in MRISC Building		
Restricted Funds	520,000	-0-
140. Renovate Vivarium in Central DLAR Facility		
Restricted Funds	1,600,000	-0-
Federal Funds	700,000	-0-
TOTAL	2,300,000	-0-
141. Renovate Vivarium in Combs Building		
Restricted Funds	300,000	-0-
Federal Funds	300,000	-0-
TOTAL	600,000	-0-
142. Renovate Safety & Security Building		
Restricted Funds	1,645,000	-0-

143.	Renovate DLAR General Offices in Med. Center		
	Restricted Funds	400,000	-0-
144.	Lease-Purchase UK/UofL/Frankfort Research Network		
	Reauthorization ($6,000,000 Restricted Funds)	-0-	-0-
145.	Lease-Purchase ERP System		
	Restricted Funds	10,000,000	-0-
146.	Purchase Compressed Video-Hazard		
	Reauthorization ($141,000 Restricted Funds)	-0-	-0-
147.	Renovate Erikson Hall		
	Restricted Funds	6,001,000	-0-
148.	Expand West Kentucky Research and Education Center		
	Restricted Funds	4,000,000	-0-
149.	Renovate Bradley Hall		
	Restricted Funds	5,216,000	-0-
150.	Purchase Digital Education Equipment		
	Restricted Funds	1,900,000	-0-
151.	Construct Gluck Equine Res. Ctr. - Phase II		
	Restricted Funds	29,835,000	-0-
152.	Addition to Lafferty Hall		
	Restricted Funds	5,195,000	-0-
153.	Upgrade Sound and Lighting for Singletary Center		
	Restricted Funds	680,000	-0-
154.	Upgrade Comm Infrastructure in Young Library		
	Restricted Funds	2,601,000	-0-
155.	Construct Horticultural Research and Education		
	Restricted Funds	1,600,000	-0-
156.	Expand Erikson Hall		

	Restricted Funds	18,741,000	-0-
157.	Purchase Patient Classification Equipment		
	Reauthorization ($260,000 Restricted Funds)	-0-	-0-
158.	Construct UK Paducah Engineering Research Center		
	Restricted Funds	1,000,000	-0-
159.	Purchase Telemedicine Rural Health		
	Reauthorization ($416,000 Restricted Funds)	-0-	-0-
160.	Construct KY Transportation Center Building		
	Restricted Funds	20,699,000	-0-
	Federal Funds	2,500,000	-0-
	TOTAL	23,199,000	-0-
161.	Construct University Conference Center		
	Restricted Funds	19,605,000	-0-
162.	Replace Steam Line MC Htg. - Hosp. Drive Pit 2		
	Restricted Funds	1,180,000	-0-
163.	Replace Steam Line Lime Tunnel - Main Gate Pit		
	Restricted Funds	1,690,000	-0-
164.	Replace Steam Line Lime Tunnel - POT Tunnel		
	Restricted Funds	730,000	-0-
165.	Install Steam Line BBSRB - Old Main Gate Pit		
	Restricted Funds	4,130,000	-0-
166.	Replace Steam Line Main Gate Pit -Anderson Pit		
	Restricted Funds	1,530,000	-0-
167.	Replace Steam Line Kastle - Chem./Phys Pit 28		
	Restricted Funds	740,000	-0-
168.	Install Pollution Controls		
	Restricted Funds	1,740,000	-0-

169.	Kentucky Utilities Building - Lease		
170.	College of Medicine Off-Campus Clinic - Lease		
171.	College of Pharmacy-Contracted Program - Lease		
172.	Med. Center - Grant Projects - Lease		
173.	Med. Center Off-Campus Patient Facility - Lease		
174.	Med. Center Contract Sponsored Programs - Lease		
175.	Clinic Blazer Parkway - Lease		
176.	Expand Surgical Services - Hospital - Additional Reauthorization ($3,200,000 Restricted Funds)		
	Restricted Funds	331,000	-0-
177.	Create Universal Nursing Unit-Hospital Reauthorization ($964,000 Restricted Funds)	-0-	-0-
178.	Upgrade Outpatient Surgical Suite - Hospital		
	Restricted Funds	2,500,000	-0-
179.	Modify Nursing Unit XI - Hospital- Additional Reauthorization ($1,100,000 Restricted Funds)		
	Restricted Funds	60,000	-0-
180.	Modify Nursing Unit XII - Hospital - Additional Reauthorization ($3,500,000 Restricted Funds)		
	Restricted Funds	436,000	-0-
181.	Construct Imaging Facility - Hospital		
	Restricted Funds	10,035,000	-0-
182.	Upgrade Cancer Ctr. Radiologic Facility - Hospital		
	Restricted Funds	6,000,000	-0-
183.	Construct Cancer Urgent Treatment Facility - Hospital		
	Restricted Funds	10,562,000	-0-
184.	Upgrade Surgical Suite - Hospital		

	Restricted Funds	2,600,000	-0-
185.	Construct Radiation Medicine Facility - Hospital		
	Restricted Funds	6,047,000	-0-
186.	Upgrade Transport Systems V - Hospital		
	Reauthorization ($800,000 Restricted Funds)	-0-	-0-
187.	Expand Operating Room Suites - Hospital		
	Restricted Funds	3,547,000	-0-
188.	Expand Parking Structure #4 - Hospital		
	Restricted Funds	3,620,000	-0-
189.	Upgrade Building/Site IV - Hospital		
	Reauthorization ($800,000 Restricted Funds)	-0-	-0-
190.	Upgrade HVAC II - Hospital		
	Restricted Funds	3,500,000	-0-
191.	Construct Radiation Med. Facility II - Hospital		
	Restricted Funds	2,548,000	-0-
192.	Upgrade Utility Systems VI - Hospital		
	Reauthorization ($1,500,000 Restricted Funds)	-0-	-0-
193.	Upgrade Operating Room Suites II - Hospital		
	Restricted Funds	12,162,000	-0-
194.	Replace AHU I - Hospital		
	Restricted Funds	15,553,000	-0-
195.	Replace AHU I - Roach		
	Restricted Funds	1,000,000	-0-
196.	Replace AHU II - Roach		
	Restricted Funds	1,000,000	-0-
197.	Construct Cancer Hospice Facility - Hospital		
	Restricted Funds	4,000,000	-0-

198.	Construct Cancer Education Facility - Hospital		
	Restricted Funds	2,000,000	-0-
199.	Construct Cancer Infusion Suites - Hospital		
	Restricted Funds	5,590,000	-0-
200.	Construct Remote Cancer Clinic - Hospital		
	Restricted Funds	12,500,000	-0-
201.	Construct Physicians Svcs. Facilities - Hospital		
	Restricted Funds	2,000,000	-0-
202.	Upgrade Emergency Services II - Hospital		
	Restricted Funds	12,000,000	-0-
203.	Upgrade Information Systems Svcs. - Hospital		
	Restricted Funds	3,467,000	-0-
204.	Upgrade Diagnostic Radiology - Hospital		
	Restricted Funds	3,000,000	-0-
205.	Renovate Dietetics - Hospital		
	Restricted Funds	6,000,000	-0-
206.	Upgrade Communication Svs. - Hospital		
	Reauthorization ($1,000,000 Restricted Funds)	-0-	-0-
207.	Construct Business Facility II - Hospital - Additional		
	Reauthorization ($9,000,000 Restricted Funds)		
	Restricted Funds	1,840,000	-0-
208.	Construct Outpt. Care Facility II - Hospital - Additional		
	Reauthorization ($6,172,000 Restricted Funds)		
	Restricted Funds	1,976,000	-0-
209.	Construct Outpt. Diag./Treat Facility II - Hospital - Additional		
	Reauthorization ($12,672,000 Restricted Funds)		
	Restricted Funds	4,873,000	-0-

210.	Construct Bldg. Connectors III - Hospital - Additional Reauthorization ($3,000,000 Restricted Funds)		
	Restricted Funds	47,000	-0-
211.	Construct Primary Care Center II - Hospital - Additional Reauthorization ($10,172,000 Restricted Funds)		
	Restricted Funds	2,845,000	-0-
212.	Construct Patient Care Facility II - Hospital - Additional Reauthorization ($7,638,000 Restricted Funds)		
	Restricted Funds	3,839,000	-0-
213.	Upgrade Nutrition Services II - Hospital Reauthorization ($1,000,000 Restricted Funds)	-0-	-0-
214.	Upgrade Support Services II - Hospital Reauthorization ($1,000,000 Restricted Funds)	-0-	-0-
215.	Expand Data Systems III - Hospital Reauthorization ($700,000 Restricted Funds)	-0-	-0-
216.	Implement Land Use Plan IV - Hospital Reauthorization ($2,500,000 Restricted Funds)	-0-	-0-
217.	Upgrade Diagnostic Services XII - Hospital Reauthorization ($1,000,000 Restricted Funds)	-0-	-0-
218.	Construct Outpatient Svs. III - Hospital		
	Restricted Funds	8,004,000	-0-
219.	Upgrade Diagnostic Services XI - Hospital Reauthorization ($1,500,000 Restricted Funds)	-0-	-0-
220.	Renovate Medical Records Suite I - Hospital		
	Restricted Funds	566,000	-0-
221.	Guaranteed Energy Savings Project		
222.	Purchase Patient System Enterprise		

	Reauthorization ($4,640,000 Restricted Funds)	-0-	-0-
223.	Purchase Upgrade for Servers		
	Reauthorization ($800,000 Restricted Funds)	-0-	-0-
224.	Purchase Upgrade - HIS Computing Facility		
	Reauthorization ($2,900,000 Restricted Funds)	-0-	-0-
225.	Purchase Clinical System Enterprise		
	Reauthorization ($5,800,000 Restricted Funds)	-0-	-0-
226.	Purchase Computing Infrastructure Update		
	Reauthorization ($2,500,000 Restricted Funds)	-0-	-0-
227.	Purchase Data Storage Facility Upgrade		
	Reauthorization ($750,000 Restricted Funds)	-0-	-0-
228.	Purchase Dig. Medical Record Expansion		
	Reauthorization ($4,640,000 Restricted Funds)	-0-	-0-
229.	Purchase Managed Care Enterprise		
	Reauthorization ($1,160,000 Restricted Funds)	-0-	-0-
230.	Purchase Data Storage Equipment & Software I		
	Restricted Funds	500,000	-0-
231.	Purchase Telecommunications Equipment I		
	Restricted Funds	250,000	-0-
232.	Purchase PACS Data Storage Equipment & Software		
	Restricted Funds	500,000	-0-
233.	Purchase IS Security Equipment I		
	Restricted Funds	150,000	-0-
234.	Purchase Data Center Printers I		
	Restricted Funds	350,000	-0-
235.	Purchase Data Storage Equipment & Software II		
	Restricted Funds	250,000	-0-

236.	Purchase Telecommunications Equipment II		
	Restricted Funds	200,000	-0-
237.	Purchase Mainframe Computer		
	Restricted Funds	400,000	-0-
238.	Purchase IS Security Equipment II		
	Restricted Funds	150,000	-0-
239.	Purchase Data Center Printers II		
	Restricted Funds	300,000	-0-
240.	Purchase Knowledge-based Transcription		
	Restricted Funds	450,000	-0-
241.	Purchase Knowledge-based Charting System		
	Restricted Funds	400,000	-0-
242.	Purchase Consumer Web Interaction System		
	Restricted Funds	400,000	-0-
243.	Purchase Data Storage Equipment & Software III		
	Restricted Funds	150,000	-0-
244.	Purchase Telecommunications Equipment III		
	Restricted Funds	150,000	-0-
245.	Purchase Dentistry Patient Management System		
	Restricted Funds	1,650,000	-0-
246.	Construct Baseball Club House		
	Restricted Funds	2,500,000	-0-
247.	Expand Ophthalmology Clinic in Med Plaza		
	Restricted Funds	3,100,000	-0-
248.	Renovate Lab & Support Space in Med Science		
	Restricted Funds	9,500,000	-0-
249.	Renovate/Expand DLAR Quarantine Facility at Spindletop		

Restricted Funds	2,720,000	-0-
250. Upgrade/Modify Coldstream Research Campus Facilities		
Restricted Funds	10,000,000	-0-
251. Expand Biosafety (BSL-3) in Med Science		
Restricted Funds	21,500,000	-0-
Federal Funds	4,000,000	-0-
TOTAL	25,500,000	-0-
252. Renovate K-Lair Building		
Restricted Funds	1,650,000	-0-
253. Expand Pence Hall		
Restricted Funds	6,300,000	-0-
254. Renovate PSC Building		
Restricted Funds	750,000	-0-
255. Renovate COM Administrative Offices		
Restricted Funds	1,200,000	-0-
256. Construct University Student Center – Design		
Restricted Funds	6,000,000	-0-
257. Renovate Lab for Coatings & Surface Inspection		
Restricted Funds	8,000,000	-0-
258. Construct University Press Facility		
Restricted Funds	2,950,000	-0-
259. Expand Campus Plan & Infrastructure		
Restricted Funds	23,000,000	-0-
260. Renovate Parking Structure #3		
Restricted Funds	2,500,000	-0-
261. Lease-Purchase ERP System, Phase II		
Restricted Funds	15,000,000	-0-

262. Commonwealth Stadium Waterproofing/Concrete Sealing

Restricted Funds	2,500,000	-0-

263. Purchase/Install Score Boards – Memorial Coliseum & Hagan Stadium

Restricted Funds	1,500,000	-0-

264. Expand Ambulatory Care Facilities

Restricted Funds	20,000,000	-0-

265. Upgrade Critical Care Center HVAC

Restricted Funds	7,649,000	-0-

266. Expand Outpatient Radiology

Restricted Funds	2,000,000	-0-

267. Renovate Hospital Nursing Units

Restricted Funds	2,000,000	-0-

268. Expand Emergency Services

Restricted Funds	6,100,000	-0-

269. Fit-up Gill Building – Ground Floor

Restricted Funds	1,250,000	-0-

270. Upgrade Clinical Services

Restricted Funds	2,000,000	-0-

271. Upgrade Outpatient Services

Restricted Funds	2,000,000	-0-

272. Upgrade Surgical Services

Restricted Funds	4,500,000	-0-

273. Expand Cancer Infusion Suites

Restricted Funds	1,964,000	-0-

274. Renovate Hospital Cafeteria

Restricted Funds	631,000	-0-

275. Upgrade Hospital Data Network

	Restricted Funds	826,000	-0-
276.	Replace Hospital Mainframe Computer		
	Restricted Funds	800,000	-0-
277.	Expand Hospital Data Storage		
	Restricted Funds	600,000	-0-
278.	Expand Kentucky Clinic Network		
	Restricted Funds	800,000	-0-
279.	Install Perioperative Information Management System		
	Restricted Funds	1,200,000	-0-
280.	Install Fetal Monitoring Information System		
	Restricted Funds	1,200,000	-0-
281.	Implement Medication Bar Coding System		
	Restricted Funds	1,750,000	-0-
282.	Upgrade PACS System		
	Restricted Funds	2,000,000	-0-
283.	Replace Radiology Information System (QuadRIS Replacement)		
	Restricted Funds	2,000,000	-0-
284.	Implement On-Site Digital Radiology Archive		
	Restricted Funds	700,000	-0-
285.	Implement PACS System in Hospital Operating Room		
	Restricted Funds	800,000	-0-
286.	Implement Automated Bed Management System		
	Restricted Funds	1,000,000	-0-
287.	Renovate IRIS Project Facility		
	Restricted Funds	1,035,000	-0-
288.	Renovate Football Practice Field		
	Restricted Funds	2,250,000	-0-

289. Renovate First Floor Phase I - Hospital		
Restricted Funds	8,000,000	-0-
290. Biological/Pharmaceutical Complex		
Bond Funds	40,000,000	-0-
291. Construct Patient Care Facility - Hospital		
Agency Bonds	100,000,000	-0-
Restricted Funds	100,000,000	-0-
TOTAL	200,000,000	-0-

(1) Patient Care Facility: At least eight beds shall be dedicated for Hospice Care at all times.

292. Basketball Practice Facility		
Agency Bonds	7,000,000	-0-
Restricted Funds	8,000,000	-0-
TOTAL	15,000,000	-0-
293. Horticulture Education & Research Facilities		
Restricted Funds	800,000	-0-
294. Construct Student Health Facility		
Agency Bonds	24,000,000	-0-

10. UNIVERSITY OF LOUISVILLE

001. Major Item of Equipment Pool		
Restricted Funds	12,154,000	-0-
002. Guaranteed Energy Savings Project		
003. Renovate - Shelby Campus Infrastructure		
Restricted Funds	8,740,000	-0-
004. Renovate - Student Serv. Bldg. - Houchens, Ph II		
Restricted Funds	6,807,000	-0-
005. Renovate Chemistry Fume Hood Redesign, Ph II		

	Restricted Funds	4,534,000	-0-
006.	Expand Oppenheimer Hall for Social Work - Additional Reauthorization ($5,450,000 Restricted Funds)		
	Restricted Funds	826,000	-0-
007.	Purchase Digital Communications System		
	Restricted Funds	1,000,000	1,000,000
008.	Purchase Networking System		
	Restricted Funds	1,500,000	1,500,000
009.	Renovate Natural Science Building		
	Restricted Funds	12,840,000	-0-
010.	Purchase CPU System		
	Restricted Funds	460,000	-0-
011.	Purchase Enhanced Library System Software		
	Restricted Funds	250,000	-0-
012.	Purchase PCs, Printers, Laptops		
	Restricted Funds	149,000	-0-
013.	Purchase Third Street & Central Ave. Property		
	Restricted Funds	3,100,000	-0-
014.	Construct U of L Baseball Stadium Reauthorization ($5,900,000 Restricted Funds)		
015.	Purchase Electronic Research Information System		
	Restricted Funds	1,080,000	-0-
016.	Renovate Dental Clinics - First Floor		
	Restricted Funds	9,303,000	-0-
017.	Construct Boathouse for Women's Rowing Program - Additional Reauthorization ($2,488,000 Restricted Funds)		
	Restricted Funds	188,000	-0-

018.	Purchase Artificial Turf - Practice Field Facility		
	Restricted Funds	750,000	-0-
019.	Purchase Computer Processing System		
	Restricted Funds	1,800,000	200,000
020.	Purchase Storage System		
	Restricted Funds	600,000	400,000
021.	Purchase Enterprise Application System		
	Restricted Funds	1,000,000	1,000,000
022.	Digital Output System		
	Restricted Funds	500,000	500,000
023.	Visualization System		
	Restricted Funds	500,000	500,000
024.	Renovate - Medical School Tower-55A, Phase I		
	Restricted Funds	4,148,000	-0-
025.	Expand Ambulatory Care Bldg. Academic Addition		
	Restricted Funds	43,061,800	-0-
026.	Purchase Real Estate near HSC & Ren. Offices		
	Restricted Funds	20,500,000	-0-
027.	Construct Utilities, Remove Overhead Lines		
	Restricted Funds	-0-	3,194,000
028.	Renovate Univ. Housing Capital Renewal, Ph. I		
	Restricted Funds	-0-	3,210,000
029.	Construct Diversity Center for Excellence		
	Restricted Funds	-0-	5,597,000
030.	Construct HSC Parking Structure II		
	Restricted Funds	-0-	15,595,000
031.	Jefferson County - Lease		

032.	Construct Women's Soccer Fields		
	Restricted Funds	540,000	-0-
033.	Construct Center for Predictive Medicine		
	Restricted Funds	13,000,000	-0-
	Federal Funds	22,200,000	-0-
	TOTAL	35,200,000	-0-
034.	Papa John Stadium Expansion/Planning		
	Restricted Funds	2,000,000	-0-
035.	Transportation Improvement		
	Restricted Funds	2,500,000	-0-
036.	Acquire Land - Chevron Property		
	Restricted Funds	3,500,000	-0-
037.	HSC Research Campus Facility, Phase III		
	Bond Funds	39,150,000	-0-
	Restricted Funds	15,800,000	-0-
	Federal Funds	10,250,000	-0-
	TOTAL	65,200,000	-0-
038.	Construct - Multipurpose Fieldhouse & Practice Facility		
	Agency Bonds	8,000,000	-0-
	Restricted Funds	4,404,000	-0-
	TOTAL	12,404,000	-0-
039.	Construct - Residence Hall - 276 Beds, Phase III (Community Park)		
	Restricted Funds	14,000,000	-0-
040.	Expand Cardinal Arena for Basketball and Office		

	Agency Bonds	9,548,000	-0-
041.	Renovate and Purchase Home of the Innocents		
	Agency Bonds	8,031,000	-0-
042.	MDR Building Phase IV - Renovation		
	Restricted Funds	19,425,000	-0-
043.	Purchase Support Services Land and Buildings (NE-Quad)		
	Restricted Funds	5,095,000	-0-
044.	Inhalation Chamber		
	Restricted Funds	2,116,500	-0-

11. WESTERN KENTUCKY UNIVERSITY

001.	Repair Mold/Moisture Damage		
	Restricted Funds	1,612,000	-0-
002.	Renovate Electrical Distribution - Phase V		
	Restricted Funds	3,747,000	-0-
003.	Renovate Central Heat Plant - Phase I		
	Reauthorization ($1,273,000 Restricted Funds)		
004.	Life Safety, Center for Research and Development		
	Restricted Funds	500,000	-0-
005.	Guaranteed Energy Savings Project		
006.	Construct Radio and Television Transmission Tower		
	Restricted Funds	615,000	-0-
007.	Purchase Digital Television Transmission System		
	Reauthorization ($1,993,000 Restricted Funds, $1,328,000 Federal Funds)		
008.	Purchase Property for Campus Expansion		
	Restricted Funds	3,000,000	-0-
009.	Replace Server		

	Reauthorization ($880,000 Restricted Funds)		
010.	Construct Student Health Services Building		
	Agency Bonds	4,000,000	-0-
	Restricted Funds	1,000,000	-0-
	TOTAL	5,000,000	-0-
011.	Renovate Grise Hall - Design		
	Restricted Funds	1,398,000	-0-
012.	IT Infrastructure		
	Agency Bonds	3,000,000	-0-
	Restricted Funds	2,800,000	-0-
	TOTAL	5,800,000	-0-
013.	Renovate Garrett Conference Center - Design		
	Reauthorization ($858,000 Restricted Funds)		
014.	Renovate Academic Athletic #2, Design		
	Agency Bonds	9,500,000	-0-
	Restricted Funds	25,500,000	-0-
	TOTAL	35,000,000	-0-
015.	Renovate Preston Center – Design		
	Restricted Funds	1,000,000	-0-
016.	Construct – Student Publications Facility		
	Restricted Funds	1,000,000	-0-
017.	Renovate Van Meter Hall – Design		
	Restricted Funds	1,600,000	-0-
018.	Renovate Science Campus, Phase II		
	Bond Funds	33,000,000	-0-
019.	Math and Science Academy Renovation		
	Bond Funds	3,750,000	-0-

Agency Bonds	5,000,000	-0-
Restricted Funds	3,500,000	-0-
TOTAL	12,250,000	-0-
020. South Campus Parking and Dining Improvements		
Agency Bonds	7,000,000	-0-
021. Construct Pedestrian Mall		
Restricted Funds	2,000,000	-0-
022. Parking and Street Improvements		
Restricted Funds	4,000,000	-0-

12. KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM (KCTCS)

001. Warren County Technology Center		
Bond Funds	7,500,000	-0-
002. Lexington Community College – Winchester Facility Reauthorization and Reallocation ($3,400,000 Bond Funds)		
Restricted Funds	1,500,000	-0-
003. KCTCS Information Tech Infrastructure Upgrade		
Restricted Funds	12,000,000	-0-
004. Renovate HVAC Syst. SE Campus, Owensboro C&TC		
Restricted Funds	625,000	-0-
005. Construct Area 9 Training Bldg. State Fire & Rescue		
Restricted Funds	537,000	-0-
006. Property Acquisition Pool		
Restricted Funds	2,500,000	-0-
007. Install Sprinkler Systems, West Ky. C&TC		
Restricted Funds	600,000	-0-

008.	Repairs to Allied Health Bldg. West Ky. C&TC		
	Restricted Funds	750,000	-0-
009.	Renovate HVAC System - Strunk Bldg. Somerset CC		
	Restricted Funds	894,000	-0-
010.	Renovate HVAC System - Meece Bldg. Somerset CC		
	Restricted Funds	859,000	-0-
011.	Purchase Diagnostic Medical Sonography Unit		
	Reauthorization ($110,000 Restricted Funds)		
012.	Guaranteed Energy Savings Project		
013.	Henderson CC - Lease for Applied Technology Program		
014.	Jefferson CC - Jefferson Education Center Lease		
015.	System Office Lease Purchase – City of Versailles		
016.	Laurel North Campus – HVAC and Roof Replacement		
	Restricted Funds	800,000	-0-
017.	Pedestrian/Vehicular Connector – Somerset CC – Additional		
	Restricted Funds	300,000	-0-
018.	Purchase Multi-Engine Aircraft – Additional		
	Reauthorization ($300,000 Restricted Funds)		
	Restricted Funds	275,000	-0-
019.	LCC Classroom/Lab Building		
	Bond Funds	31,741,000	-0-
020.	Gateway CTC - Expand Edgewood Campus		
	Bond Funds	15,477,000	-0-
021.	Ashland Technology Center		
	Bond Funds	18,030,000	-0-
022.	Somerset Aviation		
	Bond Funds	1,650,000	-0-

023. Owensboro Technology Center		
Bond Funds	13,088,000	-0-
Restricted Funds	2,000,000	-0-
TOTAL	15,088,000	-0-
024. Madisonville Technology Center		
Bond Funds	14,000,000	-0-
Restricted Funds	2,000,000	-0-
TOTAL	16,000,000	-0-
025. Franklin Technology Center		
Bond Funds	12,000,000	-0-
Restricted Funds	2,000,000	-0-
TOTAL	14,000,000	-0-
026. Henderson CC Technology Center		
Bond Funds	13,066,000	-0-
Restricted Funds	2,000,000	-0-
TOTAL	15,066,000	-0-
027. Jefferson CC & TC - Lease		
028. Jefferson Community College Building - Design		
Bond Funds	600,000	-0-

L. TRANSPORTATION CABINET

Budget Units	**2004-05**	**2005-06**
1. GENERAL ADMINISTRATION AND SUPPORT		
001. Overhead Doors and Emergency Repair		
Road Fund	200,000	200,000
002. Construction or Repair Salt Structure		
Road Fund	250,000	250,000
003. Remove Hazardous Materials		

Road Fund	50,000	50,000
004. Building Renovation and Emergency Repairs		
Road Fund	420,000	420,000
005. Pro. Management (PRECON/6 YR Plan)		
Road Fund	2,000,000	-0-
006. Construct Louisville District Office		
Road Fund	6,545,000	-0-
007. Address Water and Wastewater		
Road Fund	100,000	100,000
008. Painting and Roof Repair or Replacement		
Road Fund	219,000	218,000
009. Road Maintenance Parks		
Road Fund	1,500,000	1,500,000
010. Conduct Paving and Landscaping		
Road Fund	50,000	50,000
011. Repair Loadometer and Rest Areas		
Road Fund	460,000	460,000
012. Various Environmental Compliance		
Road Fund	1,000,000	1,000,000
013. TRANSPORT – Additional		
Road Fund	1,000,000	-0-
014. Replace HVAC Materials Lab - Reauthorization and Reallocation		

PART III

GENERAL PROVISIONS

1. Funds Designations and Sources: Restricted Funds designated in the biennial budget bills are classified in the state financial records and reports as the Agency Revenue Fund, State Enterprise Funds (State Parks, State Fair Board, Insurance

Administration, and Kentucky Horse Park), Internal Services Funds (Fleet Management, Computer Services, Correctional Industries, Central Printing, Risk Management, and Property Management), and selected Fiduciary Funds (Other Expendable Trust Funds). Separate funds records and reports shall be maintained in a manner consistent with the branch budget bills.

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

The sources of Federal Funds appropriations in this Act shall include federal subventions, grants, contracts, or other Federal Funds received, income from investments, and other miscellaneous federal receipts received by a budget unit, the Unemployment Compensation Fund, except as otherwise provided, for the purposes, use, and benefit of the budget unit as authorized by law. Federal Funds receipts shall be credited and allotted to the respective fund account out of which a specified appropriation is made in this Act. All Federal Funds receipts shall be deposited in the State Treasury and credited to the proper account as provided in KRS Chapters 12, 42, 45, and 48.

2. Expenditure of Excess Restricted Funds or Federal Funds Receipts: If receipts received or credited to the Restricted Funds accounts or Federal Funds accounts of a budget unit during fiscal year 2004-2005 or fiscal year 2005-2006, and any balance forwarded to the credit of these same accounts from the previous fiscal year, exceed the

appropriation made by specific sum for these accounts of the budget unit as provided in Part I, Operating Budget, of this Act, for the fiscal year in which the excess occurs, the excess funds in the accounts of the budget unit shall become available for expenditure for the purpose of the account during the fiscal year only upon compliance with the conditions and procedures specified in KRS 48.400, 48.500, 48.600, 48.605, 48.610, 48.620, 48.630, 48.700, 48.705, 48.710, 48.720, 48.730, 48.800, and 48.810 and this Act, and with the authorization of the State Budget Director and approval of the Secretary of the Finance and Administration Cabinet.

Prior to authorizing the appropriation of any excess, unbudgeted Restricted Funds pursuant to this section, the State Budget Director and the Secretary of the Finance and Administration Cabinet shall review the adequacy of the General Fund Surplus Account with respect to its availability to support Necessary Government Expenses. In the event that General Fund Surplus Account moneys are determined by this review to be adequate to meet known or anticipated Necessary Government Expenses during fiscal year 2004-2005 or fiscal year 2005-2006, respectively, then the appropriation increase may be approved. In the event that the review indicates that there are insufficient funds available or reasonably estimated to become available to the General Fund Surplus Account to meet known or projected Necessary Government Expenses for the fiscal years enumerated above, the State Budget Director, with the concurrence of the Secretary of the Finance and Administration Cabinet, may disapprove the request for additional Restricted Funds expenditure authority and may direct the excess Restricted Funds identified to the General Fund Surplus Account in order to meet Necessary Government Expense obligations. The results of any review shall be reported to the Interim Joint Committee on Appropriations and Revenue in accordance with KRS 48.400, 48.500, 48.600, 48.605, 48.610, 48.620, 48.630, 48.700, 48.705, 48.710, 48.720, 48.730, 48.800, and 48.810.

Any request made by a budget unit pursuant to KRS 48.630 that relates to

Restricted Funds or Federal Funds shall include documentation showing a comparative statement of revised estimated receipts by fund source and the proposed expenditures by proposed use, with the appropriated sums specified in the Budget of the Commonwealth, and statements which explain the cause, source, and use for any variances which may exist.

Each budget unit shall submit its reports in print and electronic format consistent with the Restricted Funds and Federal Funds records contained in the fiscal biennium 2004-2006 Branch Budget Request Manual and according to the following schedule in each fiscal year: (a) On or before the beginning of each fiscal year; (b) On or before October 1; (c) On or before January 1; and (d) On or before April 1.

3. Appropriations Expenditure Purpose and Transfer Restrictions: Funds appropriated in this Act shall not be expended for any purpose not specifically authorized by the General Assembly in this Act nor shall funds appropriated in this Act be transferred to or between any cabinet, department, board, commission, institution, agency, or budget unit of state government unless specifically authorized by the General Assembly in this Act and the provisions of KRS 48.400, 48.500, 48.600, 48.605, 48.610, 48.620, 48.630, 48.700, 48.705, 48.710, 48.720, 48.730, 48.800, and 48.810. Compliance with the provisions of this section shall be reviewed and determined by the Interim Joint Committee on Appropriations and Revenue.

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

5. Lapse of General Fund or Road Fund Appropriations Supplanted by Federal Funds: Any General Fund or Road Fund appropriation made in anticipation of a

lack, loss, or reduction of Federal Funds shall lapse to the General Fund or Road Fund Surplus Account, respectively, to the extent the Federal Funds otherwise become available.

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

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

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

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

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

10. Continuing Appropriations: All statutes and portions of statutes in conflict with any of the provisions of this section, to the extent of the conflict, are suspended unless otherwise provided by this Act.

11. Construction of Budget Provisions on Statutory Budget Administration Powers and Duties: Nothing in this Act is to be construed as amending or altering the

provisions of Chapters 42, 45, and 48 of the Kentucky Revised Statutes pertaining to the duties and powers of the Secretary of the Finance and Administration Cabinet except as otherwise provided in this Act.

12. Interpretation of Appropriations: All questions that arise in interpreting any appropriation in this Act as to the purpose or manner for which the appropriation may be expended shall be decided by the Secretary of the Finance and Administration Cabinet pursuant to KRS 48.500, and the decision of the Secretary of the Finance and Administration Cabinet shall be final and conclusive.

13. Publication of the Budget of the Commonwealth: The State Budget Director shall cause the Governor's Office for Policy and Management, within 60 days of adjournment of the 2005 Regular Session of the General Assembly, to publish a final enacted budget document, styled the Budget of the Commonwealth, based upon the Legislative Budget, State/Executive Budget, and Judicial Budget as enacted by the 2004 Regular Session, the 2004 Extraordinary Session, and the 2005 Regular Session of the General Assembly as well as other Acts which contain appropriation provisions for the 2004-2006 fiscal biennium, and based upon supporting documentation and legislative records as considered by the 2004 Regular Session, the 2004 Extraordinary Session, and the 2005 Regular Session of the General Assembly, and the statutory budget memorandum. This document shall include, for each agency and budget unit, a consolidated budget summary statement of available regular and continuing appropriated revenue by fund source, corresponding appropriation allocations by program or subprogram as appropriate, budget expenditures by principal budget class and for the State/Executive Budget, and any other fiscal data and commentary considered necessary for budget execution by the Governor's Office for Policy and Management and oversight by the Interim Joint Committee on Appropriations and Revenue. The enacted State/Executive Budget shall be revised or adjusted only upon approval by the Governor's Office for Policy and Management as provided in each Part of this Act and by KRS

48.400, 48.500, 48.600, 48.605, 48.610, 48.620, 48.630, 48.700, 48.705, 48.710, 48.720, 48.730, 48.800, and 48.810, and upon review and action by the Interim Joint Committee on Appropriations and Revenue.

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

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

16. Construction of Budget Provisions Regarding Executive Reorganization Orders: Nothing in this Act shall be construed to confirm or ratify, under KRS 12.027 or 12.028, any executive reorganization order unless the executive order was confirmed or ratified by appropriate amendment to the Kentucky Revised Statutes in an Act of the 2003 Regular Session of the General Assembly or another Act of the 2004 Regular Session of the General Assembly. If any executive reorganization order issued from sine die adjournment of the 2003 Regular Session to sine die adjournment of the 2004 Regular Session was not confirmed by the 2004 Regular Session of the General Assembly, the Secretary of the Finance and Administration Cabinet shall, in consultation with agency heads and with notification to the Legislative Research Commission, transfer the balance of funds for any affected program or function for fiscal year 2003-2004 and any related appropriations and funds for each of the next two fiscal years from the budget unit in which the program or function was placed by the executive reorganization order to the

budget unit in which the program or function resided prior to the reorganization action or in which it was placed by action of the 2004 Regular Session of the General Assembly.

17. Budget Planning Report: By August 15, 2005, the State Budget Director, in conjunction with the Consensus Forecasting Group, shall provide to each branch of government, pursuant to KRS 48.117, a budget planning report.

18. Tax Expenditure Revenue Loss Estimates: By October 15, 2005, the Office of State Budget Director shall provide to each branch of government detailed estimates for the General Fund and Road Fund for the current and next two fiscal years of the revenue loss effected by tax expenditures. The Department of Revenue shall provide assistance and furnish data which is not restricted by KRS 131.190. "Tax expenditure" means an exemption, exclusion, or deduction from the base of a tax, a credit against the tax, a deferral of a tax, or a preferential tax rate. The estimates shall include for each tax expenditure the amount of revenue loss, a citation of the legal authority for the tax expenditure, the year in which it was enacted, and the tax year in which it became effective.

19. Duplicate Appropriations: Any appropriation item and sum in Parts I to XIII of this Act and in an appropriation provision in any Act of the 2004 Regular Session, 2004 Extraordinary Session, and 2005 Regular Session, which constitute a duplicate appropriation shall be governed by KRS 48.312.

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

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

22. Unclaimed Lottery Prize Money: For fiscal year 2004-2005 and fiscal year 2005-2006, all unclaimed lottery prize money under KRS 154A.110(3) shall be credited to the Student Financial Aid and Advancement Trust Fund to be held as a subsidiary account within the Finance and Administration Cabinet for the purpose of funding the Kentucky Excellence in Education Scholarship (KEES) Program as appropriated in this Act. If the Kentucky Higher Education Assistance Authority certifies to the State Budget Director that the appropriations in this Act for the KEES Program under the existing award schedule are insufficient to meet funds required for eligible applicants, then the State Budget Director shall provide the necessary allotment of funds in the balance of the Subsidiary Account to fund the KEES Program. Actions taken under this section shall be reported to the Interim Joint Committee on Appropriations and Revenue on a timely basis.

23. Technology Trust Fund: The Technology Trust Fund is the Technology Trust Fund established by 1996 Ky. Acts ch. 380, Part X, to empower Kentucky state government through technology and redesigned business systems, and additional amounts made available and appropriated to it by 1998 Ky. Acts ch. 615, Part X.

Appropriations allotted from the Technology Trust Fund for each project, initiative, or system, as well as all other associated resources made available from regular appropriations for the same purpose from a budget unit shall be transferred and credited to, and accounted for and expended from, a discrete account established for the individual project, initiative, or system item. In addition to the General Fund appropriations for the Technology Trust Fund, Restricted Funds, Federal Funds, the Road Fund, private funds, and any matching fund appropriations required are appropriated in support of the projects and priorities previously identified by the Empower Kentucky Steering Committee. However, notwithstanding KRS 45.760(14), 45.770, 45.780, and 45.800, no funds from the Emergency Repair, Maintenance, and Replacement Account shall be used for Technology Trust Fund projects, systems, or initiatives.

24. Excess Tobacco Master Settlement Agreement Funds: Notwithstanding KRS 248.654, all Master Settlement Agreement - Phase I payments in excess of the amounts appropriated in Part I, Operating Budget, of this Act shall be retained in the General Fund.

25. Sales and Use Tax Collection and Remittance Compensation: Notwithstanding KRS 139.570, for the periods after June 30, 2005, the total reimbursement allowed per taxpayer in any month shall not exceed $1,500. Notwithstanding KRS 139.240, 139.250 or 139.700, after the effective date of this Act, separate permit numbers for a taxpayer with different business locations shall not be issued.

26. Abandoned Property Receipts/General Fund: Notwithstanding KRS 393.015, all abandoned property receipts collected, net of claims paid, in fiscal year 2004-2005 and fiscal year 2005-2006 shall be available for appropriation to the General Fund.

27. Abandoned Property Held by Financial Institutions: Notwithstanding KRS 393.060, the dormancy period for property held or owing by a banking or financial institution, other than traveler's checks, shall be three years rather than seven years.

28. Sale of Abandoned Property by Treasury Department: Notwithstanding KRS 393.125, the department, within three years of the receipt of abandoned property, shall sell the property. A person making a claim of securities held less than three years by the department and sold by the department shall only be entitled to the proceeds of the sale of securities, less any deduction for expenses of the sale.

29. Premium and Retaliatory Taxes: Notwithstanding KRS 304.17B-021(4)(d), premium taxes collected under KRS Chapter 136 from any insurer and retaliatory taxes collected under KRS 304.3-270 from any insurer shall be credited to the General Fund.

30. Use Tax on Sales of Printing or Direct Mail Advertising Materials: Notwithstanding KRS 139.340, a commercial printer or mailer engaged in business in

this state shall not be required to collect use tax on sales of printing or direct mail advertising materials that are both printed out of state and delivered out of state to the United States Postal Service for mass mailing to third-party Kentucky residents who are not purchasers of the advertising materials if the commercial printers or mailers:

a. Maintain records relating to these sales to assist in the collection of the use tax owed; and

b. File reports as provided in KRS 139.730 if requested by the Revenue Cabinet.

If the commercial printer or mailer complies with these reporting provisions, the purchaser of the printing or direct mail advertising materials described in this section shall have sole responsibility for payment of the use tax imposed in KRS 139.310.

31. Office Space: ~~[Pursuant to KRS 56.463(4)(b), the legislative branch had and has the legal authority to occupy certain space in the New State Capitol Annex, as of certain occupancy dates described by the October 1, 2003, Resolution of the Legislative Research Commission.]~~On or before September 1, 2005, the Secretary of the Finance and Administration Cabinet shall ensure that the New State Capitol Annex space allocated to the legislative branch by KRS 56.463(4)(b), and designated for occupancy~~[by the October 1, 2003, Resolution of the Legislative Research Commission adopted pursuant to KRS 56.463(4)(b) and]~~ as specified~~[in subsections (a) through (c)]~~ below, shall be vacated by the executive branch and available for immediate occupancy by the legislative branch as follows:

(a) The legislative branch shall occupy the following additional space on the first floor of the Capitol Annex: Going west from the center (north/south) hallway on the first floor, all space (approximately 12,032 square feet) south of the east/west hallway to and including the eighth pilaster, except for the elevators, public restrooms, and mechanical maintenance areas. The occupancy of the space described in this subsection shall be effective on or before September 1, 2005;

(b) The legislative branch shall occupy the following additional space in the

basement of the New State Capitol Annex: In the east/west hallway, west of the center (north/south) hallway in the basement, all space (approximately 2,248 square feet) in the area between the LRC Computer Room and the Mechanical Room (Room 079), and which is currently referred to as Rooms 069, 071, 073, and 075. The occupancy of the space described in this subsection shall be effective on or before September 1, 2005; and

~~[(c) The legislative branch shall occupy the following additional space on the second, third, and fourth floors of the New State Capitol Annex: Going west from the center (north/south) hallway on each floor, all space (approximately 11,648 square feet on each floor) north and south of the east/west hallway to and including the ninth pilaster, except for the elevators, public restrooms, and mechanical maintenance areas. The occupancy of the space described in this subsection shall be effective on or before September 1, 2005.]~~

The Secretary of the Finance and Administration Cabinet shall be authorized to lease such additional space as may be necessary to comply with the provisions of this section.

Expenditures required by the implementation of this section by the executive branch shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705) or, if the expenditures required to implement this section exceed the funds available in those accounts, notwithstanding KRS 45.770, the Finance and Administration Cabinet shall transfer sufficient funds in the Capital Construction and Equipment Purchase Contingency Account to a capital project account to be used for expenditures necessary to implement the requirements of this section. Prior to making a transfer, the Finance and Administration Cabinet shall present the proposed transfer to the Capital Projects and Bond Oversight Committee for review at least 14 days prior to a meeting of the committee as required by KRS 45.800. No portion of funds transferred for this purpose shall be used for capital improvements or any other purpose.

~~[If the Secretary of the Finance and Administration Cabinet fails or refuses to fully and timely comply with the requirements of this section, the Legislative Research Commission may petition the Franklin Circuit Court for a writ of mandamus to compel the Secretary's compliance with the requirements of this section.]~~

Any expenditure authorized by the Legislative Research Commission relating to implementation of KRS 56.463(4)(b) and funded by previous appropriations to the legislative branch shall not be governed by KRS 7A.010, 7A.120, 45.750 to 45.810, 48.010(14), and 48.020.

32. **Reduction In State Utility Costs:** The Finance and Administration Cabinet is hereby directed to continue to review current practices to reduce energy costs to achieve a government-wide savings of total utility costs. The Cabinet is empowered to utilize expertise in the Department of Natural Resources, the Public Service Commission, and other agencies to accomplish this goal.

33. Cellular Telephones/Electronic Devices: By 90 days after the effective date of this Act, the Secretary of the Finance and Administration Cabinet shall review the use of cellular telephones and other types of electronic communication devices and issue guidelines to state agencies specifying criteria to document the need for such equipment. A copy of the guidelines shall be transmitted to the Interim Joint Committee on Appropriations and Revenue at the time of issuance.

34. Printing: The General Assembly declares that the financial condition of the Commonwealth requires that the Secretary of the Finance and Administration Cabinet shall review all state printing, including publications and the associated cost of storage, distribution, and advertising and direct all state agencies to use Internet and other electronic technology to provide public access to the fullest extent possible in order to reduce costs.

35. Travel Expenditures: All state agencies shall continue to monitor all travel expenditures and shall utilize state parks or other state facilities to the fullest extent

feasible. The Secretary of the Finance and Administration Cabinet shall review all out-of-state travel requests for three or more state employees to attend the same destination or event and shall approve the requests if deemed necessary.

36. Blue Ribbon Panel on Public Employee Health Benefits: The Blue Ribbon Panel on Public Employee Health Benefits, established in 2004 (Extra. Sess.) Ky. Acts ch 1, sec 7, subsec. (1), (HB 1) shall submit a written report and proposed legislation to the Legislative Research Commission, the Governor, and the Chief Justice of the Supreme Court no later than August 1, 2005.

37. Kentucky Wine and Vine Fest: The Kentucky Wine and Vine Fest of Nicholasville, Kentucky, is named and designated as the official state wine festival.

38. School District Efficiency and Effectiveness Review: The Office of Education Accountability is directed to conduct an inventory and assessment of indicators that may be used to analyze financial, academic, and demographic data in order to evaluate school performance. The inventory and assessment shall be under the direction of the Education Assessment and Accountability Review Subcommittee pursuant to KRS 7.410. With approval of the Subcommittee and the Legislative Research Commission, funds may be used to contract for special expertise in the area of financial or performance reviews.

39. Horse Cave Repertory Theatre: The Horse Cave Repertory Theatre located in Hart County, Kentucky is named and designated as the official state repertory theatre.

40. Civil War Reenactors: Notwithstanding KRS 38.440, Civil War reenactors may associate, drill, and parade with firearms and/or swords without permission from the Governor before, during, and after Civil War reenactments and events.

41. School Facility Construction Commission (SFCC) Review: The General Assembly understands that, since its inception in 1986, the SFCC has provided a necessary and valuable service to the Commonwealth and more importantly to the facility needs of every local school district. The General Assembly looks forward to continuing

to assist the SFCC now and in the future as it continues to serve students, teachers, and school administrators across the Commonwealth. To that end, the Office of Education Accountability is directed to conduct a review of the SFCC's ability to provide local school districts with necessary debt service assistance to maintain a facility program that will be conducive to a positive learning environment.

The review shall include, at a minimum, but is not limited to: (a) How the SFCC's offers of assistance impact the facility issues facing "Growth Districts" as defined in KRS 157.621; and (b) How the SFCC's offers of assistance impact local school districts who have facilities identified as "Category 5" (poorest condition). The review shall be under the direction of the Education Assessment and Accountability Subcommittee pursuant to KRS 7.410. With approval of the Subcommittee and the Legislative Research Commission, funds may be used to contract for special expertise in the area of funding school construction.

42. Enterprise Zone Tax Incentives: Notwithstanding KRS 154.45.010 to 154.45-120, and Sections 36 to 51 of 2005 RS HB 272 if enacted, any business certified as a qualified business prior to the expiration date of the enterprise zone designation shall be eligible for the tax incentives under KRS 154.45-090(2) and (3) for any projects started prior to the expiration date of the enterprise zone designation. The provisions of this section shall only apply if: (a) The project had a project scope of $40,000,000 or more; (b) The project was one that was recommended by a tourist and convention commission; (c) The project complements existing tourism and convention facilities; and (d) The project connects to public property. The maximum sales tax exemption for any one project for the period beginning January 1, 2004, and ending June 30, 2006, shall not exceed $700,000 in tax. The provisions of this section shall be retroactive to January 1, 2004. Tax expenditures incurred as a result of this provision shall be accounted for within the fiscal impact for Sections 36 to 51 of 2005 RS HB 272 if enacted.

43. Appropriation of Budget Reserve Trust Fund: Pursuant to KRS 48.705,

$35,277,300 from the Budget Reserve Trust Fund is available in fiscal year 2004-2005 to be appropriated by the General Assembly in this Act.

44. Undesignated General Fund Carry Forward: Notwithstanding KRS 48.700 and 48.705 and other Parts of this Act, the Secretary of the Finance and Administration Cabinet shall determine and certify, within 30 days of the close of fiscal year 2004-2005, the actual amount of undesignated balance of the General Fund for the year just ended. The amounts from the undesignated fiscal year 2004-2005 General Fund balances (General Fund Surplus Account, KRS 48.700) that are designated and carried forward for budgeted purposes in the 2004-2006 fiscal biennium shall be determined by the State Budget Director during the close of the respective fiscal year and shall be reported to the Interim Joint Committee on Appropriations and Revenue within 30 days of the close of the fiscal year. The General Fund undesignated balance in excess of the amount designated for budgeted purposes under this section shall be made available for the General Fund Surplus Expenditure Plan contained in Part VII of this Act unless otherwise provided in this Act.

PART IV

STATE SALARY/COMPENSATION AND EMPLOYMENT POLICY

1. Maximum Filled Permanent Positions: Notwithstanding KRS 18A.010(2), for the 2004-2006 fiscal biennium, the total number of filled permanent positions in the agencies of the Executive Branch is limited to the number authorized in the enacted State/Executive Budget of the Commonwealth for the 2004-2006 fiscal biennium. The provisions of this section do not apply to the employees of the General Assembly, the Legislative Research Commission, or the Court of Justice.

2. Authorized Personnel Complement: On July 1, 2005, the Personnel Cabinet shall establish a record of authorized permanent and other equivalent positions based upon the enacted State/Executive Budget of the Commonwealth and any adjustments authorized by provisions in this Act. The total number of filled and vacant positions of

full-time, part-time, and interim employees shall not exceed the authorized complements pursuant to this section. When an agency head certifies that an emergency employment situation exists for a limited time within a fiscal year, the State Budget Director may approve, and the Secretary of Personnel may authorize, the employment of individuals in addition to the authorized complement for the duration of the limited time period so authorized within the fiscal year. A copy of records, certifications, and actions authorized in this section shall be provided to the Interim Joint Committee on Appropriations and Revenue on a monthly basis.

3. Cost-of-Living Adjustment: Pursuant to 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 12, subsec. (1), a cost-of-living adjustment of two percent is provided in fiscal year 2004-2005 on the base salary or wages of each state employee on their anniversary date. In addition to the above salary adjustment, on January 1, 2005, an additional one percent increase is provided on the base salary or wages of each eligible state employee. Notwithstanding 18A.355(1), in fiscal year 2005-2006 a cost-of-living adjustment of three percent is provided on the base salary or wages of each state employee on their anniversary date.

4. State Salary and Compensation Fund: The Secretary of Personnel in consultation with the State Budget Director, shall determine the amount of funds from the appropriation in Part I, Operating Budget, J. Personnel Cabinet, 5. State Salary and Compensation Fund, of this Act by budget unit necessary to provide for the cost-of-living adjustments. The State Salary and Compensation Fund shall be supplemented by Restricted Agency Funds, Federal Funds, the Road Fund, and other General Fund amounts otherwise appropriated to state agencies in order to provide for the cost-of-living adjustments.

The Secretary of Personnel, upon approval by the State Budget Director, shall notify the Secretary of the Finance and Administration Cabinet of the respective amount of General Fund from the State Salary and Compensation Fund to transfer to each

affected budget unit and such funds shall be transferred. The Secretary of Personnel and the State Budget Director shall report to the Interim Joint Committee on Appropriations and Revenue regarding the implementation of these provisions.

5. Monthly Per Employee Health Insurance Benefits Assessment: The Personnel Cabinet shall collect a benefits assessment per month per employee eligible for health insurance coverage in the state group as contained in Appendix B of the budget instructions promulgated by the Legislative Research Commission pursuant to KRS 48.040 and communicated to agencies by the Office of State Budget Director for duly authorized use by the Personnel Cabinet in administering its statutory and administrative responsibilities, including but not limited to administration of the Commonwealth's health insurance program.

6. State Group Health Insurance Fund: It is the intent of the General Assembly to maintain the same level of benefits, copayments, deductibles, maximum out-of-pocket expense, and other features in Plan Year 2006 as provided in Plan Year 2005 in accordance with 2004 (Extra. Sess.) Ky. Acts ch. 1 (HB 1). Supplemental health insurance funding in fiscal year 2005-2006 is provided in Part I, Operating Budget, J. Personnel Cabinet, 6. State Group Health Insurance Fund, of this Act for state agencies, quasi-governmental agencies, Public Health Departments, and the Kentucky Community and Technical College System. The Secretary of Personnel, in consultation with the State Budget Director, shall determine the amount of funds necessary by budget unit to provide for the health insurance adjustment. The supplemental funding shall be augmented by Restricted Funds, Federal Funds, the Road Fund, and other General Fund amounts otherwise appropriated to state agencies in order to provide for the health insurance adjustment.

The Secretary of Personnel, upon approval by the State Budget Director, shall notify the Secretary of the Finance and Administration Cabinet of the respective supplemental amounts of General Fund from the State Group Health Insurance Fund to

be transferred to each affected budget unit, and such funds shall be transferred. The Secretary of Personnel and the State Budget Director shall report to the Interim Joint Committee on Appropriations and Revenue regarding the implementation of this provision.

7. Employee Cross Reference: The Personnel Cabinet shall permit married couples who are both eligible to participate in the state health insurance plan to be covered under one family health benefit plan and to apply each employer contribution for the single premium of the plan they select toward family coverage, not to exceed the total premium.

8. Flexible Spending Account: For employees of the state and employees of local school boards who are eligible to participate in the state health insurance program and who waive coverage under the program, the state shall contribute $234 per month to the employee's flexible spending account during Plan Year 2006.

9. Employer Retirement Contribution Rates: 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 9 adopted the employer contribution rates for the fiscal biennium 2004-2006. From July 1, 2004, through June 30, 2005, the contribution rates shall be no more than 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System. This provision shall be retroactive to July 1, 2004. Pursuant to that Act, from July 1, 2005, through June 30, 2006, the employer contribution rate shall be no more than 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System.

PART V

FUNDS TRANSFER

The General Assembly finds that the financial condition of state government requires the following action.

Notwithstanding the statutes or requirements of the Restricted Funds enumerated

below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005 and fiscal year 2005-2006:

		2004-05	2005-06
A.	**GENERAL GOVERNMENT**		
1.	**Office of State Budget Director**		
	Agency Revenue Fund	72,100	-0-
2.	**Department of Veterans' Affairs**		
	Agency Revenue Fund	275,000	-0-
3.	**Governor's Office of Agricultural Policy**		
	Tobacco Funds	27,000,000	-0-
	(KRS 248.703(2)(b)(2))		
4.	**Governor's Office for Local Development**		
	County Cemetery Fund	35,100	-0-
	(KRS 67.682)		
5.	**Local Government Economic Development Fund**		
	Multi-County Fund	3,725,000	-0-
	(KRS 42.4588)		
6.	**Registry of Election Finance**		
	Election Campaign Fund	539,600	-0-
	(KRS 121A.020)		
7.	**Secretary of State**		
	Limited Liability Companies	2,202,800	1,000,000
	(KRS 14.140)		
8.	**Treasury**	20,500	-0-
	Unclaimed Property		
	(KRS 393.250(1))		
9.	**Agriculture**	153,800	-0-

	(KRS 217B.580, 248.290(2), 251.430, 260.650, 363.330, 363.906, and 438.335)		
10.	**Accountancy**	107,800	-0-
	(KRS 325.250)		
11.	**Certification of Alcohol and Drug Counselors**	5,000	-0-
	(KRS 309.0813)		
12.	**Architects**	4,300	-0-
	(KRS 323.080)		
13.	**Auctioneers**	27,100	-0-
	(KRS 330.050 and 330.192)		
14.	**Barbering**	17,300	-0-
	(KRS 317.530)		
15.	**Chiropractic Examiners**	27,900	-0-
	Agency Revenue Fund		
16.	**Dentistry**	66,500	-0-
	(KRS 313.350)		
17.	**Embalmers and Funeral Directors**	20,200	-0-
	(KRS 316.125 and 316.210)		
18.	**Licensure for Engineers and Land Surveyors**	288,000	-0-
	(KRS 322.420)		
19.	**Registration for Professional Geologists**	44,600	-0-
	(KRS 322A.050)		
20.	**Hairdressers and Cosmetologists**	17,600	-0-
	(KRS 317A.080)		
21.	**Specialists in Hearing Instruments**	2,600	-0-
	(KRS 334.150)		

22.	**Interpreters for the Deaf and Hard of Hearing**	5,800	-0-
	(KRS 309.306)		
23.	**Examiners and Registration of Landscape Architects**		
	Agency Revenue Fund	4,100	-0-
24.	**Licensure of Marriage and Family Therapists**	3,000	-0-
	(KRS 335.342)		
25.	**Medical Licensure**	52,500	-0-
	(KRS 311.610)		
26.	**Nursing**		
	Agency Revenue Fund	442,700	-0-
27.	**Licensure for Occupational Therapy**		
	Agency Revenue Fund	15,000	-0-
28.	**Ophthalmic Dispensers**	2,000	-0-
	(KRS 326.120)		
29.	**Optometric Examiners**	6,200	-0-
	(KRS 320.360)		
30.	**Pharmacy**	90,500	-0-
	(KRS 315.195)		
31.	**Physical Therapy**	37,300	-0-
	(KRS 327.080)		
32.	**Podiatry**	400	-0-
	(KRS 311.450)		
33.	**Private Investigators**	2,000	-0-
	(KRS 329A.030)		
34.	**Licensed Professional Counselors**	25,800	-0-
	(KRS 335.520)		
35.	**Proprietary Education**	28,800	-0-

	(KRS 165A.380)		
36.	**Examiners of Psychology**	37,300	-0-
	(KRS 319.131)		
37.	**Real Estate Appraisers**	55,400	-0-
	(KRS 324A.065)		
38.	**Real Estate Commission**	302,400	-0-
	(KRS 324.286 and 324.410)		
39.	**Respiratory Care**	4,300	-0-
	(KRS 314A.215)		
40.	**Social Work**	26,000	-0-
	(KRS 335.140)		
41.	**Speech-Language Pathology and Audiology**	2,200	-0-
	(KRS 334A.120)		
42.	**Veterinary Examiners**		
	Agency Revenue Fund	51,100	-0-
43.	**Kentucky River Authority**	86,400	-0-
	(KRS 151.720)		
B.	**COMMERCE CABINET**		
1.	**Secretary**		
	Agency Revenue Fund	80,000	-0-
2.	**Artisans Center**		
	Agency Revenue Fund	20,000	-0-
3.	**Horse Park Commission**		
	Kentucky Horse Park Fund	40,000	-0-
4.	**State Parks**		
	State Parks Fund	110,000	-0-

5.	**State Fair Board**		
	State Fair Board Fund	50,000	-0-
C.	**DEPARTMENT OF EDUCATION**		
1.	**Operations and Support Services**		
	Agency Revenue Fund	102,200	-0-
2.	**School Districts Flexible Spending Account**		
	Expendable Trust Fund	5,000,000	5,000,000
3.	**Learning and Results Services**		
	Kentucky Successful Schools Trust Fund	204,900	-0-
	(KRS 157.067)		
D.	**EDUCATION CABINET**		
1.	**Vocational Rehabilitation**		
	(KRS 151B.470)	73,900	-0-
2.	**Unemployment Insurance Penalty and Interest Account**	186,100	-0-
	(KRS 341.835)		
3.	**Education Professional Standards Board**		
	Agency Revenue Fund	450,000	-0-
E.	**ENVIRONMENTAL AND PUBLIC PROTECTION CABINET**		
1.	**General Administration and Program Support**		
	Agency Restricted Funds	500,000	500,000
2.	**Environmental Protection**	351,400	-0-
	(KRS 224.20-310 and 224.20-050)		
3.	**Kentucky Pride Trust Fund**	2,006,300	2,006,300

Pursuant to KRS 224.43–505(2)(a)5., these funds transfers to the General Fund

support the General Fund debt service on the bonds sold as authorized by 2003 Ky. Acts ch. 156, Part II, Capital Projects Budget, A. Government Operations, 3. Kentucky Infrastructure Authority, c. Kentucky Pride Fund Projects.

4.	**Boxing and Wrestling Authority**	4,200	-0-
	(KRS 229.250)		
5.	**Petroleum Storage Tank Environmental Assurance Fund**	291,200	63,471,400
	(KRS 224.60-140, 224.60-145, and 224.60-150)		
6.	**Alcoholic Beverage Control**	1,009,700	-0-
	(KRS 243.025)		
7.	**Charitable Gaming**	191,200	-0-
	(KRS 238.570)		
8.	**Crime Victims' Compensation Fund**	1,500	-0-
	(KRS 346.185)		
9.	**Board of Claims**		
	Agency Revenue Fund	147,200	-0-
10.	**Financial Institutions**	3,420,100	2,712,100
	(KRS 287.485)		
11.	**Horse Racing Authority**		
	Agency Revenue Fund	49,600	-0-
12.	**Housing, Buildings and Construction**	90,100	-0-
	(KRS 318.136)		
13.	**Insurance**	3,872,800	11,340,300
	(KRS 304.2-300, 304.2-400, and 304.2-440)		

14.	**Insurance**		
	Fire and Tornado Insurance Fund	500,000	500,000
	(KRS 56.180)		
15.	**Kentucky Access**	9,932,900	10,287,900
	(KRS 304.17B-003 and 304.17B-021)		
16.	**Mine Safety and Licensing**	36,600	-0-
	(KRS 351.110)		
17.	**Public Service Commission**		
	Agency Revenue Fund	103,900	-0-
F.	**FINANCE AND ADMINISTRATION CABINET**		
1.	**General Administration**		
	Capital Construction Investment		
	Income	7,438,000	12,675,000
	(KRS 42.500)		
2.	**Technology Trust Fund**		
	(2003 Ky. Acts ch. 156, Part III, Sec. 25)	864,800	-0-
3.	**Perry/Knott County**		
	Recreational Authority		
	Red Fox Golf Course Project	1,685,000	-0-
4.	**Revenue**	103,700	-0-
	(KRS 132.672, 134.400,		
	and 365.390(2))		
5.	**Property Valuation Administration**	111,600	-0-
	(KRS 132.590 and 132.597)		
G.	**HEALTH AND FAMILY SERVICES CABINET**		
1.	**General Administration and**		
	Program Support	169,100	-0-

	(KRS 212.025(2))		
2.	**Children with Special Health Care Needs**	446,000	-0-
	(KRS 212.025(2))		
3.	**Children with Special Health Care Needs**		
	Tobacco Fund	43,900	-0-
	(KRS 200.151)		
4.	**Mental Health and Mental Retardation Services**	4,438,600	-0-
	(KRS 212.025(2))		
5.	**Public Health**	1,909,600	358,800
	(KRS 212.025(2) and 213.141(3))		
6.	**Certificate of Need**	4,100	-0-
	(KRS 212.025(2))		
7.	**Human Support Services**	19,000	-0-
	(KRS 212.025(2))		
H.	**JUSTICE AND PUBLIC SAFETY CABINET**		
1.	**Justice Administration**		
	Agency Revenue Fund	334,700	184,700
2.	**Kentucky Law Enforcement Foundation Program Fund**	16,422,100	6,660,600
	(KRS 15.430)		
3.	**Juvenile Justice**		
	Agency Revenue Fund	2,600,000	-0-
4.	**State Police**		
	Agency Revenue Fund	1,250,000	-0-

I.	**PERSONNEL CABINET**		
1.	**General Operations**		
	Flexible Spending Account	580,000	2,500,000
	(KRS 18A.225(2)(g))		
2.	**General Operations**		
	Special Deposit Trust Fund	184,800	-0-
3.	**General Operations**		
	Insurance Administration Fund	146,000	-0-
4.	**Government Training**		
	Agency Revenue Fund	55,000	-0-
J.	**POSTSECONDARY EDUCATION**		
1.	**Council on Postsecondary Education**		
	Agency Revenue Fund	400,000	-0-
2.	**Technology Initiative Trust Fund**	132,900	-0-
	(KRS 164.7911 and 164.7921)		
3.	**Kentucky Higher Education**		
	Assistance Authority	13,700,100	-0-
	(KRS 393.015)		
4.	**Kentucky Higher Education**		
	Student Loan Corporation	7,800,000	59,000,000

Included the above funds transfers is $49,000,000 in funds which have been held in reserve due to requirements of bond indentures which are now available because the bonds have matured and are free from any further restrictions.

5.	**Eastern Kentucky University**		
	Agency Revenue Fund	2,415,700	-0-
6.	**Kentucky State University**		
	Agency Revenue Fund	586,600	-0-

7.	**Morehead State University**		
	Agency Revenue Fund	1,501,300	-0-
8.	**Murray State University**		
	Agency Revenue Fund	1,632,900	-0-
9.	**Northern Kentucky University**		
	Agency Revenue Fund	1,951,600	-0-
10.	**University of Louisville**		
	Agency Revenue Fund	4,400,000	-0-
11.	**Western Kentucky University**		
	Agency Revenue Fund	2,381,600	-0-
12.	**Kentucky Community and**		
	Technical College System		
	Agency Revenue Fund	4,996,700	-0
13.	**Firefighters Foundation**		
	Program Fund	9,868,900	3,500,000
	(KRS 95A.222)		
K.	**TRANSPORTATION CABINET**		
1.	**General Administration and Support**		
	Fleet Management Fund	5,000,000	2,500,000
L.	**LEGISLATIVE BRANCH**		
	Kentucky Long-Term Policy		
	Research Center		
	Agency Restricted Funds	500,000	-0-
TOTAL - FUNDS TRANSFER		160,834,100	184,197,100

PART VI

GENERAL FUND BUDGET REDUCTION PLAN

Pursuant to KRS 48.130 and 48.600, a General Fund Budget Reduction Plan is

enacted for state government in the event of an actual or projected deficit in estimated General Fund revenue receipts of $7,449,855,500 in fiscal year 2004-2005 and $7,825,036,700 in fiscal year 2005-2006 as modified by related Acts and actions of the General Assembly in an extraordinary or regular session. Direct services, obligations essential to the minimum level of constitutional functions, and other items that may be specified in this Act, are exempt from the requirements of this Plan. Each branch head shall prepare a specific plan to address a proportionate share of the General Fund revenue shortfall applicable to the respective branch. No budget revision action shall be taken by a branch head in excess of the actual or projected deficit.

The Governor, the Chief Justice, and the Legislative Research Commission shall direct and implement reductions in allotments and appropriations only for their respective branch budget units as may be necessary as well as take other measures which shall be consistent with the provisions of this Part and general branch budget bills.

In the event of a revenue shortfall under the provisions of KRS 48.120, General Fund budget reduction actions shall be implemented in the following sequence:

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

(2) Transfers of excess unappropriated and unbudgeted Restricted Funds other than fiduciary funds shall be applied as determined by the head of each branch for its respective budget units.

(3) Excess General Fund appropriations which accrue as a result of personnel vacancies and turnover, and reduced requirements for operating expenses, grants, and capital outlay shall be determined and applied by the heads of the executive, judicial, and legislative departments of state government for their respective branches. The branch heads shall certify the available amounts which shall be applied to budget units within the

respective branches and shall promptly transmit the certification to the Secretary of the Finance and Administration Cabinet and the Legislative Research Commission. The Secretary of the Finance and Administration Cabinet shall execute the certified actions as transmitted by the branch heads.

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

(4) Funds available in the Budget Reserve Trust Fund shall be applied in an amount not to exceed 25 percent of the trust fund balance in fiscal year 2004-2005 and 50 percent of the trust fund balance in fiscal year 2005-2006.

(5) Notwithstanding KRS 48.130 and 48.600, if the actions contained in subsections (1) to (4) of this section are insufficient to eliminate an actual or projected revenue shortfall in the enacted General Fund revenue receipts, then the Governor is empowered and directed to take necessary actions with respect to the Executive Branch budget units to balance the budget by such actions conforming with the criteria expressed in this Part.

PART VII

GENERAL FUND SURPLUS EXPENDITURE PLAN

(1) Pursuant to KRS 48.700 and notwithstanding KRS 48.140, there is established a plan for the expenditure of General Fund surplus moneys pursuant to a General Fund Surplus Expenditure Plan contained in this Part for fiscal years 2004-2005 and 2005-2006. Pursuant to the enactment of the Surplus Expenditure Plan, General Fund moneys in the General Fund undesignated fund balance in excess of the amount specified in Part III, General Provisions, Section 45, of this Act are appropriated to the following: (a) Increased funding necessary to increase certified classroom teacher salaries to the average level of the contiguous states; (b) Additional funding to public education (P-16) necessary to return base appropriations to the pre-Budget Reduction Order/Stability

Initiative of fiscal year 2003-2004; (c) The amount of a funding shortage in the Medicaid program not susceptible to timely or sufficient management control or adjustment as certified as to necessity and amount by the Secretary of the Health and Family Services Cabinet and approved by the State Budget Director; (d) Necessary Government Expenses including, but not limited to, Emergency Orders formally declared by the Governor in an Executive Order; and (e) Increased support to the Budget Reserve Trust Fund up to an amount necessary to provide a balance equaling 1.5 percent of estimated General Fund revenues for fiscal year 2005-2006.

(2) The Secretary of the Finance and Administration Cabinet shall determine, within 30 days after the close of the fiscal year 2004-2005, and the close of fiscal year 2005-2006, based on the official financial records of the Commonwealth, the amount of actual General Fund undesignated fund balance for the General Fund Surplus Account that may be available for expenditure pursuant to the Plan respectively in fiscal year 2004-2005 and fiscal year 2005-2006. The Secretary of the Finance and Administration Cabinet shall certify the amount of actual General Fund undesignated fund balance available for expenditure to the Legislative Research Commission.

Subsequent to June 30, 2004, funds that are certified as being available in the actual General Fund undesignated fund balance for the General Fund Surplus Account are appropriated for expenditure in fiscal year 2004-2005 pursuant to the Plan.

PART VIII

ROAD FUND BUDGET REDUCTION PLAN

There is established a Road Fund Budget Reduction Plan for fiscal year 2004-2005 and fiscal year 2005-2006. Notwithstanding KRS 48.130, in the event of an actual or projected shortfall in estimated Road Fund revenue receipts of $1,142,714,600 in fiscal year 2004-2005 and $1,155,969,200 in fiscal year 2005-2006 as determined by KRS 48.120(3), the Governor shall implement sufficient reductions as may be required to protect the highest possible level of service. No budget revision action shall be taken in

excess of the actual or projected deficit.

PART IX

ROAD FUND SURPLUS EXPENDITURE PLAN

Notwithstanding KRS 48.140 and pursuant to KRS 48.710, there is established a plan of expenditures from the Road Fund Surplus Account. All moneys in the Road Fund Surplus Account shall be deposited in the State Construction Account and utilized to support projects in the fiscal biennium 2004-2006 Biennial Highway Construction Program.

PART X

PHASE I TOBACCO SETTLEMENT

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

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

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

(4) Distinct Identity of MSA Payment Deposits: The General Assembly has determined that it shall be the policy of the Commonwealth that all Phase I Tobacco Settlement payments shall be deposited to the credit of the General Fund and shall

maintain a distinct identity as Phase I Tobacco Settlement payments that shall not lapse to the credit of the General Fund surplus, but shall continue forward from each fiscal year to the next fiscal year to the extent that any balance is unexpended.

(5) MSA Payment Estimates and Adjustments: Based on the current estimates as reviewed by the Consensus Revenue Forecasting Group, the amount of MSA payments expected to be received in fiscal year 2004-2005 is $108,800,000 and in fiscal year 2005-2006 is $108,600,000. It is recognized that payments to be received by the Commonwealth are estimated and are subject to change. Any appropriations made from the estimated receipts are subject to adjustments based on actual receipts as received and certified by the Secretary of the Finance and Administration Cabinet.

a. State Enforcement: Notwithstanding KRS 248.654, a total of $175,000 of the MSA payments received each fiscal year of the 2004-2006 biennium is appropriated to the Finance and Administration Cabinet, Department of Revenue for the state's enforcement of noncompliant nonparticipating manufacturers.

b. Agricultural Development Initiatives: Fifty percent of the MSA payments, less the above enforcement appropriations, received in fiscal year 2004-2005, estimated to be $54,312,500, and in fiscal year 2005-2006, estimated to be $54,212,500, is appropriated to the Kentucky Agricultural Development Fund to be used for agricultural development initiatives.

c. Early Childhood Development Initiatives: Twenty-five percent of the MSA payments, less the above enforcement appropriations, received in fiscal year 2004-2005, estimated to be $27,156,200, and in fiscal year 2005-2006, estimated to be $27,106,200, is appropriated for Early Childhood Development Initiatives as specified below.

d. Health Care Initiatives: Twenty-five percent of the MSA payments received, less the above enforcement appropriations, in fiscal year 2004-2005, estimated to be $27,156,300, and in fiscal year 2005-2006, estimated to be $27,106,300, is appropriated to the Kentucky Health Care Improvement Fund for health care initiatives

as specified below.

A. STATE ENFORCEMENT

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

1. FINANCE AND ADMINISTRATION CABINET

Budget Unit	**2004-05**	**2005-06**
a. Revenue	175,000	175,000

B. AGRICULTURAL DEVELOPMENT APPROPRIATIONS

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

1. GENERAL GOVERNMENT

Budget Unit	**2004-05**	**2005-06**
a. Governor's Office of Agricultural Policy	39,195,900	24,541,300

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

b. Kentucky Infrastructure Authority	-0-	5,358,000

(1) Infrastructure for Economic Development Fund for Tobacco Counties: Included in the above General Fund (Tobacco) appropriation is $5,358,000 in fiscal year 2005-2006 for debt service for the Infrastructure for Economic Development Fund for Tobacco Counties. It is the intent of the General Assembly that, in fiscal years 2006-2007 and 2007-2008, the debt service shall be provided from the General Fund.

2. ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Budget Unit	**2004-05**	**2005-06**
a. Natural Resources - Conservation	9,000,000	9,000,000

(1) Environmental Stewardship Program: Included in the above General Fund (Tobacco) appropriation is $9,000,000 in fiscal year 2004-2005 and $9,000,000 in fiscal year 2005-2006 for the Environmental Stewardship Program.

3. FINANCE AND ADMINISTRATION CABINET

Budget Unit	**2004-05**	**2005-06**
a. Debt Service	6,116,600	15,313,200

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

(2) Phase II Tobacco Settlement Payments: Included in the above appropriation is $9,200,000 in fiscal year 2005-2006 for debt service.

(3) Assignment of Rights: If the North Carolina litigation proceeds through the appellate judicial process and results in a distribution of Phase II moneys from tobacco manufacturers to eligible tobacco growers and quota owners, or Congressional action occurs that compensates eligible tobacco growers and quota owners, then any eligible beneficiary who has already received moneys from the Commonwealth under this Act shall have assigned his or her rights to moneys under the National Tobacco Growers Settlement Trust (Phase II) or subsequent Congressional action to the Commonwealth. The assignment of rights to moneys shall not exceed the amount received under Part II, Capital Projects Budget, of this Act.

(4) Funds Recovery: Any funds received by the Commonwealth under the assignment of rights in the preceding section (3), shall be used first to pay any costs associated with the bonds issued by the Kentucky Asset/Liability Commission for the Phase II Settlement Payments identified in Part II, Capital Projects Budget, of this Act. Any remaining funds received by the Commonwealth under the assignment of rights shall be transferred from the General Fund to the Governor's Office of Agricultural

Policy. The amount transferred to the Governor's Office of Agricultural Policy shall not exceed the amount in Part V, Funds Transfer, Section A, Item 3, for fiscal year 2004-2005.

(5) Phase II Payment Provision under Terms of a Settlement: (a) If the North Carolina litigation proceeds through the appellate judicial process, or a settlement is reached, with either resulting in a distribution of Phase II moneys from tobacco manufacturers, prior to the Phase II Settlement Payments being made by the Commonwealth under this Act, and the amount of the distributed proceeds to eligible Kentucky tobacco growers and quota owners is equal to, or more than, $114,000,000, then the following actions shall be taken:

No General Fund (Tobacco) dollars shall be transferred from the Governor's Office of Agricultural Policy in fiscal year 2004-2005 to the General Fund as provided in Part V, Funds Transfer, Section A., Item 3. Debt service in the amount of $9,200,000 shall not be provided as reflected in Part I, Operating Budget, Section G. Finance and Administration Cabinet, Item 3. Debt Service, Section (2), and as reflected in Part X, Phase I Tobacco Settlement, Section B., Item 3(a)(2), for the $87,000,000 in bonds for the Phase II Tobacco Settlement Payments in Part II, Capital Projects Budget.

(b) If the North Carolina litigation proceeds through the appellate judicial process, or a settlement is reached, with either resulting in a distribution of Phase II moneys from tobacco manufacturers prior to the Phase II Settlement Payments being made by the Commonwealth under this Act, and the amount of the distributed proceeds to eligible Kentucky tobacco growers and quota owners is less than $114,000,000, the General Fund (Tobacco) dollars transferred from the Governor's Office of Agricultural Policy in fiscal year 2004-2005 to the General Fund as provided in Part V, Funds Transfer, Section A., Item 3., and the debt service in the amount of $9,200,000 as reflected in Part I, Operating Budget, Section G. Finance and Administration Cabinet, Item 3., and as reflected in Part X, Phase I Tobacco Settlement, Section B., Item 3(a)(2), for the $87,000,000 in bonds for

the Phase II Tobacco Settlement Payments in Part II, Capital Projects Budget, shall not be provided, and the following actions shall be taken:

General Fund (Tobacco) dollars shall be transferred from the Governor's Office of Agricultural Policy to the General Fund in fiscal year 2004-2005 for supplemental Phase II payments to be made by the Commonwealth. The total amount of General Fund (Tobacco) dollars transferred from the Governor's Office of Agricultural Policy shall be the lesser of $27,000,000, or the amount needed to ensure that the combined Phase II payments from the tobacco manufacturers and the supplemental Phase II payments is $114,000,000. If the Phase II moneys from tobacco manufacturers combined with the General Fund (Tobacco) dollars transferred to the General Fund from the Governor's Office of Agricultural Policy for the supplemental Phase II payments is less than $114,000,000, then bonds may be issued by the Kentucky Asset/Liability Commission or any other applicable state entity authorized by law to issue bonds, as designated by the Secretary of the Finance and Administration Cabinet, in an amount necessary for the total funds from these three sources to equal $114,000,000. Debt service for these bonds in fiscal year 2005-2006 shall be provided from the allocation provided under KRS 248.703(2)(b)2.

TOTAL - AGRICULTURAL APPROPRIATIONS	54,312,500	54,212,500

C. EARLY CHILDHOOD DEVELOPMENT

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

1. EDUCATION CABINET

Budget Unit	**2004-05**	**2005-06**
a. Learning and Results Services	1,888,400	1,888,400

2. HEALTH AND FAMILY SERVICES CABINET

Budget Units	**2004-05**	**2005-06**
a. Community Based Services	8,300,400	8,300,400

(1) Early Childhood Development Program and Child Advocacy Centers:

Included in the above General Fund (Tobacco) appropriation is $8,120,400 in each fiscal year for the Early Childhood Development Program, and $180,000 in each fiscal year for Child Advocacy Centers.

b.	Public Health	14,712,400	14,662,400

(1) HANDS Program, Healthy Start, Universal Children's Immunizations, Folic Acid Program, Early Childhood Mental Health, and Early Childhood Oral Health: Included in the above General Fund (Tobacco) appropriation is $6,939,900 in fiscal year 2004-2005 and $7,599,900 in fiscal year 2005-2006 for the Health Access Nurturing Development Services (HANDS) Program; $2,000,000 in each fiscal year for Healthy Start initiatives; $2,000,000 in each fiscal year for Universal Children's Immunizations; $900,000 in each fiscal year for the Folic Acid Program; $875,000 in each fiscal year for Early Childhood Mental Health; $337,500 in fiscal year 2004-2005 and $287,500 in fiscal year 2005-2006 for Early Childhood Oral Health; and $1,000,000 in each fiscal year for the Kentucky Early Intervention Services First Steps Program. Also included in the above is $660,000 in fiscal year 2004-2005 for the purchase of two Tandem Mass Spectrometers to increase newborn screenings for metabolic conditions.

c.	Mental Health and Mental Retardation Services	900,000	900,000

(1) Substance Abuse Prevention and Treatment: Included in the above General Fund (Tobacco) appropriation is $900,000 in each fiscal year for substance abuse prevention and treatment.

d.	Commission for Children with Special Health Care Needs	455,000	455,000

(1) Universal Newborn Hearing Screening and Vision Screening: Included in the above General Fund (Tobacco) appropriation is $450,000 in each fiscal year for Universal Newborn Hearing Screening and $5,000 in each fiscal year for Vision Screening.

3. POSTSECONDARY EDUCATION

Budget Unit	**2004-05**	**2005-06**
a. Kentucky Higher Education Assistance Authority	900,000	900,000

(1) Early Childhood Scholarships: Included in the above General Fund (Tobacco) appropriation is $900,000 in fiscal year 2004-2005 and $900,000 in fiscal year 2005-2006 for Early Childhood Scholarships.

TOTAL - EARLY CHILDHOOD APPROPRIATIONS	27,156,200	27,106,200

D. HEALTH CARE IMPROVEMENT APPROPRIATIONS

GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

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

1. ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Budget Unit	**2004-05**	**2005-06**
a. Insurance	16,782,600	16,751,700

(1) Kentucky Access Program: Included in the above General Fund (Tobacco) appropriation is $16,782,600 in fiscal year 2004-2005 and $16,751,700 in fiscal year 2005-2006 for the Kentucky Access Program.

2. HEALTH AND FAMILY SERVICES CABINET

Budget Unit	**2004-05**	**2005-06**
a. Public Health	2,715,600	2,710,600

(1) Smoking Cessation Program: Included in the above General Fund (Tobacco) appropriation is $2,715,600 in fiscal year 2004-2005 and $2,710,600 in fiscal year 2005-2006 for the Smoking Cessation Program.

3. JUSTICE AND PUBLIC SAFETY CABINET

Budget Unit	**2004-05**	**2005-06**
a. Justice Administration	2,226,800	2,222,700

4. POSTSECONDARY EDUCATION

Budget Unit	**2004-05**	**2005-06**
a. Council on Postsecondary Education	5,431,300	5,421,300

(1) Ovarian Cancer Screening: Notwithstanding KRS 164.476, General Fund (Tobacco) dollars in the amount of $775,000 each fiscal year shall be allotted from the Lung Cancer Research Fund to the Ovarian Cancer Screening Outreach Program at the University of Kentucky.

TOTAL - HEALTH CARE APPROPRIATIONS	27,156,300	27,106,300
TOTAL - PHASE I TOBACCO SETTLEMENT FUNDING PROGRAM	108,800,000	108,600,000

PART XI

STATE/EXECUTIVE BRANCH BUDGET SUMMARY

OPERATING BUDGET

	2004-05	**2005-06**
General Fund - (Tobacco)	108,140,000	108,600,000
General Fund	7,340,894,600	7,995,294,800
Restricted Funds	4,209,275,300	4,098,334,700
Federal Funds	6,921,273,800	6,797,256,700
Road Fund	1,128,920,600	1,151,721,200
Highway Bonds	450,000,000	-0-
SUBTOTAL	20,158,504,300	20,151,207,400

CAPITAL PROJECTS BUDGET

	2004-05	**2005-06**
General Fund (Tobacco)	660,000	-0-
General Fund	38,325,000	6,140,700
Restricted Funds	1,786,002,200	102,192,000
Federal Funds	99,075,000	14,703,000

Road Fund	13,794,000	4,248,000
Bond Funds	1,149,864,300	45,875,000
Agency Bonds	246,726,000	-0-
Capital Construction Surplus	1,892,400	63,000
Investment Income	23,844,000	4,720,000
Other Funds	21,800,000	4,300,000
SUBTOTAL	3,381,982,900	182,241,700

TOTAL - STATE/EXECUTIVE BUDGET

	2004-05	**2005-06**
General Fund(Tobacco)	108,800,000	108,600,000
General Fund	7,379,219,600	8,001,435,500
Restricted Funds	5,995,277,500	4,200,526,700
Federal Funds	7,020,348,800	6,811,959,700
Road Fund	1,142,714,600	1,155,969,200
Highway Bonds	450,000,000	-0-
Bond Funds	1,149,864,300	45,875,000
Agency Bonds	246,726,000	-0-
Capital Construction Surplus	1,892,400	63,000
Investment Income	23,844,000	4,720,000
Other Funds	21,800,000	4,300,000
TOTAL FUNDS	23,540,487,200	20,333,449,100

The above capital projects are directly funded in Part II, Capital Projects Budget, of this Act.

PART XII

LEGISLATIVE BRANCH

Budget Units

1. Legislative Research Commission

	2004-05	2005-06
General Fund	-0-	108,100

(1) Health Insurance Funding: Included in the above General Fund appropriation is $108,100 in fiscal year 2005-2006 for health insurance, which is in addition to the amounts appropriated for this purpose in 2004 Ky. Acts ch. 82 and 2004 (Extra. Sess.) Ky. Acts ch. 1, sec 17.

PART XIII

JUDICIAL BRANCH

OPERATING BUDGET

Budget Unit

1. Court Operations and Administration

	2004-05	2005-06
General Fund	-0-	1,077,400

(1) Health Insurance Funding: Included in the above General Fund appropriation is $1,077,400 in fiscal year 2005-2006 for health insurance, which is in addition to the amounts appropriated for this purpose in the 2004 Ky. Acts ch. 197 and 2004 (Extra. Sess.) Ky. Acts ch. 1, sec 16.

(2) Reporting and Accounting of Receipts and Fees Collected: Notwithstanding KRS 48.310, the following statute is amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 31A.010 is amended to read as follows:

(1) A master commissioner may be appointed for each county within a judicial circuit.

(a) In single-judge circuits the appointment shall be made by the Circuit Judge.

(b) In judicial circuits with more than one (1) judge the master commissioner shall be chosen by a majority of the judges and in the event of a tie the Chief Circuit Judge shall choose from those receiving the tie vote.

(2) The master commissioner shall be governed by such rules not inconsistent with the

statutes of the Commonwealth as may be set by the Supreme Court~~[and by the court employing him]~~.

(3) The master commissioner shall serve at the pleasure of the court as follows:

(a) In a single-judge circuit the master commissioner shall serve at the pleasure of the Circuit Judge, but in no case shall his term exceed four (4) years without reappointment. The term of the commissioner shall automatically terminate following the death, resignation, or permanent replacement of the Circuit Judge who appointed him.

(b) In a judicial circuit with more than one (1) judge the master commissioner shall serve at the pleasure of the judges of the circuit, but in no case shall his term exceed four (4) years without reappointment. The master commissioner may be removed at any time by a majority vote of the judges of the circuit and in the event of a tie the decision shall be made by the Chief Circuit Judge.

(4) ***Each commissioner shall annually provide to the Administrative Office of the Courts a complete accounting for all amounts received and distributed and for all fees collected.*** The master commissioner shall be compensated by fees as provided by rule of the Supreme Court. ***Fees collected in excess of the authorized compensation and expenses of the master commissioner shall be remitted with the report to the Administrative Office of the Courts to inure to a trust and agency account which shall not lapse and which shall be used to hire additional deputy clerks or office personnel, to increase deputy clerk or office personnel salaries, or a combination thereof.*** The Circuit Court may allow the commissioner a reasonable fee for performing judicial type functions in actions where the master commissioner does not execute a judicial sale.

(5) The master commissioner shall maintain his office at such locations and during such hours as ***authorized by rule of the Supreme Court***~~[the Chief Circuit Judge shall direct]~~.

(6) The master commissioner shall perform such functions, including those of a receiver, as may be directed by an appropriate order of court.

(7) The master commissioner may have such deputies and assistants, ***as authorized by rule of the Supreme Court***[~~approved by order of the Chief Circuit Judge~~], as are necessary to perform the functions of his office.

(8) The Supreme Court may make such rules, regulations, and accounting procedures as it may deem necessary for the appointment, conduct, and other matters relating to the master commissioner or receiver.

(3) Circuit Court Judgeships: Notwithstanding KRS 48.310, the following statutes are amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 23A.040 is amended to read as follows:

The following judicial circuits are entitled to two (2) judges and shall have two (2) numbered divisions of the Circuit Court:

(1) Fifth Judicial Circuit.

(2) Sixth Judicial Circuit.

(3) ***Tenth Judicial Circuit.***

(4) Eleventh Judicial Circuit.

(5)[~~(4)~~] Twelfth Judicial Circuit.

(6) Thirteenth Judicial Circuit.

(7)[~~(5)~~] Fourteenth Judicial Circuit.

(8)[~~(6)~~] Eighteenth Judicial Circuit.

(9) Twentieth Judicial Circuit.

(10)[~~(7)~~] Twenty-first Judicial Circuit.

(11)[~~(8)~~] Twenty-fourth Judicial Circuit.

[~~(9) Twenty-seventh Judicial Circuit.~~]

(12)[~~(10)~~] Thirty-second Judicial Circuit.

(13)[~~(11)~~] Thirty-fourth Judicial Circuit.

(14)[~~(12)~~] Thirty-seventh Judicial Circuit.

(15) Thirty-eighth Judicial Circuit.

(16)[~~(13)~~] Forty-first Judicial Circuit.

(17) Forty-second Judicial Circuit.

(18)[~~(14)~~] Forty-third Judicial Circuit.

(19)[~~(15)~~] Forty-sixth Judicial Circuit.

(20)[~~(16)~~] Fiftieth Judicial Circuit.

(21)[~~(17)~~] Fifty-first Judicial Circuit.

(22) Fifty-third Judicial Circuit.

(23)[~~(18)~~] Fifty-fourth Judicial Circuit.

(24) Fifty-fifth Judicial Circuit.

Section 2. KRS 23A.045 is amended to read as follows:

The following judicial circuits are entitled to three (3) Circuit Judges and shall have three (3) numbered divisions of the Circuit Court:

(1) Second Judicial Circuit.

(2) Third Judicial Circuit.

(3)[~~ Eighth Judicial Circuit.~~

~~(4)~~] Ninth Judicial Circuit.

(4)[~~(5)~~] Seventeenth Judicial Circuit.

(5) Twenty-seventh Judicial Circuit.

(6) Twenty-eighth Judicial Circuit.

(7) Thirty-first Judicial Circuit.

(8) Thirty-fifth Judicial Circuit.

(9) Forty-eighth Judicial Circuit.

Section 3. KRS 23A.050 is amended to read as follows:

The following judicial circuits are entitled to four (4) judges and shall have four (4)

numbered divisions of the Circuit Court:

(1) ***Eighth Judicial Circuit.***

(2) Sixteenth Judicial Circuit.

(3)[~~(2)~~] Twenty-fifth Judicial Circuit.

Section 4. KRS 24A.050 is amended to read as follows:

The following judicial districts are entitled to two (2) District Judges and shall have two (2) numbered divisions of the District Court:

(1) Second Judicial District.

(2) Third Judicial District.

(3) Fourth Judicial District.

(4) ***Eighth Judicial District.***

(5) Ninth Judicial District.

(6)[~~(5)~~] Eleventh Judicial District.

(7)[~~(6)~~] Twelfth Judicial District.

(8)[~~(7)~~] Thirteenth Judicial District.

(9)[~~(8)~~] Fourteenth Judicial District.

(10)[~~(9)~~] Fifteenth Judicial District.

(11)[~~(10)~~] Seventeenth Judicial District.

(12)[~~(11)~~] Twenty-first Judicial District.

(13)[~~(12)~~] Twenty-fourth Judicial District.

(14)[~~(13)~~] Twenty-fifth Judicial District.

(15)[~~(14)~~] Twenty-seventh Judicial District.

(16)[~~(15)~~] Twenty-eighth Judicial District.

(17)[~~(16)~~] Thirty-first Judicial District.

(18)[~~(17)~~] Thirty-second Judicial District.

(19)[~~(18)~~] Thirty-fourth Judicial District.

(20)[~~(19)~~] Thirty-fifth Judicial District.

(21)[~~(20)~~] Thirty-eighth Judicial District.

(22)[~~(21)~~] Fortieth Judicial District.

(23)[~~(22)~~] Forty-first Judicial District.

(24)[~~(23)~~] Forty-sixth Judicial District.

(25)[~~(24)~~] Forty-eighth Judicial District.

(26)[~~(25)~~] Fifty-first Judicial District.

(27)[~~(26)~~] Fifty-third Judicial District.

(28)[~~(27)~~] Fifty-fourth Judicial District.

(29)[~~(28)~~] Fifty-fifth Judicial District.

(30)[~~(29)~~] Fifty-sixth Judicial District.

Section 5. KRS 24A.060 is amended to read as follows:

The ***Sixth Judicial District is***[~~following judicial districts are~~] entitled to three (3) District Judges and shall have three (3) numbered divisions of the District Court[~~:~~

~~(1) Sixth Judicial District.~~

~~(2) Eighth Judicial District~~].

Section 6. (1) Sections 4 and 5 of this Part shall become effective on the first Monday of January, 2007.

(2) Sections 1, 2, and 3 of this Part shall become effective on July 15, 2006.

(3) For those judgeships that become effective July 15, 2006, it is the intent and desire of the General Assembly of the Commonwealth of Kentucky that those judgeships remain vacant until filled on the first Monday in January 2007, by the persons duly elected to those judgeships in the regular election held in November 2006. To effectuate this intent, the General Assembly respectfully requests that the Chief Justice, acting in his capacity as the chairman of the respective judicial nominating commissions under Section 118(2) of the Constitution of Kentucky, not call to order any meeting of a judicial nominating commission for the purpose of filling a vacancy in any circuit judgeship created in Sections 1, 2, and 3 of this Part. However, the General Assembly encourages

the Chief Justice to exercise the authority granted to him by Section 110(5)(b) of the Constitution of Kentucky and assign a senior status judge to each of the new circuit judgeships created in Sections 1, 2, and 3 of this Part, except for the Eighth Judicial Circuit, to serve for the period from July 15, 2006, until the first Monday in January 2007, provided that the assigned judge not be or become a candidate for that judgeship.

CAPITAL PROJECTS BUDGET

Budget Unit

1. Local Facilities Fund

a. Authorized Local Facilities Projects and Deferred Use Allowance:

Rank	Project	Project Scope	Maximum Annualized Use Allowance	Total Funds
001.	Adair County	10,468,000	937,000	1,636,600
002.	Taylor County	14,806,000	1,325,000	2,300,900
003.	Laurel County	23,709,000	2,122,000	3,805,000
004.	Shelby County	18,441,000	1,651,000	2,839,100
005.	Pulaski County	22,421,000	2,007,000	3,590,400
006.	Green County	9,819,000	879,000	1,553,000
007.	Project Pool			
	Robertson County	2,229,000	199,000	405,000
	Gallatin County	2,229,000	199,000	505,000
	Pendleton County	2,228,000	199,000	489,500
008.	Washington County	11,381,000	1,019,000	1,789,000
009.	Livingston County	7,583,000	679,000	1,284,000
010.	Grant County	14,523,000	1,300,000	2,185,000
011.	Jackson County	11,034,000	987,000	1,708,200
012.	Grayson County	11,507,000	1,030,000	1,792,000

013.	Logan County	14,861,000	1,330,000	2,170,600
014.	Hart County	11,315,000	1,013,000	1,752,600
015.	Trigg County	10,224,000	914,000	1,573,100
016.	Boyd County	19,148,000	1,714,000	2,859,000

(1) Deferred Funding: General Fund support to provide operating support totaling $4,114,000, annualized use allowance payments totaling $19,504,000, and non-recurring furniture and equipment costs totaling $12,032,000, less off-setting payments made for existing facilities totaling $1,412,000, for the above local facilities projects is deferred to the 2006-2008 fiscal biennium pending action of the 2006 General Assembly.

(2) Rules of Administrative Procedure: All court facilities projects shall comply with the Rules of Administrative Procedure of the Court of Justice; Real Property Management Guide, Part X; and KRS 26A.090 to 26A.168.

PART XIV

MOTOR VEHICLE USAGE TAX

Notwithstanding KRS 48.310, the following statute is amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 138.460 is amended to read as follows:

(1) A tax levied upon its retail price at the rate of six percent (6%) shall be paid on the use in this state of every motor vehicle, except those exempted by KRS 138.470, at the time and in the manner provided in this section.

(2) The tax shall be collected by the county clerk or other officer with whom the vehicle is required to be ***titled or*** registered:

(a) When ~~[he collects]~~ the ~~[registration]~~ fee for ***titling or*** registering ~~[and licensing]~~ a motor vehicle the first time it is offered for ***titling or*** registration in this state ***is collected***; ***or***

(b) ~~[Or]~~ Upon the transfer of ***title or registration*** ~~[ownership]~~ of any motor vehicle previously ***titled or*** registered in this state.

(3) ***The tax imposed by subsection (1) of this section and collected under subsection (2) of this section shall not be collected if the owner provides to the county clerk a signed affidavit of non-highway use, on a form provided by the cabinet, attesting that the vehicle will not be used on the highways of the Commonwealth. If this type of affidavit is provided, the clerk shall, in accordance with the provisions of KRS Chapter 139, immediately collect the applicable sales and use tax due on the vehicle.***

(4) (a) The tax collected by the county clerk under this section shall be reported and remitted to the Revenue Cabinet on forms provided by the cabinet and on those forms as the cabinet may prescribe. The cabinet shall provide each county clerk affidavit forms which the clerk shall provide to the public free of charge to carry out the provisions of KRS 138.450 ***and subsection (3) of this section***. The county clerk shall for his services in collecting the tax be entitled to retain an amount equal to three percent (3%) of the tax collected and accounted for.

(b) The sales and use tax collected by the county clerk under subsection (3) of this section shall be reported and remitted to the cabinet on forms which the cabinet shall prescribe and provide at no cost. The county clerk shall, for his or her services in collecting the tax, be entitled to retain an amount equal to three percent (3%) of the tax collected and accounted for.

(c) Motor vehicle dealers licensed pursuant to KRS Chapter 190 shall not owe or be responsible for the collection of sales and use tax due under subsection (3) of this section.

(5)[~~(4)~~] A county clerk or other officer shall not ***title,*** register or issue any license tags to the owner of any motor vehicle subject to ***the***[~~this~~] tax ***imposed by subsection (1) of this section or the tax imposed by KRS Chapter 139***, when the vehicle is [~~then~~] being offered for ***titling or*** registration for the first time, or transfer the ***title***

~~[ownership]~~ of any motor vehicle previously registered in this state, unless the owner or his agent pays the tax levied under ***subsection (1) of*** this section ***or the tax imposed by KRS Chapter 139, if applicable,*** in addition to ***any title***~~[the transfer]~~, registration, ***or***~~[and]~~ license fees.

(6)~~[(5)]~~ ***(a)*** When a person offers a motor vehicle***:***

1. For ***titling on or after the effective date of this Act; or***

2. For registration***;***

for the first time in this state which was registered in another state that levied a tax substantially identical to the tax levied under this section, the person shall be entitled to receive a credit against the tax imposed by this section equal to the amount of tax paid to the other state. A credit shall not be given under this subsection for taxes paid in another state if that state does not grant similar credit for substantially identical taxes paid in this state.

(b) When a resident of this state offers a motor vehicle for registration for the first time in this state:

1. Upon which the Kentucky sales and use tax was paid by the resident offering the motor vehicle for registration at the time of titling under subsection (3) of this section; and

2. For which the resident provides proof that the tax was paid;

a non-refundable credit shall be given against the tax imposed by subsection (1) of this section for the sales and use tax paid.

(7)~~[(6)]~~ A county clerk or other officer shall not ***title,*** register or issue any license tags to the owner of any motor vehicle subject to this tax, when the vehicle is then being offered for ***titling or*** registration for the first time, unless the seller or his agent delivers to the county clerk a notarized affidavit, if required, and available under KRS 138.450 attesting to the total and actual consideration paid or to be paid for the motor vehicle. If a notarized affidavit is not available, the clerk shall follow the

procedures under KRS 138.450(12)(a) for new vehicles, and KRS 138.450(12)(c)***,*** ~~[or]~~ (d)***, or (e)*** for used ***vehicles***~~[cars]~~. The clerk shall attach the notarized affidavit, if available, or other documentation attesting to the retail price of the vehicle as the Revenue Cabinet may prescribe by administrative regulation promulgated under KRS Chapter 13A to the copy of the certificate of registration and ***application for title*** ~~[ownership]~~ mailed to the cabinet.

(8)~~[(7)]~~ Notwithstanding the provisions of KRS 138.450, the tax shall not be less than six dollars ($6) upon ***titling or*** first registration of ~~[or any transfer of ownership of]~~ a motor vehicle in this state, except where the vehicle is exempt from tax under KRS 138.470***, or KRS 154.45-090***.

(9)~~[(8)]~~ Where a motor vehicle is sold by a dealer in this state and the purchaser returns the vehicle for any reason to the same dealer within sixty (60) days for a vehicle replacement or a refund of the purchase price, the purchaser shall be entitled to a refund of the amount of usage tax received by the Revenue Cabinet as a result of the registration of the returned vehicle. In the case of a new motor vehicle, the registration of the returned vehicle shall be canceled and the vehicle shall be considered to have not been previously registered in Kentucky when resold by the dealer.

(10)~~[(9)]~~ When a manufacturer refunds the retail purchase price or replaces a new motor vehicle for the original purchaser within ninety (90) days because of malfunction or defect, the purchaser shall be entitled to a refund of the amount of motor vehicle usage tax received by the Revenue Cabinet as a result of the first ***titling or*** registration. A person shall not be entitled to a refund unless ***the person has***~~[he shall have]~~ filed with the Revenue Cabinet a report from the manufacturer identifying the vehicle that was replaced and stating the date of replacement.

(11)~~[(10)]~~ Notwithstanding the time limitations of subsections ***(9)***~~[(8)]~~ and ***(10)***~~[(9]~~) of this section, when a dealer or manufacturer refunds the retail purchase price or

replaces a motor vehicle for the purchaser as a result of formal arbitration or litigation, or, in the case of a manufacturer, because ordered to do so by a dispute resolution system established under KRS 367.865 or 16 C.F.R. 703, the purchaser shall be entitled to a refund of the amount of motor vehicle usage tax received by the Revenue Cabinet as a result of the ***titling or*** registration. A person shall not be entitled to a refund unless ***the person files***~~[he shall have filed]~~ with the Revenue Cabinet a report from the dealer or manufacturer identifying the vehicle that was replaced.

PART XV

DRIVER'S LICENSE FEES

Notwithstanding KRS 48.310, the following statutes are amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 186.531 is amended to read as follows:

(1) The cost of operators' licenses and permits shall be as follows:

(a) The fee for a four (4) year original or renewal motor vehicle license shall be ***twenty dollars ($20)***~~[eight dollars ($8)]~~;

(b) The fee for a four (4) year original or renewal motorcycle operator's license shall be ***twenty-four dollars ($24),*** twelve dollars ($12) ***of which shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and twelve dollars ($12) of which shall be forwarded to the road fund. The fee for***~~[and]~~ a combination motor vehicle-motorcycle operator's license shall be ***thirty dollars ($30),*** eighteen dollars ($18) ***of which shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and twelve dollars ($12) of which shall be forwarded to the road fund***;

(c) The fee for an instruction permit for a motor vehicle shall be ***twelve dollars ($12) including***~~[two dollars ($2) plus]~~ four dollars ($4) for preparing and

acknowledging the application***. Of the remaining eight dollars ($8), two dollars ($2) of the fee shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and six dollars ($6) shall be forwarded to the road fund***;

(d) The fee for an instruction permit for a motorcycle shall be ***twelve dollars ($12) including***~~[five dollars ($5) plus]~~ one dollar ($1) for preparing and acknowledging the application***. Of the remaining eleven dollars ($11), five dollars ($5) of the fee shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and six dollars ($6) shall be forwarded to the road fund***;

(e) The fee for a duplicate license shall be ***twelve dollars ($12),*** six dollars ($6) ***of which shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and six dollars ($6) of which shall be forwarded to the road fund***;

(f) The fee for an identification card shall be ***twelve dollars ($12),*** four dollars ($4) ***of which shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and eight dollars ($8) of which shall be forwarded to the road fund***. The fee for a duplicate identification card shall be ***twelve dollars ($12),*** two dollars ($2) ***of which shall be distributed in accordance with the provisions of subsections (2) to (4) of this section, and ten dollars ($10) of which shall be forwarded to the road fund***; and

(g) Any applicant under the age of twenty-one (21) who meets the requirements for the issuance of a valid driver's license shall be issued a license valid until the date the applicant attains the age of twenty-one (21). The fee for the license shall be two dollars ($2) per year for the requisite number of years as set forth herein. The applicant shall have thirty (30) days after his twenty-first birthday in which to renew his driver's license.

(2) Except as provided in subsection (3) of this section, the circuit clerk shall deposit in the State Treasury to the credit of the general fund except as provided in paragraph (a), paragraph (f), and paragraph (g) of this subsection fees pertaining to applications and license fees in the following manner:

(a) Twenty-two percent (22%) of the cost for the issuance of any original and renewal license shall be deposited in a trust and agency account to the credit of the Administrative Office of the Courts and shall be used to assist circuit clerks in hiring additional employees and providing salary adjustments for employees;

(b) One dollar ($1) for issuance of any instruction permit;

(c) One dollar ($1) for preparing and acknowledging an application for an instruction permit;

(d) One dollar and twenty-five cents ($1.25) for preparing and acknowledging an application for a duplicate;

(e) One dollar and twenty-five cents ($1.25) for each identification card;

(f) For each original or renewal license one dollar ($1) shall be credited to a special account within the state road fund and shall be used by the Transportation Cabinet exclusively for the purpose of issuing a photo license. For each original or renewal motorcycle operator's license and each motorcycle instruction permit, four dollars ($4) shall be credited to a special account within the state road fund and shall be used exclusively for the purpose of the motorcycle safety education program fund pursuant to KRS 186.890;

(g) An applicant for an original or renewal motor vehicle operator's license, commercial driver's license, motorcycle operator's license, or nondriver's identification card shall be requested by the clerk to make a donation of one dollar ($1) to promote an organ donor program. The one dollar ($1) donation

shall be added to the regular fee for an original or renewal motor vehicle operator's license, commercial driver's license, motorcycle operator's license, or nondriver's identification card. One (1) donation may be made per issuance or renewal of a license or any combination thereof. The fee shall be paid to the circuit clerk and shall be retained by the clerk to be used exclusively for the purpose of promoting an organ donor program. Organ donation shall be voluntary and may be refused by the applicant at the time of issuance or renewal of a license; and

(h) Three dollars ($3) for a combination motor vehicle-motorcycle operator's license.

(3) The following fees shall be deposited in a trust and agency account to the credit of the Administrative Office of the Courts and shall be used to assist circuit clerks in hiring additional employees, providing salary adjustments for employees, providing training for employees, and purchasing additional equipment used in administering the issuance of driver's licenses:

(a) One dollar ($1) for issuing of an instruction permit;

(b) Three dollars ($3) for preparing and acknowledging an application for an instruction permit;

(c) Four dollars ($4) for preparing and acknowledging an application for a duplicate license;

(d) Ten dollars ($10) for preparing and acknowledging an application for a reinstatement fee; and

(e) These fees shall be in addition to other funds provided to the circuit clerk through the regular appropriation made by the General Assembly to the Administrative Office of the Courts.

(4) The remainder of all fees, and other moneys collected by the circuit clerk shall be forwarded to ***road fund***[~~the state~~].

Section 2. The provisions of this Part take effect July 1, 2005.

PART XVI

SALES AND USE TAX

Notwithstanding KRS 48.310, the following statutes are amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 139.495 is amended to read as follows:

The taxes imposed by this chapter shall apply to resident, nonprofit educational, charitable, and religious institutions which have qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code as follows:

(1) Tax does not apply to sales of tangible personal property or services to such institutions provided the property or service is to be used solely within the educational, charitable, or religious function.

(2) Tax does not apply to sales of food to students in school cafeterias or lunchrooms.

(3) Tax does not apply to sales by school bookstores of textbooks, workbooks, and other course materials.

(4) Tax does not apply to sales by nonprofit, school sponsored clubs and organizations, provided such sales do not include tickets for athletic events.

(5) ***An institution shall be entitled to a refund equal to twenty-five percent (25%) of the tax collected on its sale of donated goods if the refund is used exclusively as reimbursement for capital construction costs of additional retail locations in this state, provided the institution:***

(a) Routinely sells donated items;

(b) Provides job training and employment to individuals with workplace disadvantages and disabilities;

(c) Spends at least seventy-five percent (75%) of its annual revenue on job training, job placement, or other related community services;

(d) Submits a refund application to the cabinet within sixty (60) days after the

new retail location opens for business; and

(e) Provides records of capital construction costs for the new retail location and any other information the cabinet deems necessary to process the refund.

The maximum refund allowed for any location shall not exceed one million dollars ($1,000,000). As used in this subsection, "capital construction cost" means the cost of construction of any new facilities or the purchase and renovation of any existing facilities, but does not include the cost of real property other than real property designated as a brownfield site as defined in KRS 65.680(4).

(6) Notwithstanding any other provision of law to the contrary, refunds under subsection (5) of this section shall be made directly to the institution. Interest shall not be allowed or paid on the refund. The cabinet may examine any refund within four (4) years from the date the refund application is received. Any overpayment shall be subject to the interest provisions of KRS 131.183 and the penalty provisions of KRS 131.180.

(7) All other sales made by nonprofit educational, charitable, and religious institutions are taxable and the tax may be passed on to the customer as provided in KRS 139.210.

Section 2. KRS 139.200 is amended to read as follows:

A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross receipts derived from:

(1) Retail sales, regardless of the method of delivery, made within this Commonwealth; and

(2) The furnishing of the following:

(a) The rental of any room or rooms, lodgings, or accommodations furnished by any hotel, motel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a

consideration. The tax shall not apply to rooms, lodgings, or accommodations supplied for a continuous period of thirty (30) days or more to a person;

(b) Sewer services;

(c) The sale of admissions except those taxed under KRS 138.480;

(d) Communications service to a service address in this state, other than mobile telecommunications services as defined in KRS 139.195, regardless of where those services are billed or paid, when the communications service:

1. Originates and terminates in this state;

2. Originates in this state; or

3. Terminates in this state; ~~[and]~~

(e) Mobile telecommunications services as defined in KRS 139.195, to a purchaser whose place of primary use is in this state***; and***

(f) Distribution, transmission, or transportation services for natural gas that is for storage, use or other consumption in this state, excluding those services furnished:

1. For natural gas that is classified as residential use as provided in KRS 139.470(8); or

2. To a seller or reseller of natural gas.

Section 3. KRS 139.480 is amended to read as follows:

Any other provision of this chapter to the contrary notwithstanding, the terms "sale at retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not include the sale, use, storage, or other consumption of:

(1) Locomotives or rolling stock, including materials for the construction, repair, or modification thereof, or fuel or supplies for the direct operation of locomotives and trains, used or to be used in interstate commerce;

(2) Coal for the manufacture of electricity;

(3) All energy or energy-producing fuels used in the course of manufacturing,

processing, mining, or refining ***and any related distribution, transmission, and transportation services for this energy that are billed to the user,*** to the extent that the cost of the energy or energy-producing fuels used***, and related distribution, transmission, and transportation services for this energy that are billed to the user exceed*** ~~[exceeds]~~three percent (3%) of the cost of production. Cost of production shall be computed on the basis of plant facilities which shall mean all permanent structures affixed to real property at one (1) location;

(4) Livestock of a kind the products of which ordinarily constitute food for human consumption, provided the sales are made for breeding or dairy purposes and by or to a person regularly engaged in the business of farming;

(5) Poultry for use in breeding or egg production;

(6) Farm work stock for use in farming operations;

(7) Seeds, the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business, and commercial fertilizer to be applied on land, the products from which are to be used for food for human consumption or are to be sold in the regular course of business; provided such sales are made to farmers who are regularly engaged in the occupation of tilling and cultivating the soil for the production of crops as a business, or who are regularly engaged in the occupation of raising and feeding livestock or poultry or producing milk for sale; and provided further that tangible personal property so sold is to be used only by those persons designated above who are so purchasing;

(8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be used in the production of crops as a business, or in the raising and feeding of livestock or poultry, the products of which ordinarily constitute food for human consumption;

(9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the products of which ordinarily constitute food for human consumption;

(10) Machinery for new and expanded industry;

(11) Farm machinery. As used in this section, the term "farm machinery" means machinery used exclusively and directly in the occupation of tilling the soil for the production of crops as a business, or in the occupation of raising and feeding livestock or poultry or of producing milk for sale. The term "farm machinery," as used in this section includes machinery, attachments, and replacements therefor, repair parts, and replacement parts which are used or manufactured for use on, or in the operation of farm machinery and which are necessary to the operation of the machinery, and are customarily so used; but this exemption shall not include automobiles, trucks, trailers, and truck-trailer combinations;

(12) Property which has been certified as a pollution control facility as defined in KRS 224.01-300, and all materials, supplies, and repair and replacement parts purchased for use in the operation or maintenance of the facilities used specifically in the steel-making process. The exemption provided in this subsection for materials, supplies, and repair and replacement parts purchased for use in the operation of pollution control facilities shall be effective for sales made through June 30, 1994;

(13) Tombstones and other memorial grave markers;

(14) On-farm facilities used exclusively for grain or soybean storing, drying, processing, or handling. The exemption applies to the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(15) On-farm facilities used exclusively for raising poultry or livestock. The exemption shall apply to the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply but not be limited to vent board equipment, waterer and feeding systems, brooding systems, ventilation systems, alarm systems, and curtain systems. In addition, the exemption shall apply whether or not the seller

is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(16) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively and directly to:

(a) Operate farm machinery as defined in subsection (11) of this section;

(b) Operate on-farm grain or soybean drying facilities as defined in subsection (14) of this section;

(c) Operate on-farm poultry or livestock facilities defined in subsection (15) of this section;

(d) Operate-on farm ratite facilities defined in subsection (24) of this section;

(e) Operate on-farm llama or alpaca facilities as defined in subsection (26) of this section; or

(f) Operate on-farm dairy facilities;

(17) Textbooks, including related workbooks and other course materials, purchased for use in a course of study conducted by an institution which qualifies as a nonprofit educational institution under KRS 139.495. The term "course materials" means only those items specifically required of all students for a particular course but shall not include notebooks, paper, pencils, calculators, tape recorders, or similar student aids;

(18) Any property which has been certified as an alcohol production facility as defined in KRS 247.910;

(19) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter;

(20) Any property which has been certified as a fluidized bed energy production facility

as defined in KRS 211.390;

(21) Any property to be incorporated into the construction, rebuilding, modification, or expansion of a blast furnace or any of its components or appurtenant equipment or structures. The exemption provided in this subsection shall be effective for sales made through June 30, 1994;

(22) Beginning on October 1, 1986, food or food products purchased for human consumption with food coupons issued by the United States Department of Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to be exempted by the Food Security Act of 1985 in order for the Commonwealth to continue participation in the federal food stamp program;

(23) Machinery or equipment purchased or leased by a business, industry, or organization in order to collect, source separate, compress, bale, shred, or otherwise handle waste materials if the machinery or equipment is primarily used for recycling purposes;

(24) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-products, and the following items used in this agricultural pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;

(c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to incubation systems, egg processing equipment, waterer and feeding systems, brooding systems, ventilation systems, alarm systems, and curtain systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into

the construction, renovation, or repair of the facilities;

(25) Embryos and semen that are used in the reproduction of livestock, if the products of these embryos and semen ordinarily constitute food for human consumption, and if the sale is made to a person engaged in the business of farming;

(26) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for the breeding and production of hides, breeding stock, fiber and wool products, meat, and llama and alpaca by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and

(c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to waterer and feeding systems, ventilation systems, and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(27) Baling twine and baling wire for the baling of hay and straw;

(28) Water sold to a person regularly engaged in the business of farming and used in the:

(a) Production of crops;

(b) Production of milk for sale; or

(c) Raising and feeding of:

1. Livestock or poultry, the products of which ordinarily constitute food for human consumption; or

2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;

(29) Buffalos to be used as beasts of burden or in an agricultural pursuit for the production of hides, breeding stock, meat, and buffalo by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;

(c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to waterer and feeding systems, ventilation systems, and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(30) Aquatic organisms sold directly to or raised by a person regularly engaged in the business of producing products of aquaculture, as defined in KRS 260.960, for sale, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Water;

(c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and

(d) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities and, any gasoline, special fuels, liquefied petroleum gas, or natural gas used to operate the facilities. The exemption shall apply, but not be limited to: waterer and feeding systems; ventilation, aeration, and heating systems; processing and storage systems; production systems such as ponds, tanks, and raceways; harvest and transport equipment

and systems; and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(31) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the production of hides, breeding stock, meat, and cervid by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

(c) On-site facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities; and

(32) (a) Repair or replacement parts for the direct operation or maintenance of a motor vehicle, including any towed unit, used exclusively in interstate commerce for the conveyance of property or passengers for hire, provided the motor vehicle is licensed for use on the highway and its declared gross vehicle weight with any towed unit is forty-four thousand and one (44,001) pounds or greater. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter.

(b) For the purposes of this subsection, "repair and replacement parts" means tires, brakes, engines, transmissions, drive trains, chassis, body parts, and their components. "Repair and replacement parts" shall not include fuel,

machine oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential to the operation of the motor vehicle itself, except when sold as part of the assembled unit, such as cigarette lighters, radios, lighting fixtures not otherwise required by the manufacturer for operation of the vehicle, or tool or utility boxes.

Section 4. KRS 139.505 is amended to read as follows:

(1) For the purpose of this section, "gross receipts" means:

(a) Sales of tangible personal property in this state if:

1. The property is delivered or shipped to a purchaser, other than the United States government, or to the designee of the purchaser within this state regardless of the f.o.b. point or other conditions of the sale; or

2. The property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the purchaser is the United States government; and

(b) Sales other than sales of tangible personal property in this state if the income-producing activity is performed in this state; or the income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on cost of performance, or gross receipt allocation method as provided by statute and elected by the taxpayer.

(2) Any business whose ***interstate*** communications service, subject to the sales tax imposed under KRS Chapter 139 and deducted for federal income tax purposes, exceeds five percent (5%) of the business's Kentucky gross receipts during the preceding calendar year is entitled to a refundable credit ***if:***

(a) The business's annual Kentucky gross receipts are equal to or more than one million dollars ($1,000,000); and

(b) The majority of the interstate communications service billed to a Kentucky

service address for the annual period is for communications service originating outside of this state and terminating in this state.

(3) The refundable credit shall be equal to the sales tax paid on the difference by which the ***interstate*** communications service purchased by the business exceeds five percent (5%) of the business's Kentucky gross receipts.

(4)[~~(3)~~] Any business that qualifies for the refundable credit authorized by subsection (2) of this section shall make an annual application for the refund on or after June 1, 2002, and on or after every June 1 thereafter. The application shall be made to the cabinet on forms as the cabinet may prescribe and shall contain ***information regarding interstate communications service purchases and*** any ***other*** information deemed necessary for the cabinet to determine the business's eligibility to receive a refund.

(5)[~~(4)~~] Notwithstanding the provisions of KRS 134.580 to the contrary, the cabinet, upon receipt of a properly documented refund application, shall cause a timely refund to be made directly to the ***eligible*** business. Interest shall not be allowed or paid on any refund made under this section.

(6) To facilitate the administration of the refundable tax credit, the cabinet shall grant eligible businesses that apply for the tax credit permission to directly report and pay the sales tax applicable to the purchase of communications service. Once the business receives permission to directly report and pay the tax, refunds issued according to subsection (2) of this section shall not include any sales tax collected and paid by a communications service provider.

(7)[~~(5)~~] Any refund application submitted under this section is subject to examination by the cabinet. The examination shall occur within four (4) years from the date the refund application is received by the cabinet. Any overpayment resulting from the examination shall be repaid to the State Treasury. In addition, the amount required to be repaid is subject to the interest provisions of KRS 131.183 and to the penalty

provisions of KRS 131.180.

(8)[~~(6)~~] If a business owns directly or indirectly fifty percent (50%) or more of another business, the credit computed under subsection (2) of this section shall be computed on a combined basis, excluding any intercompany Kentucky gross receipts.

Section 5. Section 1 of this Part, relating to sales tax refunds, takes effect August 1, 2005.

Section 6. Sections 2 and 3 of this Part, relating to sales tax on natural gas transmission services, take effect June 1, 2005.

Section 7. Section 4 of this Part, relating to sales tax on communications services, shall apply to applicants filing on or after June 1, 2003.

PART XVII

MOTOR FUELS TAX

Notwithstanding KRS 48.310, the following statute is amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 138.210 is amended to read as follows:

As used in KRS 138.220 to 138.446, unless the context requires otherwise:

(1) "Accountable loss" means loss or destruction of "received" gasoline or special fuel through wrecking of transportation conveyance, explosion, fire, flood or other casualty loss, or contaminated and returned to storage. The loss shall be reported within thirty (30) days after discovery of the loss to the cabinet in a manner and form prescribed by the cabinet, supported by proper evidence which in the sole judgment of the cabinet substantiates the alleged loss or contamination and which is confirmed in writing to the reporting dealer by the cabinet. The cabinet may make any investigation deemed necessary to establish the bona fide claim of the loss;

(2) "Gasoline dealer" or "special fuels dealer" means any person who is:

(a) Regularly engaged in the business of refining, producing, distilling,

manufacturing, blending, or compounding gasoline or special fuels in this state;

(b) Regularly importing gasoline or special fuel, upon which no tax has been paid, into this state for distribution in bulk to others;

(c) Distributing gasoline from bulk storage in this state;

(d) Regularly engaged in the business of distributing gasoline or special fuels from bulk storage facilities primarily to others in arm's-length transactions;

(e) In the case of gasoline, receiving or accepting delivery within this state of gasoline for resale within this state in amounts of not less than an average of one hundred thousand (100,000) gallons per month during any prior consecutive twelve (12) months' period, when in the opinion of the cabinet, the person has sufficient financial rating and reputation to justify the conclusion that he will pay all taxes and comply with all other obligations imposed upon a dealer; or

(f) Regularly exporting gasoline or special fuels;

(3) "Cabinet" means the Revenue Cabinet;

(4) (a) "Gasoline" means all liquid fuels, including liquids ordinarily, practically, and commercially usable in internal combustion engines for the generation of power, and all distillates of and condensates from petroleum, natural gas, coal, coal tar, vegetable ferments, and all other products so usable which are produced, blended, or compounded for the purpose of operating motor vehicles, showing a flash point of 110 degrees Fahrenheit or below, using the Eliott Closed Cup Test, or when tested in a manner approved by the United States Bureau of Mines, are prima facie commercially usable in internal combustion engines. The term "gasoline" as used herein shall include casing head, absorption, natural gasoline, and condensates when used without blending as a motor fuel, sold for use in motors direct, or sold to those who

blend for their own use, but shall not include: propane, butane, or other liquefied petroleum gases, kerosene, cleaner solvent, fuel oil, diesel fuel, crude oil or casing head, absorption, natural gasoline and condensates when sold to be blended or compounded with other less volatile liquids in the manufacture of commercial gasoline for motor fuel, industrial naphthas, rubber solvents, Stoddard solvent, mineral spirits, VM and P & naphthas, turpentine substitutes, pentane, hexane, heptane, octane, benzene, benzine, xylol, toluol, aromatic petroleum solvents, alcohol, and liquefied gases which would not exist as liquids at a temperature of sixty (60) degrees Fahrenheit and a pressure of 14.7 pounds per square inch absolute, unless the products are used wholly or in combination with gasoline as a motor fuel;

(b) "Special fuels" means and includes all combustible gases and liquids capable of being used for the generation of power in an internal combustion engine to propel vehicles of any kind upon the public highways, including diesel fuel, and dyed diesel fuel used exclusively for nonhighway purposes in off-highway equipment and in nonlicensed motor vehicles, except that it does not include gasoline, aviation jet fuel, kerosene unless used wholly or in combination with special fuel as a motor fuel, or liquefied petroleum gas as defined in KRS 234.100;

(c) "Diesel fuel" means any liquid other than gasoline that, without further processing or blending, is suitable for use as a fuel in a diesel powered highway vehicle. Diesel fuel does not include unblended kerosene, No. 5, and No. 6 fuel oil as described in ASTM specification D 396 or F-76 Fuel Naval Distillate MILL-F-166884;

(d) "Dyed diesel fuel" means diesel fuel that is required to be dyed under United States Environmental Protection Agency rules for high sulfur diesel fuel, or is dyed under the Internal Revenue Service rules for low sulfur fuel, or pursuant

to any other requirements subsequently set by the United States Environmental Protection Agency or the Internal Revenue Service;

(5) "Received" or "received gasoline" or "received special fuels" shall have the following meanings:

(a) Gasoline and special fuels produced, manufactured, or compounded at any refinery in this state or acquired by any dealer and delivered into or stored in refinery, marine, or pipeline terminal storage facilities in this state shall be deemed to be received when it has been loaded for bulk delivery into tank cars or tank trucks consigned to destinations within this state. For the purpose of the proper administration of this chapter and to prevent the evasion of the tax and to enforce the duty of the dealer to collect the tax, it shall be presumed that all gasoline and special fuel loaded by any licensed dealer within this state into tank cars or tank trucks is consigned to destinations within this state, unless the contrary is established by the dealer, pursuant to rules and regulations prescribed by the cabinet; and

(b) Gasoline and special fuel acquired by any dealer in this state, and not delivered into refinery, marine, or pipeline terminal storage facilities, shall be deemed to be received when it has been placed into storage tanks or other containers for use or subject to withdrawal for use, delivery, sale, or other distribution. Dealers may sell gasoline or special fuel to licensed bonded dealers in this state in transport truckload, carload, or cargo lots, withdrawing it from refinery, marine, pipeline terminal, or bulk storage tanks, without paying the tax. In such instances, the licensed bonded dealer purchasing the gasoline or special fuel shall be deemed to have received such fuel at the time of withdrawal from the seller's storage facility and shall be responsible to the state for the payment of the tax thereon;

(6) "Refinery" means any place where gasoline or special fuel is refined, manufactured,

compounded, or otherwise prepared for use;

(7) "Storage" means all gasoline and special fuel produced, refined, distilled, manufactured, blended, or compounded and stored at a refinery storage or delivered by boat at a marine terminal for storage, or delivered by pipeline at a pipeline terminal, delivery station, or tank farm for storage;

(8) "Transporter" means any person who transports gasoline or special fuel on which the tax has not been paid or assumed;

(9) "Bulk storage facility" means gasoline or special fuel storage facilities of not less than twenty thousand (20,000) gallons owned or operated at one (1) location by a single owner or operator for the purpose of storing gasoline or special fuel for resale or delivery to retail outlets or consumers;

(10) "Average wholesale price" shall mean:

(a) The weighted average per gallon wholesale tank wagon price of gasoline, exclusive of the nine cents ($0.09) per gallon federal tax in effect on January 1, 1984, any increase in the federal gasoline tax after July 1, 1984, and any fee on imported oil imposed by the Congress of the United States after July 1, 1986, as determined by the Revenue Cabinet from information furnished by licensed gasoline dealers or from information available through independent statistical surveys of gasoline prices. Dealers shall furnish within twenty (20) days following the end of the first month of each calendar quarter, the information regarding wholesale selling prices for the previous month required by the cabinet;

(b) Notwithstanding the provisions of paragraph (a) of this subsection, for purposes of the taxes levied in KRS 138.220, 138.660, and 234.320, in no case shall "average wholesale price" be deemed to be less than one dollar and ***twenty-two***~~[eleven]~~ cents ***($1.22)***~~[($1.11)]~~ per gallon, and in no case shall "average wholesale price" be deemed to be more than one dollar and fifty

cents ($1.50) per gallon on or before June 30, 1982. In fiscal year 1982-83, the "average wholesale price" shall not be deemed to increase more than ten percent (10%) over the "average wholesale price" at the close of fiscal year 1981-82; in each subsequent fiscal year the "average wholesale price" shall not be deemed to increase more than ten percent (10%) over the "average wholesale price" at the close of the previous fiscal year;

(11) "Motor vehicle" means any vehicle, machine, or mechanical contrivance propelled by an internal combustion engine and licensed for operation and operated upon the public highways and any trailer or semitrailer attached to or having its front end supported by the motor vehicles;

(12) "Public highways" means every way or place generally open to the use of the public as a matter or right for the purpose of vehicular travel, notwithstanding that they may be temporarily closed or travel thereon restricted for the purpose of construction, maintenance, repair, or reconstruction;

(13) "Agricultural purposes" means purposes directly related to the production of agricultural commodities and the conducting of ordinary activities on the farm;

(14) "Retail filling station" means any place accessible to general public vehicular traffic where gasoline or special fuel is or may be placed into the fuel supply tank of a licensed motor vehicle; and

(15) "Financial instrument" means a bond issued by a corporation authorized to do business in Kentucky, a line of credit, or an account with a financial institution maintaining a compensating balance.

Section 2. KRS 138.220 is amended to read as follows:

(1) An excise tax at the rate of nine percent (9%) of the average wholesale price rounded to the third decimal when computed on a per gallon basis shall be paid on all gasoline and special fuel received in this state. ***For the purposes of the allocations in KRS 177.320(1) and (2) and 177.365, the amount calculated under***

this subsection shall be reduced by the amount calculated in subsection (3) of this section. Except as provided by KRS Chapter 138, no other excise or license tax shall be levied or assessed on gasoline or special fuel by the state or any political subdivision of the state. The tax herein imposed shall be paid by the dealer receiving the gasoline or special fuel to the State Treasurer in the manner and within the time specified in KRS 138.230 to 138.340 and all such tax may be added to the selling price charged by the dealer or other person paying the tax on gasoline or special fuel sold in this state. Nothing herein contained shall authorize or require the collection of the tax upon any gasoline or special fuel after it has been once taxed under the provisions of this section, unless such tax was refunded or credited.

(2) In addition to the excise tax provided in subsection (1) of this section, there is hereby levied a supplemental highway user motor fuel tax to be paid in the same manner and at the same time as the tax provided in subsection (1) of this section. Such tax shall be calculated, starting with the quarter beginning July 1, 1986, by taking the excise tax resulting from the calculation provided for in subsection (1) of this section and adjusting such tax calculated, for each quarter, to reflect decreases in the average wholesale price, as defined in KRS 138.210(10)(a). The adjustment shall be made by calculating the difference between the average wholesale price computed for the quarter beginning October 1, 1985, as provided for in subsection ***(4)***~~[(3)]~~ of this section, and the average wholesale price computed for the quarter beginning July 1, 1986 and each succeeding quarter, as provided for in subsection ***(4)***~~[(3)]~~ of this section. In the event of a decrease in the average wholesale price computed for the quarter beginning October 1, 1985, and ending December 31, 1985, and the average wholesale price computed for the quarter beginning July 1, 1986, and each succeeding quarter, the excise tax shall be adjusted upward for that quarter. The upward adjustment shall equal one-half (1/2) of the decrease between the two (2) quarterly periods, rounded to the third decimal. In no case shall the

adjustment provided by this subsection result in a supplemental highway user motor fuel tax greater than five cents ($0.05) on gasoline or two cents ($0.02) on special fuel and, notwithstanding any adjustment which may be calculated as provided by this subsection, in no case shall the supplemental highway user motor fuel tax for any quarter be less than the previous quarter. The supplemental highway user motor fuel tax provided by this subsection and the provisions of ***subsections***[~~subsection~~] (1) ***and (3)*** of this section shall constitute the tax on motor fuels imposed by KRS 138.220.

(3) Effective July 1, 2005, one cent ($0.01) of the tax collected under subsection (1) of this section shall be excluded from the calculations in KRS 177.320(1) and (2) and 177.365. The funds identified in this subsection shall be deposited into the state road fund.

(4)[~~(3)~~] Effective with the calendar quarter beginning July 1, 1980, the cabinet shall determine on a consistent basis the average wholesale price for each calendar quarter, on the basis of sales data accumulated for the first month of the preceding quarter. Notification of the average wholesale price shall be given to all licensed dealers at least twenty (20) days in advance of the first day of each calendar quarter.

(5)[~~(4)~~] Dealers with a tax-paid gasoline or special fuel inventory at the time an average wholesale price becomes effective, shall be subject to additional tax or appropriate tax credit to reflect the increase or decrease in the average wholesale price for the new quarter. The cabinet shall promulgate such rules and regulations to properly administer this provision.

Section 3. KRS 177.320 is amended to read as follows:

(1) Twenty-two and two-tenths percent (22.2%) of all funds arising from the imposition of taxes provided by KRS 138.220***(1) and (2)***, 138.660(1) and (2) and 234.320 shall be set aside for the construction, reconstruction and maintenance of secondary and rural roads and for no other purpose, and shall be expended for said

purposes by the Transportation Cabinet of the Commonwealth of Kentucky according to the terms and conditions prescribed in KRS 177.330 to 177.360.

(2) On or after July 1, 1980, eighteen and three-tenths percent (18.3%) of all funds arising from the imposition of taxes provided by KRS 138.220***(1) and (2)***, 138.660(1) and (2), and 234.320 shall be set aside for the construction, reconstruction and maintenance of county roads and bridges provided by KRS 179.410 and 179.415.

(3) All funds set aside in subsection (2) of this section for the construction, reconstruction and maintenance of county roads and bridges shall be allocated to the county in accordance with the formula established in KRS 177.360(1) pursuant to KRS 179.410.

(4) On or after July 1, 1986, one-tenth of one percent (0.1%) of all funds arising from the imposition of taxes provided by KRS 138.220***(1) and (2)***, 138.660 and 234.320 shall be set aside for the purposes and functions of the Kentucky Transportation Center as established by KRS 177.375 to 177.380, except that the receipts provided to the center by this subsection shall not exceed one hundred ninety thousand dollars ($190,000) for any fiscal year.

Section 4. KRS 177.365 is amended to read as follows:

(1) On and after July 1, 1980, seven and seven-tenths percent (7.7%) of all amounts received from the imposition of the taxes provided for in KRS 138.220***(1) and (2)***, 138.660(1) and (2) and 234.320 shall be set aside by the Finance and Administration Cabinet for the construction, reconstruction and maintenance of urban roads and streets and for no other purpose.

(2) As used in this section unless the context requires otherwise "construction," "reconstruction," and "maintenance" mean the supervising, inspecting, actual building, and all expenses incidental to the construction, reconstruction, or maintenance of a road or street, including planning, locating, surveying, and

mapping or preparing roadway plans, acquisition of rights-of-way, relocation of utilities, lighting and the elimination of other hazards such as roadway grade crossings, and all other items defined in the Department of Highways, design, operations, and construction manuals.

(3) "Urban roads" mean all public ways lying within the limits of the unincorporated urban place as defined in KRS 81.015, and as described by the Bureau of Census tracts.

(4) "Streets" mean all public ways which have been designated by the incorporated city as being city streets and said streets lying within the boundaries of an incorporated city.

Section 5. Sections 2 through 4 of this Part shall become effective on July 1, 2005.

PART XVIII

INDIVIDUAL INCOME TAX

Notwithstanding KRS 48.310, the following statute is amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 141.010 is amended to read as follows:

As used in this chapter, unless the context requires otherwise:

(1) "Secretary" means the secretary of revenue;

(2) "Cabinet" means the Revenue Cabinet;

(3) "Internal Revenue Code" means the Internal Revenue Code in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2001, that would otherwise terminate, and as modified by KRS 141.0101;

(4) "Dependent" means those persons defined as dependents in the Internal Revenue Code;

(5) "Fiduciary" means "fiduciary" as defined in Section 7701(a)(6) of the Internal Revenue Code;

(6) "Fiscal year" means "fiscal year" as defined in Section 7701(a)(24) of the Internal Revenue Code;

(7) "Individual" means a natural person;

(8) For taxable years beginning on or after January 1, 1974, "federal income tax" means the amount of federal income tax actually paid or accrued for the taxable year on taxable income as defined in Section 63 of the Internal Revenue Code, and taxed under the provisions of this chapter, minus any federal tax credits actually utilized by the taxpayer;

(9) "Gross income" in the case of taxpayers other than corporations means "gross income" as defined in Section 61 of the Internal Revenue Code;

(10) "Adjusted gross income" in the case of taxpayers other than corporations means gross income as defined in subsection (9) of this section minus the deductions allowed individuals by Section 62 of the Internal Revenue Code and as modified by KRS 141.0101 and adjusted as follows, except that deductions shall be limited to amounts allocable to income subject to taxation under the provisions of this chapter, and except that nothing in this chapter shall be construed to permit the same item to be deducted more than once:

(a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States and Kentucky;

(b) Exclude income from supplemental annuities provided by the Railroad Retirement Act of 1937 as amended and which are subject to federal income tax by Public Law 89-699;

(c) Include interest income derived from obligations of sister states and political subdivisions thereof;

(d) Exclude employee pension contributions picked up as provided for in KRS 6.505, 16.545, 21.360, 61.560, 65.155, 67A.320, 67A.510, 78.610, and

161.540 upon a ruling by the Internal Revenue Service or the federal courts that these contributions shall not be included as gross income until such time as the contributions are distributed or made available to the employee;

(e) Exclude Social Security and railroad retirement benefits subject to federal income tax;

(f) Include, for taxable years ending before January 1, 1991, all overpayments of federal income tax refunded or credited for taxable years;

(g) Deduct, for taxable years ending before January 1, 1991, federal income tax paid for taxable years ending before January 1, 1990;

(h) Exclude any money received because of a settlement or judgment in a lawsuit brought against a manufacturer or distributor of "Agent Orange" for damages resulting from exposure to Agent Orange by a member or veteran of the Armed Forces of the United States or any dependent of such person who served in Vietnam;

(i) 1. Exclude the applicable amount of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans.

2. The "applicable amount" shall be:

a. Twenty-five percent (25%), but not more than six thousand two hundred fifty dollars ($6,250), for taxable years beginning after December 31, 1994, and before January 1, 1996;

b. Fifty percent (50%), but not more than twelve thousand five hundred dollars ($12,500), for taxable years beginning after December 31, 1995, and before January 1, 1997;

c. Seventy-five percent (75%), but not more than eighteen thousand seven hundred fifty dollars ($18,750), for taxable years beginning after December 31, 1996, and before January 1, 1998; and

d. One hundred percent (100%), but not more than thirty-five thousand dollars ($35,000), for taxable years beginning after December 31, 1997.

3. As used in this paragraph:

a. "Distributions" includes, but is not limited to, any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of Section 402 of the Internal Revenue Code; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension distribution;

b. "Annuity contract" has the same meaning as set forth in Section 1035 of the Internal Revenue Code; and

c. "Pension plans, profit-sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code;

(j) 1. a. Exclude the distributive share of a shareholder's net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300; and

b. Exclude the portion of the distributive share of a shareholder's net income from an S corporation related to a qualified subchapter S subsidiary subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

2. The shareholder's basis of stock held in a S corporation where the S corporation or its qualified subchapter S subsidiary is subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300 shall be the same as the basis for federal income tax purposes;

(k) Exclude for taxable years beginning after December 31, 1998, to the extent not already excluded from gross income, any amounts paid for health insurance, or the value of any voucher or similar instrument used to provide health insurance, which constitutes medical care coverage for the taxpayer, the taxpayer's spouse, and dependents during the taxable year. Any amounts paid by the taxpayer for health insurance that are excluded pursuant to this paragraph shall not be allowed as a deduction in computing the taxpayer's net income under subsection (11) of this section;

(l) Exclude income received for services performed as a precinct worker for election training or for working at election booths in state, county, and local primary, regular, or special elections;

(m) Exclude any amount paid during the taxable year for insurance for long-term care as defined in KRS 304.14-600;

(n) Exclude any capital gains income attributable to property taken by eminent domain;

(o) Exclude any amount received by a producer of tobacco or a tobacco quota owner from the multistate settlement with the tobacco industry, known as the Master Settlement Agreement, signed on November 22, 1998;

(p) Exclude any amount received from the secondary settlement fund, referred to as "Phase II," established by tobacco companies to compensate tobacco farmers and quota owners for anticipated financial losses caused by the national tobacco settlement;

(q) Exclude any amount received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program as a result of a reduction in the quantity of tobacco quota allotted; and

(r) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

(11) "Net income" in the case of taxpayers other than corporations means adjusted gross income as defined in subsection (10) of this section, minus the standard deduction allowed by KRS 141.081, or, at the option of the taxpayer, minus the deduction allowed by KRS 141.0202, minus any amount paid for vouchers or similar instruments that provide health insurance coverage to employees or their families, and minus all the deductions allowed individuals by Chapter 1 of the Internal Revenue Code as modified by KRS 141.0101 except those listed below, except that deductions shall be limited to amounts allocable to income subject to taxation under the provisions of this chapter and that nothing in this chapter shall be construed to permit the same item to be deducted more than once:

(a) Any deduction allowed by the Internal Revenue Code for state ***or foreign*** taxes measured by gross or net income~~[, except that such taxes paid to foreign countries may be deducted]~~;

(b) Any deduction allowed by the Internal Revenue Code for amounts allowable under KRS 140.090(1)(h) in calculating the value of the distributive shares of the estate of a decedent, unless there is filed with the income return a statement that such deduction has not been claimed under KRS 140.090(1)(h);

(c) The deduction for personal exemptions allowed under Section 151 of the Internal Revenue Code and any other deductions in lieu thereof; and

(d) Any deduction for amounts paid to any club, organization, or establishment which has been determined by the courts or an agency established by the General Assembly and charged with enforcing the civil rights laws of the

Commonwealth, not to afford full and equal membership and full and equal enjoyment of its goods, services, facilities, privileges, advantages, or accommodations to any person because of race, color, religion, national origin, or sex, except nothing shall be construed to deny a deduction for amounts paid to any religious or denominational club, group, or establishment or any organization operated solely for charitable or educational purposes which restricts membership to persons of the same religion or denomination in order to promote the religious principles for which it is established and maintained;

(12) "Gross income," in the case of corporations, means "gross income" as defined in Section 61 of the Internal Revenue Code and as modified by KRS 141.0101 and adjusted as follows:

(a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States;

(b) Exclude all dividend income received after December 31, 1969;

(c) Include interest income derived from obligations of sister states and political subdivisions thereof;

(d) Exclude fifty percent (50%) of gross income derived from any disposal of coal covered by Section 631(c) of the Internal Revenue Code if the corporation does not claim any deduction for percentage depletion, or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract;

(e) Include in the gross income of lessors income tax payments made by lessees to lessors, under the provisions of Section 110 of the Internal Revenue Code, and exclude such payments from the gross income of lessees;

(f) Include the amount calculated under KRS 141.205;

(g) Ignore the provisions of Section 281 of the Internal Revenue Code in computing gross income;

(h) Exclude income from "safe harbor leases" (Section 168(f)(8) of the Internal Revenue Code);

(i) Exclude any amount received by a producer of tobacco or a tobacco quota owner from the multistate settlement with the tobacco industry, known as the Master Settlement Agreement, signed on November 22, 1998;

(j) Exclude any amount received from the secondary settlement fund, referred to as "Phase II," established by tobacco companies to compensate tobacco farmers and quota owners for anticipated financial losses caused by the national tobacco settlement;

(k) Exclude any amount received from funds of the Commodity Credit Corporation for the Tobacco Loss Assistance Program as a result of a reduction in the quantity of tobacco quota allotted; and

(l) Exclude any amount received as a result of a tobacco quota buydown program that all quota owners and growers are eligible to participate in;

(13) "Net income," in the case of corporations, means "gross income" as defined in subsection (12) of this section minus the deduction allowed by KRS 141.0202, minus any amount paid for vouchers or similar instruments that provide health insurance coverage to employees or their families, and minus all the deductions from gross income allowed corporations by Chapter 1 of the Internal Revenue Code and as modified by KRS 141.0101, except the following:

(a) Any deduction for a state tax which is computed, in whole or in part, by reference to gross or net income and which is paid or accrued to any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or to any foreign country or political subdivision thereof;

(b) The deductions contained in Sections 243, 244, 245, and 247 of the Internal Revenue Code;

(c) The provisions of Section 281 of the Internal Revenue Code shall be ignored in computing net income;

(d) Any deduction directly or indirectly allocable to income which is either exempt from taxation or otherwise not taxed under the provisions of this chapter, and nothing in this chapter shall be construed to permit the same item to be deducted more than once;

(e) Exclude expenses related to "safe harbor leases" (Section 168(f)(8) of the Internal Revenue Code); and

(f) Any deduction for amounts paid to any club, organization, or establishment which has been determined by the courts or an agency established by the General Assembly and charged with enforcing the civil rights laws of the Commonwealth, not to afford full and equal membership and full and equal enjoyment of its goods, services, facilities, privileges, advantages, or accommodations to any person because of race, color, religion, national origin, or sex, except nothing shall be construed to deny a deduction for amounts paid to any religious or denominational club, group, or establishment or any organization operated solely for charitable or educational purposes which restricts membership to persons of the same religion or denomination in order to promote the religious principles for which it is established and maintained;

(14) (a) "Taxable net income," in the case of corporations having property or payroll only in this state, means "net income" as defined in subsection (13) of this section;

(b) "Taxable net income," in the case of corporations having property or payroll both within and without this state means "net income" as defined in

subsection (13) of this section and as allocated and apportioned under KRS 141.120;

(c) "Property" means either real property or tangible personal property which is either owned or leased. "Payroll" means compensation paid to one (1) or more individuals, as described in KRS 141.120(8)(b). Property and payroll are deemed to be entirely within this state if all other states are prohibited by Public Law 86-272, as it existed on December 31, 1975, from enforcing income tax jurisdiction;

(d) "Taxable net income" in the case of homeowners' associations as defined in Section 528(c) of the Internal Revenue Code, means "taxable income" as defined in Section 528(d) of the Internal Revenue Code. Notwithstanding the provisions of subsection (3) of this section, the Internal Revenue Code sections referred to in this paragraph shall be those code sections in effect for the applicable tax year; and

(e) "Taxable net income" in the case of a corporation that meets the requirements established under Section 856 of the Internal Revenue Code to be a real estate investment trust, means "real estate investment trust taxable income" as defined in Section 857(b)(2) of the Internal Revenue Code;

(15) "Person" means "person" as defined in Section 7701(a)(1) of the Internal Revenue Code;

(16) "Taxable year" means the calendar year or fiscal year ending during such calendar year, upon the basis of which net income is computed, and in the case of a return made for a fractional part of a year under the provisions of this chapter or under regulations prescribed by the secretary, "taxable year" means the period for which such return is made;

(17) "Resident" means an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in

the aggregate more than one hundred eighty-three (183) days of the taxable year in this state;

(18) "Nonresident" means any individual not a resident of this state;

(19) "Employer" means "employer" as defined in Section 3401(d) of the Internal Revenue Code;

(20) "Employee" means "employee" as defined in Section 3401(c) of the Internal Revenue Code;

(21) "Number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under KRS 141.325, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero;

(22) "Wages" means "wages" as defined in Section 3401(a) of the Internal Revenue Code and includes other income subject to withholding as provided in Section 3401(f) and Section 3402(k), (o), (p), (q), and (s) of the Internal Revenue Code;

(23) "Payroll period" means "payroll period" as defined in Section 3401(b) of the Internal Revenue Code;

(24) "Corporations" means "corporations" as defined in Section 7701(a)(3) of the Internal Revenue Code;

(25) "S corporations" means "S corporations" as defined in Section 1361(a) of the Internal Revenue Code. Stockholders of a corporation qualifying as an "S corporation" under this chapter may elect to treat such qualification as an initial qualification under Subchapter S of the Internal Revenue Code Sections.

Section 2. This Part is effective for taxable years beginning after December 31, 2004.

PART XIX

MOTOR VEHICLE USAGE AND SALES AND USE TAX EXEMPTIONS

Notwithstanding KRS 48.310, the following statutes are amended to read as follows

and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 138.470 is amended to read as follows:

There is expressly exempted from the tax imposed by KRS 138.460:

(1) Motor vehicles sold to the United States, or to the Commonwealth of Kentucky or any of its political subdivisions;

(2) Motor vehicles sold to institutions of purely public charity and institutions of education not used or employed for gain by any person or corporation;

(3) Motor vehicles which have been previously registered and titled in any state or by the federal government when being sold or transferred to licensed motor vehicle dealers for resale. The motor vehicles shall not be leased, rented, or loaned to any person and shall be held for resale only;

(4) Motor vehicles sold by or transferred from dealers registered and licensed in compliance with the provisions of KRS 186.070 and KRS 190.010 to 190.080 to nonresident members of the Armed Forces on duty in this Commonwealth under orders from the United States government;

(5) Commercial motor vehicles, excluding passenger vehicles having a seating capacity for nine (9) persons or less, owned by nonresident owners and used primarily in interstate commerce and based in a state other than Kentucky which are required to be registered in Kentucky by reason of operational requirements or fleet proration agreements and are registered pursuant to KRS 186.145;

(6) Motor vehicles previously registered in Kentucky, transferred between husband and wife, parent and child, stepparent and stepchild, or grandparent and grandchild;

(7) Motor vehicles transferred when a business changes its name and no other transaction has taken place or an individual changes his or her name;

(8) Motor vehicles transferred to a corporation from a proprietorship or limited liability company, to a limited liability company from a corporation or proprietorship, or from a corporation or limited liability company to a proprietorship, within six (6)

months from the time that the business is incorporated, organized, or dissolved;

(9) Motor vehicles transferred by will, court order, or under the statutes covering descent and distribution of property, if the vehicles were previously registered in Kentucky;

(10) Motor vehicles transferred between a subsidiary corporation and its parent corporation if there is no consideration, or nominal consideration, or in sole consideration of the cancellation or surrender of stock;

(11) Motor vehicles transferred between a limited liability company and any of its members, if there is no consideration, or nominal consideration, or in sole consideration of the cancellation or surrender of stock;

(12) The interest of a partner in a motor vehicle when other interests are transferred to him;

(13) Motor vehicles repossessed by a secured party who has a security interest in effect at the time of repossession and a repossession affidavit as required by KRS 186.045(6). The repossessor shall hold the vehicle for resale only and not for personal use, unless he has previously paid the motor vehicle usage tax on the vehicle;

(14) Motor vehicles transferred to an insurance company to settle a claim. These vehicles shall be junked or held for resale only;

(15) ***Motor carriers operating under a charter bus certificate issued by the Transportation Cabinet under KRS Chapter 281;***

(16) Motor vehicles registered under KRS 186.050 that have a declared gross vehicle weight with any towed unit of forty-four thousand and one (44,001) pounds or greater;

(17)[~~(16)~~] Farm trucks registered under KRS 186.050(4) that have a declared gross vehicle weight with any towed unit of forty-four thousand and one (44,001) pounds or greater; and

(18)[~~(17)~~] In order to be eligible for the exemption established in subsections ***(16) and (17)***[~~(15) and (16)~~] of this section, motor vehicles shall be required to be registered at the appropriate range for the declared gross weight of the vehicle established in KRS 186.050(3)(b) and shall be prohibited from registering at a higher weight range. If a motor vehicle is initially registered in one (1) declared gross weight range and subsequently is registered at a declared gross weight range lower than forty-four thousand and one (44,001) pounds, the person registering the vehicle shall be required to pay the county clerk the usage tax due on the vehicle unless the person can provide written proof to the clerk that the tax has been previously paid.

Section 2. KRS 139.480 is amended to read as follows:

Any other provision of this chapter to the contrary notwithstanding, the terms "sale at retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not include the sale, use, storage, or other consumption of:

(1) Locomotives or rolling stock, including materials for the construction, repair, or modification thereof, or fuel or supplies for the direct operation of locomotives and trains, used or to be used in interstate commerce;

(2) Coal for the manufacture of electricity;

(3) All energy or energy-producing fuels used in the course of manufacturing, processing, mining, or refining to the extent that the cost of the energy or energy-producing fuels used exceeds three percent (3%) of the cost of production. Cost of production shall be computed on the basis of plant facilities which shall mean all permanent structures affixed to real property at one (1) location;

(4) Livestock of a kind the products of which ordinarily constitute food for human consumption, provided the sales are made for breeding or dairy purposes and by or to a person regularly engaged in the business of farming;

(5) Poultry for use in breeding or egg production;

(6) Farm work stock for use in farming operations;

(7) Seeds, the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business, and commercial fertilizer to be applied on land, the products from which are to be used for food for human consumption or are to be sold in the regular course of business; provided such sales are made to farmers who are regularly engaged in the occupation of tilling and cultivating the soil for the production of crops as a business, or who are regularly engaged in the occupation of raising and feeding livestock or poultry or producing milk for sale; and provided further that tangible personal property so sold is to be used only by those persons designated above who are so purchasing;

(8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be used in the production of crops as a business, or in the raising and feeding of livestock or poultry, the products of which ordinarily constitute food for human consumption;

(9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the products of which ordinarily constitute food for human consumption;

(10) Machinery for new and expanded industry;

(11) Farm machinery. As used in this section, the term "farm machinery" means machinery used exclusively and directly in the occupation of tilling the soil for the production of crops as a business, or in the occupation of raising and feeding livestock or poultry or of producing milk for sale. The term "farm machinery," as used in this section includes machinery, attachments, and replacements therefor, repair parts, and replacement parts which are used or manufactured for use on, or in the operation of farm machinery and which are necessary to the operation of the machinery, and are customarily so used; but this exemption shall not include automobiles, trucks, trailers, and truck-trailer combinations;

(12) Property which has been certified as a pollution control facility as defined in KRS 224.01-300, and all materials, supplies, and repair and replacement parts purchased

for use in the operation or maintenance of the facilities used specifically in the steel-making process. The exemption provided in this subsection for materials, supplies, and repair and replacement parts purchased for use in the operation of pollution control facilities shall be effective for sales made through June 30, 1994;

(13) Tombstones and other memorial grave markers;

(14) On-farm facilities used exclusively for grain or soybean storing, drying, processing, or handling. The exemption applies to the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(15) On-farm facilities used exclusively for raising poultry or livestock. The exemption shall apply to the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply but not be limited to vent board equipment, waterer and feeding systems, brooding systems, ventilation systems, alarm systems, and curtain systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(16) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively and directly to:

(a) Operate farm machinery as defined in subsection (11) of this section;

(b) Operate on-farm grain or soybean drying facilities as defined in subsection (14) of this section;

(c) Operate on-farm poultry or livestock facilities defined in subsection (15) of this section;

(d) Operate-on farm ratite facilities defined in subsection (24) of this section;

(e) Operate on-farm llama or alpaca facilities as defined in subsection (26) of this

section; or

(f) Operate on-farm dairy facilities;

(17) Textbooks, including related workbooks and other course materials, purchased for use in a course of study conducted by an institution which qualifies as a nonprofit educational institution under KRS 139.495. The term "course materials" means only those items specifically required of all students for a particular course but shall not include notebooks, paper, pencils, calculators, tape recorders, or similar student aids;

(18) Any property which has been certified as an alcohol production facility as defined in KRS 247.910;

(19) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter;

(20) Any property which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;

(21) Any property to be incorporated into the construction, rebuilding, modification, or expansion of a blast furnace or any of its components or appurtenant equipment or structures. The exemption provided in this subsection shall be effective for sales made through June 30, 1994;

(22) Beginning on October 1, 1986, food or food products purchased for human consumption with food coupons issued by the United States Department of Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to be exempted by the Food Security Act of 1985 in order for the Commonwealth to continue participation in the federal food stamp program;

(23) Machinery or equipment purchased or leased by a business, industry, or organization in order to collect, source separate, compress, bale, shred, or otherwise

handle waste materials if the machinery or equipment is primarily used for recycling purposes;

(24) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-products, and the following items used in this agricultural pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;

(c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to incubation systems, egg processing equipment, waterer and feeding systems, brooding systems, ventilation systems, alarm systems, and curtain systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(25) Embryos and semen that are used in the reproduction of livestock, if the products of these embryos and semen ordinarily constitute food for human consumption, and if the sale is made to a person engaged in the business of farming;

(26) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for the breeding and production of hides, breeding stock, fiber and wool products, meat, and llama and alpaca by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and

(c) On-farm facilities, including equipment, machinery, attachments, repair and

replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to waterer and feeding systems, ventilation systems, and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(27) Baling twine and baling wire for the baling of hay and straw;

(28) Water sold to a person regularly engaged in the business of farming and used in the:

(a) Production of crops;

(b) Production of milk for sale; or

(c) Raising and feeding of:

1. Livestock or poultry, the products of which ordinarily constitute food for human consumption; or

2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;

(29) Buffalos to be used as beasts of burden or in an agricultural pursuit for the production of hides, breeding stock, meat, and buffalo by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;

(c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to waterer and feeding systems, ventilation systems, and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into

the construction, renovation, or repair of the facilities;

(30) Aquatic organisms sold directly to or raised by a person regularly engaged in the business of producing products of aquaculture, as defined in KRS 260.960, for sale, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Water;

(c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and

(d) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities and, any gasoline, special fuels, liquefied petroleum gas, or natural gas used to operate the facilities. The exemption shall apply, but not be limited to: waterer and feeding systems; ventilation, aeration, and heating systems; processing and storage systems; production systems such as ponds, tanks, and raceways; harvest and transport equipment and systems; and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

(31) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the production of hides, breeding stock, meat, and cervid by-products, and the following items used in this pursuit:

(a) Feed and feed additives;

(b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

(c) On-site facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction,

renovation, or repair of the facilities. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities; ~~[and]~~

(32) (a) Repair or replacement parts for the direct operation or maintenance of a motor vehicle, including any towed unit, used exclusively in interstate commerce for the conveyance of property or passengers for hire, provided the motor vehicle is licensed for use on the highway and its declared gross vehicle weight with any towed unit is forty-four thousand and one (44,001) pounds or greater. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter***; and***~~[.]~~

(b) ***Repair or replacement parts for the direct operation and maintenance of a motor vehicle operating under a charter bus certificate issued by the Transportation Cabinet under KRS Chapter 281, or under similar authority granted by the United States Department of Transportation.***

(c) For the purposes of this subsection, "repair and replacement parts" means tires, brakes, engines, transmissions, drive trains, chassis, body parts, and their components. "Repair and replacement parts" shall not include fuel, machine oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential to the operation of the motor vehicle itself, except when sold as part of the assembled unit, such as cigarette lighters, radios, lighting fixtures not otherwise required by the manufacturer for operation of the vehicle, or tool or utility boxes.

Section 3. The provisions of this Part take effect August 1, 2005.

PART XX

KENTUCKY DATA RESEARCH INITIATIVE

Notwithstanding KRS 48.310, the following statute is created to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

SECTION 1. A NEW SECTION OF KRS CHAPTER 158 IS CREATED TO READ AS FOLLOWS:

(1) There is hereby created the Kentucky data research initiative, a partnership between elementary and secondary schools and postsecondary education research institutions to maximize research capabilities through computer resources. The initiative shall be jointly facilitated by the Kentucky Department of Education and the Council on Postsecondary Education.

(2) The purposes of the data research initiative are to expand the availability of computing resources not available at the research institutions at a relatively low cost, to do education outreach to students and teachers in Kentucky's K-12 system, to expand the research institutions' presence throughout the state, and to maximize the use of computer assets that have already been purchased in K-12 systems but are often underused.

(3) By December 1, 2005, the commissioner of the Department of Education and the president of the Council on Postsecondary Education shall convene appropriate postsecondary education and elementary and secondary educators and administrators to determine how this initiative might be developed, funded, and utilized to enhance research capabilities in the sciences and health-related fields or other appropriate fields of research.

PART XXI

KENTUCKY'S AFFORDABLE PREPAID TUITION (KAPT) CONTRACTS

Notwithstanding KRS 48.310, the following statutes are amended or repealed as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 164A.707 is amended to read as follows:

(1) Purchasers buying prepaid tuition for a qualified beneficiary shall enter into prepaid tuition contracts with the board. These contracts shall be in a form as shall be determined by the office. The contract shall provide for the purchase of a tuition plan for prepaid tuition for the qualified beneficiary from one (1) to five (5) specific academic years. ***Beginning on the effective date of this Act, new prepaid tuition contracts entered into for a tuition plan approved by the board shall contain actuarially sound premiums sufficient to prevent their contribution to a program fund deficit. No general fund moneys or abandoned property funds shall be available for the support of the Commonwealth postsecondary education prepaid tuition trust fund.***

(2) Upon written notification to the office a purchaser may amend the prepaid tuition contract to change:

(a) The qualified beneficiary, in accordance with 26 U.S.C. sec. 529;

(b) The academic year or years for which prepaid tuition is purchased;

(c) A tuition plan designation to another tuition plan designation;

(d) The number of years for which prepaid tuition is purchased; or

(e) Other provisions of the prepaid tuition contract as permitted by the board.

(3) A prepaid tuition account shall not be subject to attachment, levy, or execution by any creditor of a purchaser or qualified beneficiary. Prepaid tuition accounts shall be exempt from all state and local taxes including, but not limited to, intangible personal property tax levied under KRS 132.020, individual income tax levied under KRS 141.020, and the inheritance tax levied under KRS Chapter 140. Payments from a prepaid tuition account used to pay qualified postsecondary education expenses, or disbursed due to the death or disability of the beneficiary, or receipt of a scholarship by the beneficiary shall be exempt from tax liabilities.

(4) Nothing in KRS 164A.700 to 164A.709 or in a prepaid tuition contract shall be construed as a promise or guarantee that a qualified beneficiary shall be admitted to

an eligible educational institution, be allowed to continue to attend an eligible educational institution after having been admitted, or be graduated from an eligible educational institution.

(5) Prepaid tuition contract payments shall not be made in real or personal property other than cash and shall not exceed the prepaid tuition. Prepaid tuition contract payments may be made in lump-sum installments.

(6) The purchaser shall designate the qualified beneficiary at the time the purchaser enters into a prepaid tuition contract, except for a prepaid tuition contract purchased in accordance with KRS 164A.700(14)(d). In the case of gifts made to the fund, the board shall designate a qualified beneficiary at the time of the gift.

(7) The prepaid tuition contract shall provide that the purchaser and the qualified beneficiary shall not directly or indirectly or otherwise control the investment of the prepaid tuition account or earnings on the account. Payments made for prepaid tuition shall be accounted for separately for each qualified beneficiary. No interest or earnings on a prepaid tuition contract of the purchaser or qualified beneficiary shall be pledged or otherwise encumbered as security of a debt.

(8) A prepaid tuition contract does not constitute a security as defined in KRS 292.310 or an annuity as defined in KRS 304.5-030.

(9) Each prepaid tuition contract is subject to, and shall incorporate by reference, all operating procedures and policies adopted by the board, the statutes governing prepaid tuition contracts in KRS 164A.700 to 164A.709 and 393.015, and administrative regulations promulgated thereunder. Any amendments to statutes, administrative regulations, and operating procedures and policies shall automatically amend prepaid tuition contracts, with retroactive or prospective effect, as applicable.

Section 2. The following KRS section is repealed:

393.015 Use of abandoned property funds to support Commonwealth postsecondary

education prepaid tuition trust fund.

PART XXII

PHASE II TOBACCO SETTLEMENT PAYMENTS

Notwithstanding KRS 48.310, the following statutes are amended or repealed as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 248.480 is amended to read as follows:

(1) As used in this section:

(a) "Settlement trust" means the national tobacco grower settlement trust established between tobacco companies and states with tobacco growers and tobacco quota owners in accordance with the master settlement agreement between certain tobacco companies and states' attorneys general dated November 23, 1998;

(b) "Settlement trust agreement" means the agreement to provide economic assistance from the national tobacco grower settlement trust directly to tobacco growers and tobacco quota holders in the Commonwealth;

(c) "Trustee of the settlement trust" means the entity legally responsible for management of the national tobacco grower settlement trust; and

(d) "Corporation" means the Kentucky Tobacco Settlement Trust Corporation created by this section.

(2) The Kentucky Tobacco Settlement Trust Corporation is created and established as a de jure municipal corporation and political subdivision of the Commonwealth to perform essential governmental and public functions by assisting in the implementation of the national tobacco grower settlement trust agreement. The corporation shall be attached to the Finance and Administration Cabinet for administrative purposes. The corporation shall be a public agency within the meaning of KRS 61.805, KRS 61.870, and other applicable statutes.

(3) The corporation shall be directed by a board of directors, which shall include:

(a) The Governor, who shall serve as chair of the corporation;

(b) The Commissioner of Agriculture, who shall serve as vice chair of the corporation;

(c) The Attorney General, who shall serve as secretary of the corporation;

(d) One (1) member of the Senate appointed by the President of the Senate to serve as an ex officio, nonvoting member of the board;

(e) One (1) member of the House of Representatives appointed by the Speaker of the House of Representatives to serve as an ex officio, nonvoting member of the board;

(f) Six (6) citizen members who are tobacco growers or tobacco quota owners appointed by the Governor for a term of four (4) years;

(g) One (1) citizen member with a distinguished record of public service appointed by the Governor for a term of four (4) years; and

(h) Two (2) members appointed by the Governor for a term of four (4) years from a list of six (6) nominees selected and submitted to the Governor by the state's congressional delegation.

(4) Members of the board shall not receive compensation for their services but be reimbursed for necessary travel and lodging expenses incurred in the performance of their duties.

(5) A quorum of the board shall consist of six (6) voting members. A majority of the voting members present may act upon any matter legally before the corporation. The board shall keep minutes and records of all meetings of the corporation and shall record all official actions.

(6) The corporation shall be a body corporate with full corporate powers. The board may develop articles of incorporation and other appropriate documentation to establish the corporation's existence as a corporation authorized by law. The

corporation shall not in any form hold, receive, or manage any proceeds from the ***National Tobacco Growers Settlement Trust***~~[settlement trust]~~.

(7) The corporation's duties shall include, but not be limited to:

(a) Performing all duties and responsibilities of a state certification body as defined and directed under the terms of the settlement trust agreement;

(b) Preparing and submitting a plan to the trustee of the settlement trust for its approval. The plan shall identify those tobacco growers and tobacco quota owners who are to receive direct payment from the settlement trust and shall determine the respective amount each of the tobacco growers or tobacco quota owners is to receive;

(c) Determining the amount of any administrative expenses to be paid to the corporation under the terms of the settlement trust agreement;

(d) Appointing an officer to conduct executive functions for the corporation. The officer may be a state officer or employee who shall serve as a borrowed servant at no cost to the corporation;

(e) Requesting the trustee of the settlement trust to set aside reserve amounts in anticipation of a decrease in annual payments;

(f) Submitting information required by the trustee of the settlement trust;

(g) Establishing policies and procedures and contracting with other persons or entities if necessary to effectuate its purposes and functions;

(h) Discharging additional powers, duties, and functions as necessary or convenient to carry out the purposes of this section;~~[and]~~

(i) Enacting bylaws concerning the conduct of its business and other administrative procedures as it deems necessary***; and***

(j) Provide for the distribution of state funds appropriated in Parts I and II of this Act to the beneficiaries of the National Tobacco Growers Settlement Trust in a manner consistent with this section.

(8) There shall be no liability on the part of, and no cause of action for damages shall arise against, the corporation or any member, officer, administrator, agent, or employee of the corporation, either as a part of the corporation's operations or as an individual as a result of any act, omission, proceeding, conduct, or decision relating to the official duties, functions, and responsibilities of the corporation.

Section 2. KRS 248.703 is amended to read as follows:

(1) ~~[Fifty percent (50%) of the moneys received in the tobacco settlement agreement fund, created in KRS 248.654, from Master Settlement Agreement funding on or before June 30, 2000, along with accrued interest, shall be allocated on April 26, 2000, to the agricultural development fund created in KRS 248.655. The moneys received in the agricultural development fund, along with the accrued interest, shall be further allocated as follows:~~

~~(a) Forty million dollars ($40,000,000) from the agricultural development fund shall be set aside to supplement Phase II funding as provided in KRS 248.705; and~~

~~(b) The moneys remaining in the agricultural development fund after the Phase II supplement is set aside shall be further allocated as follows:~~

~~1. Thirty-five percent (35%) to a "Counties Account" within the fund for distribution to applicants within counties. The amount allocated to each county within the account shall be determined by the formula established in subsection (3) of this section. Counties shall be assured of receiving at least as much as determined by the formula; and~~

~~2. Sixty-five percent (65%) for other projects throughout the state.~~

~~(2)]~~Fifty percent (50%) of the moneys received in the tobacco settlement agreement fund from Master Settlement Agreement funding after June 30, 2000, along with accrued interest, shall be allocated within twenty (20) days of receipt of the moneys to the agricultural development fund created in KRS 248.655. The moneys received

in the fund, along with the accrued interest, shall be further allocated as follows:

(a) ~~[For the life of the Phase II payment program, funds in the agricultural development fund shall be set aside first to supplement Phase II funding when needed as outlined in KRS 248.705; and~~

~~(b) The moneys remaining in the agricultural development fund after the Phase II supplement is set aside shall be further allocated as follows:~~

~~1.]~~Thirty-five percent (35%) to the counties account~~[provided in subsection (1)(b)1. of this section]~~; and

(b)~~[2.]~~ Sixty-five percent (65%) for other projects throughout the state.

(2)~~[(3)]~~ The allocation within the counties account in the agricultural development fund for each county shall be assured for use in each county and shall be based on the following weighted factors:

(a) Fifty percent (50%) weight to the county's percentage of the state's tobacco allotment based on 1999 data;

(b) Twenty-five percent (25%) weight to the county's number of farms with tobacco quotas in the county as a percentage of farms with tobacco quotas statewide, based on 1999 data; and

(c) Twenty-five percent (25%) weight to the economic impact index for each county which shall be calculated in the following manner:

1. The tobacco income for each county (1997 burley tobacco production times average burley market price) divided by the total personal income for each county. The data used shall reflect the year most recently available for total personal income.

2. The percentage derived in subparagraph 1. of this paragraph (tobacco income as a percentage of total personal income for each county) shall then be summed across all counties.

3. The economic impact index amount shall be each county's tobacco

income as a percentage of total personal income, divided by the aggregate percentage stated in subparagraph 2. of this paragraph.

(3)[~~(4)~~] When a county's allocation is exhausted, applicants from that county may apply for funds from the other sixty-five percent (65%) of the moneys in the agricultural development fund. Failure by a county to exhaust its county allocation shall not preclude the county from receiving the benefits of a proposal approved by the board from state funds.

(4)[~~(5)~~] Any funds directly appropriated by the General Assembly shall be assessed against the percentage of funds allocated to the state portion of the agricultural development fund.

(5)[~~(6)~~] Interest earned on any moneys in any fund or account created in KRS 248.701 to 248.727 shall accrue to that fund or account until transferred to another fund or account created or referenced in KRS 248.701 to 248.727.

(6)[~~(7)~~] None of the moneys left at the end of a fiscal year in any fund or account created or referenced in KRS 248.701 to 248.727 shall lapse, but shall stay with the fund or account as long as the fund or account exists, or until the moneys are transferred to another fund or account created or referenced in KRS 248.701 to 248.727. In the case of any fund or account created in KRS 248.701 to 248.727 that is terminated with a remaining balance, the balance shall remain in the agricultural development fund.

Section 3. The following KRS section is repealed:

248.705 Phase II supplement funds.

PART XXIII

PROPERTY TAX EXEMPTION RECIPROCITY

Notwithstanding KRS 48.310, the following statute is created to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

SECTION 1. A NEW SECTION OF KRS CHAPTER 132 IS CREATED TO

READ AS FOLLOWS:

All real and personal property owned by another state or a political subdivision of another state that is used exclusively for public purposes shall be exempt from taxation under this chapter if a comparable exemption is provided in that state or political subdivision for property owned by the Commonwealth of Kentucky or its political subdivisions.

PART XXIV

TOURISM DEVELOPMENT

Notwithstanding KRS 48.310, the following statutes are amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly:

Section 1. KRS 139.536 is amended to read as follows:

(1) In consideration of the execution of the agreement as defined in KRS 148.851 and notwithstanding any provision of KRS 139.770 to the contrary, the approved company as defined in KRS 148.851 excluding its lessees, may be granted a sales tax refund from the Kentucky sales tax imposed by KRS 139.200 on the sales generated by or arising at the tourism attraction project as defined in KRS 148.851. The approved company shall have no obligation to refund or otherwise return any amount of this sales tax refund to the persons from whom the sales tax was collected. The term of the agreement granting the sales tax refund shall be ten (10) years, and this time period shall commence on the later of:

(a) The final approval for purposes of the inducements; or

(b) The completion date specified in the agreement.

(2) Any sales tax collected by an approved company as defined in KRS 148.851 on sales transacted after final approval but prior to the commencement of the term of the agreement, including any approved company that has received final approval prior to July 15, 2000, shall be refundable as if collected after the commencement of the term and applied to the approved company's first fiscal year's refund after

activation of the term and without changing the term.

(3) The total sales tax refund allowed to the approved company over the term of the agreement in subsection (1) of this section shall be equal to the lesser of the total amount of the sales tax liability of the approved company and its lessees or twenty-five percent (25%) of the approved costs. The sales tax refund shall accrue over the term of the agreement in an annual amount equal to two and one-half percent (2.5%) of the approved cost. Notwithstanding the foregoing two and one-half percent (2.5%) limitation, any unused inducements as set forth in KRS 148.851(9) from a previous year may be carried forward to any succeeding year during the term of the agreement until the entire twenty-five percent (25%) of the approved costs have been received through sales tax refunds.

(4) Notwithstanding subsection (3) of this section, to the extent that the tourism attraction defined in KRS 148.851 includes a lodging facility located on recreational property owned or leased by the Commonwealth or federal government and the facilities have received prior approval from the appropriate state or federal agency, the total sales tax refund allowed to the approved company over the term of the agreement shall be the lesser of the total amount of sales tax liability or fifty percent (50%) of the approved costs. The sales tax refund shall accrue over the term of the agreement in an annual amount equal to five percent (5%) of the approved cost. Notwithstanding the foregoing five percent (5%) limitation, any unused inducements as set forth in KRS 148.851(9) from a previous year may be carried forward to any succeeding year during the term of the agreement until the entire fifty percent (50%) of the approved costs have been received through the sales tax refunds.

(5) By October 1 of each year the Revenue Cabinet shall certify to the authority and the secretary of the Tourism Development Cabinet for the preceding fiscal year for all approved companies for which sales tax returns were filed with respect to a tourism

attraction project, the sales tax liability of the approved companies receiving inducements under this section and KRS 148.851 to 148.860, and their lessees, and the amount of the sales tax refunds issued pursuant to ***subsections***[~~subsection~~] (1) ***and (4)*** of this section.

(6)[~~(4)~~] Interest shall not be allowed or paid on any refund made under the provisions of this section.

(7)[~~(5)~~] The Revenue Cabinet may promulgate administrative regulations and require the filing of forms designed by the Revenue Cabinet to reflect the intent of this section and KRS 148.851 to 148.860.

Section 2. KRS 148.859 is amended to read as follows:

(1) The authority, upon adoption of its final approval, may enter into with any approved company an agreement with respect to its tourism attraction project. The terms and provisions of each agreement shall include, but not be limited to:

(a) The amount of approved costs, which shall be determined by negotiations between the authority and the approved company. Any increase in approved costs incurred by the approved company and agreed to by the authority shall apply retroactively for purposes of calculating the carry forward for unused inducements as set forth in KRS 139.536(3)***and (4)*** for tax years commencing on or after July 1, 2004;

(b) A date certain by which the approved company shall have completed the tourism attraction project. Upon request from any approved company that has received final approval prior to or after July 15, 2000, the authority shall grant an extension or change, which in no event shall exceed three (3) years from the date of final approval, to the completion date as specified in the agreement of an approved company. Within three (3) months of the completion date, the approved company shall document the actual cost of the project through a certification of the costs to be provided by an independent certified public

accountant acceptable to the authority;

(c) The following provisions:

1. The term shall be ten (10) years from the later of:

a. The date of the final approval of the project; or

b. The original completion date specified in the agreement, if this completion date is within three (3) years of the date of the final approval of the project. An extension of the original completion date shall not alter the commencement date of the term;

2. Within forty-five (45) days after the end of each fiscal year of the approved company, during the term of the agreement, the approved company shall supply the authority with such reports and certifications as the authority may request demonstrating to the satisfaction of the authority that the approved company is in compliance with the provisions of KRS 139.536 and KRS 148.851 to 148.860. Based upon a review of these materials and other documents that may be made available, the authority shall then certify to the Revenue Cabinet that the approved company is in compliance with this section; and

3. The approved company shall not receive a sales tax refund as prescribed by KRS 139.536 with respect to any fiscal year if:

a. In any year following the fourth year of the agreement, the tourism attraction project fails to attract at least twenty-five percent (25%) of its visitors from among persons who are not residents of the Commonwealth, except for a theme restaurant destination attraction, which shall attract a minimum of fifty percent (50%) of its visitors from among persons who are not residents of the Commonwealth; or

b. In any year following the first year of the agreement, the tourism

attraction project is not operating and open to the public for at least one hundred (100) days; and

(d) Upon request from an approved company that has completed at least fifty percent (50%) of an entertainment destination center, the authority shall grant an extension of up to three (3) years to the completion date specified in the agreement of the approved company, in addition to the extension provided for in paragraph (b) of this subsection. In no event shall the completion date be more than six (6) years from the date of final approval. The extension provided for in this paragraph shall be subject to the following conditions:

1. The approved company shall have spent or have contractually obligated to spend an amount equal to or greater than the amount of approved costs set forth in the initial agreement;
2. The term of the agreement shall not be extended; and
3. The scope of the entertainment destination center, as set forth in the initial agreement, shall not be altered to include new or additional entertainment and leisure options.

(2) The agreement shall not be transferable or assignable by the approved company without the written consent of the authority.

(3) In consideration of the execution of the agreement as defined in KRS 148.851 and notwithstanding any provision of KRS 139.770 to the contrary, the approved company as defined in KRS 148.851 excluding its lessees, may be granted a sales tax refund under KRS 139.536 from the Kentucky sales tax imposed by KRS 139.200 on the sales generated by or arising at the tourism attraction project as defined in KRS 148.851.

PART XXV

TOBACCO SURTAX FOR CANCER RESEARCH INSTITUTIONS MATCHING FUND

Notwithstanding KRS 48.310, the following statutes are created or amended to read as follows and shall have permanent effect, subject to future actions by the General Assembly.

Section 1. KRS 138.140 is amended to read as follows:

(1) A tax shall be paid on the sale of cigarettes within the state at a proportionate rate of three cents ($0.03) on each twenty (20) cigarettes. This tax shall be paid only once, regardless of the number of times the cigarettes may be sold in this state.

(2) Effective June 1, 2005, a surtax shall be paid in addition to the tax levied in subsection (1) of this section and in addition to the surtax levied by subsection (2) of Section 81 of House Bill 272 of the 2005 Regular Session of the General Assembly, at a proportionate rate of one cent ($0.01) on each twenty (20) cigarettes. This tax shall be paid only once, at the same time the tax imposed by subsection (1) of this section and the surtax imposed by subsection (2) of Section 81 of House Bill 272 of the 2005 Regular Session of the General Assembly is paid, regardless of the number of times the cigarettes may be sold in the state.

SECTION 2. A NEW SECTION OF KRS 138.130 TO 138.205 IS CREATED TO READ AS FOLLOWS:

Every retailer, resident wholesaler, nonresident wholesaler, and unclassified acquirer shall:

(1) Take a physical inventory of all cigarettes in packages bearing Kentucky tax stamps, and all unaffixed Kentucky cigarette tax stamps possessed by them or in their control at 11:59 p.m. on May 31, 2005. Inventory of cigarettes in vending machines may be accomplished by:

(a) Taking an actual physical inventory;

(b) Estimating the cigarettes in vending machines by reporting one-half (1/2) of the normal fill capacity of the machines, as reflected in individual inventory records maintained for vending machines; or

(c) Using a combination of the methods in prescribed paragraphs (a) and (b) of this subsection;

(2) File a return with the Revenue Cabinet on or before June 10, 2005, showing the entire wholesale and retail inventories of cigarettes in packages bearing Kentucky tax stamps, and all unaffixed Kentucky cigarette tax stamps possessed by them or in their control at 11:59 p.m. on May 31, 2005; and

(3) Pay a floor stock tax at a rate equal to that imposed by subsection (2) of Section 1 of this Part with the calculation based upon a proportionate rate of one cent ($0.01) on each twenty (20) cigarettes in packages bearing a Kentucky tax stamp and unaffixed Kentucky tax stamps in their possession or control at 11:59 p.m. on May 31, 2005.

Section 3. KRS 138.146 is amended to read as follows:

(1) The~~[cigarette]~~ tax imposed by KRS 138.130 to 138.205 shall be due when any licensed wholesaler or unclassified acquirer takes possession within this state of untax-paid cigarettes.

(2) The tax shall be paid by the purchase of stamps by a resident wholesaler within forty-eight (48) hours after the ***wholesaler receives the*** cigarettes~~[are received by him]~~. A stamp shall be affixed to each package of an aggregate denomination not less than the amount of the tax ***on the package***~~[upon the contents thereof]~~. The ***affixed*** stamp~~[, so affixed,]~~ shall be prima facie evidence of payment of tax. Unless~~[such]~~ stamps have been previously affixed, they shall be~~[so]~~ affixed by each resident wholesaler prior to the delivery of any cigarettes to a retail location or any person in this state. The evidence of tax payment shall be affixed to each individual package of cigarettes by a nonresident wholesaler prior to the introduction or importation of the cigarettes into the territorial limits of this state. The evidence of tax payment shall be affixed by an unclassified acquirer within twenty-four (24) hours after the cigarettes are received by ***the unclassified acquirer***~~[him]~~.

(3) The cabinet shall by regulation prescribe the form of cigarette tax evidence, the method and manner of the sale and distribution of~~[such]~~ cigarette tax evidence, and the method and manner that ***tax***~~[such]~~ evidence shall be affixed to the cigarettes. All cigarette tax evidence prescribed by the cabinet shall be designed and furnished in a fashion to permit identification of the person that affixed the cigarette tax evidence to the particular package of cigarettes, by means of numerical rolls or other mark on the cigarette tax evidence. The cabinet shall maintain for at least three (3) years information identifying the person that affixed the cigarette tax evidence to each package of cigarettes. This information shall not be kept confidential or exempt from disclosure to the public through open records.

(4) Units of cigarette tax evidence shall be sold at their face value, but the cabinet shall allow as compensation to any licensed wholesaler an amount of tax evidence equal to thirty cents ($0.30) face value for each three dollars ($3) of tax evidence purchased at face value ***and attributable to the tax assessed in subsection (1) of Section 1 of this Part. No compensation shall be allowed for tax evidence purchased at face value attributable to the tax assessed in subsection (2) of Section 1 of this Part***. The cabinet shall have the power to withhold compensation from any licensed wholesaler for failure to abide by any provisions of KRS 138.130 to 138.205 or any regulations promulgated thereunder. Any refund or credit for unused cigarette tax evidence shall be reduced by the amount allowed as compensation at the time of purchase.

(5) No tax evidence may be affixed, or used in any way, by any person other than the person purchasing ***the***~~[such]~~ evidence from the cabinet.~~[Such]~~ Tax evidence may not be transferred or negotiated, and may not, by any scheme or device, be given, bartered, sold, traded, or loaned to any other person. Unaffixed tax evidence may be returned to the cabinet for credit or refund for any reason satisfactory to the cabinet.

(6) In the event any retailer shall receive into his possession cigarettes to which

evidence of Kentucky tax payment is not properly affixed, he shall within twenty-four (24) hours notify the cabinet of such fact. Such notice shall be in writing, and shall give the name of the person from whom such cigarettes were received, and the quantity of such cigarettes, and such written notice may be given to any field agent of the cabinet. The written notice may also be directed to the secretary of revenue, Frankfort, Kentucky. If such notice is given by means of the United States mail, it shall be sent by certified mail. Any such cigarettes shall be retained by such retailer, and not sold, for a period of fifteen (15) days after giving the notice provided in this subsection. The retailer may, at his option, pay the tax due on any such cigarettes according to rules and regulations to be prescribed by the cabinet, and proceed to sell the same after such payment.

(7) Cigarettes stamped with the cigarette tax evidence of another state shall at no time be commingled with cigarettes on which the Kentucky cigarette tax evidence has been affixed, but any licensed wholesaler, licensed sub-jobber, or licensed vending machine operator may hold cigarettes stamped with the tax evidence of another state for any period of time, subsection (2) of this section notwithstanding.

SECTION 4. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) There is hereby created in the State Treasury a cancer research matching fund designated as the "cancer research institutions matching fund". The fund shall be administered by the Council for Postsecondary Education. For tax periods beginning on or after June 1, 2005, the one-cent ($0.01) surtax collected under subsection (2) of Section 1 of this Part shall be deposited in the fund and shall be made available for matching purposes to the following universities for cancer research:

(a) One-half (1/2) of the moneys deposited in the fund shall be made available to the University of Kentucky; and

(b) One-half (1/2) of the moneys deposited in the fund shall be made available to the University of Louisville.

(2) All interest earned on moneys in the fund shall be credited to the fund.

(3) Any moneys remaining in the fund at the end of the fiscal year shall lapse to the General Fund.

(4) To receive the funds, the universities shall provide dollar for dollar matching funds. The matching funds shall come from external sources to be eligible for the state match. External source contributions are those that originate outside the university and its affiliated corporations. The matching funds shall be newly generated to be eligible for state match. Newly generated contributions are those received by the university after April 1, 2005.

(5) Moneys transferred to the fund pursuant to subsection (1) of this section are hereby appropriated for purposes set forth in this section.

(6) The following funds are not eligible for state match:

(a) Funds received from federal, state, and local government sources; and

(b) General fund and student-derived revenues.

PART XXVI

PAYMENT OF CLAIMS AGAINST THE COMMONWEALTH

Section 1. (1) There is appropriated out of the General Fund in the State Treasury for the purpose of compensating persons and companies named below for claims which have been duly audited and approved according to law, but have not been paid because of lapsing or insufficiency of former appropriations against which the claims were chargeable, or the lack of an appropriate procurement document in place, the amounts listed below:

James Thompson

328 Westover Road

Frankfort, Kentucky 40601 $5,773.66

Henderson Water Utility		
111 Fifth Street		
Henderson, Kentucky 42420	$3,082.80	
Owensboro Municipal Utilities		
P.O. Box 806		
Owensboro, Kentucky 42302-0806	$2,350.68	
Warren Rural Electric Cooperative Corporation		
P.O. Box 1118		
Bowling Green, Kentucky 42102-1118	$2,763.80	
Calloway County Schools		
P.O. Box 800		
Murray, Kentucky 42071	$8,333.37	
Todd County Detention Center		
P.O. Box 808		
Elkton, Kentucky 42220	$1,120.00	
Frost Brown Todd LLC		
P.O. Box 819		
Lexington, Kentucky 40507-1749		$499.55
Ernst and Young LLP		
1900 Scripps Center		
312 Walnut Street		
Cincinnati, Ohio 45202	$20,000.00	
International Road Dynamics		
702 43rd Street East		
Saskatoon, Saskatchewan, Canada S7K 3T9	$4,093.26	
University of Kentucky Research Foundation		
337 Peterson Service Building		

Lexington, Kentucky 40506-0005		$55,000.00
Kentucky League of Cities		
101 East Vine Street, Suite 600		
Lexington, Kentucky 40507	$20,000.00	
Logan and Gaines, PLLC		
100 East Main Street		
Frankfort, Kentucky 40601	$825.80	
Johnson, True, and Guarnieri, LLP		
326 West Main Street		
Frankfort, Kentucky 40601-1887	$8,485.00	
Kentucky Archaeological Survey		
University of Kentucky		
1020A Export Street		
Lexington, Kentucky 40506-9854		$6,000.00
Great Lakes Golf Course Products		
206 Enterprise Road		
Delafield, Wisconsin 53018	$4,183.14	
Glasgow Highland Games, Inc.		
119 East Main Street		
Glasgow, Kentucky 42141	$4,730.47	
Braid Electric Company		
P.O. Box 23710		
Nashville, Tennessee 37202	$6,300.00	
University of Kentucky Research Foundation		
c/o National City Bank		
P.O. Box 931113		
Cleveland, Ohio 44193	$10,617.85	

SimplexGrinnell LP		
P.O. Box 371170M		
Pittsburgh, Pennsylvania 15251	$29,434.50	
University of Kentucky Research Foundation		
337 Peterson Service Building		
Lexington, Kentucky 40506-0005		$22,076.66
Hazelrigg and Cox, LLP		
P.O. Box 676		
Frankfort, Kentucky 40602-0676	$775.53	
Staff Care, Inc.		
5001 Statesman Drive		
Irving, Texas 75063-2414	$16,243.80	
Goldberg and Simpson, PSC		
3000 National City Tower		
Louisville, Kentucky 40202	$1,062.50	
Morgan and Pottinger Attorneys, PSC		
601 West Main Street		
Louisville, Kentucky 40202	$8,978.49	
Motherhood Express		
Building 200, Suite 19		
7042 Houston Road		
Florence, Kentucky 41042	$12,765.75	
Goldberg and Simpson, PSC		
3000 National City Tower		
Louisville, Kentucky 40202	$7,839.69	
621 Law Partners		
Attn: Richard M. Sullivan		

325 West Main Street, Suite 2000

Louisville, Kentucky 40202 $5,562.50

John L. Smith

Smith and Helman

600 West Main Street, Suite 100

Louisville, Kentucky 40202 $253.87

Gajera and Patel, PLLC

1717 High Street, Suite 1A

Hopkinsville, Kentucky 42240 $250.00

Pennyrile Radiology

P.O. Box 595

Hopkinsville, Kentucky 42241-0595 $11,905.95

Yellow Ambulance Service

1601 South Preston Street

Hopkinsville, Kentucky 42240 $7,436.07

West Kentucky Orthopedics and Sports Medicine

1717 High Street

Hopkinsville, Kentucky 42240 $1,294.00

Dr. Steven Shroering

1102 South Virginia Street

Hopkinsville, Kentucky 42240 $209.28

Associated Pathologists

Three Maryland Farms, Suite 350

Brentwood, Tennessee 37027 $1,218.69

OB GYN Associates

1717 High Street, Suite 4

Hopkinsville, Kentucky 42240 $1,218.69

Dr. F.M. VanMeter	
1722 High Street	
Hopkinsville, Kentucky 42240	$165.00
Ophthalmology Associates of West Kentucky	
205 West 15th Street	
Hopkinsville, Kentucky 42240	$220.30
Trover Clinic	
500 Clinic Drive	
Hopkinsville, Kentucky 42240	$6,166.04
SE Emergency Physicians	
3492 Regal Drive	
Alcoa, Tennessee 37701-3265	$19,101.92
Gazza Neurology Laboratory	
1830 High Street	
Hopkinsville, Kentucky 42240	$435.00
Thomas Short, MD	
315 West 16th Street, Suite B	
Hopkinsville, Kentucky 42240	$1,304.38
Christian County Anesthesia	
103 West 18th Street	
Hopkinsville, Kentucky 42240	$2,748.00
Hopkinsville-Christian County Ambulance Service	
P.O. Box 707	
Hopkinsville, Kentucky 42241-0707	$5,359.00
Western Kentucky Pulmonary Clinic	
1724 Kenton Street, Suite 1B	
Hopkinsville, Kentucky 42240	$915.00

Jennie Stuart Medical Center	
320 West 18th Street	
Hopkinsville, Kentucky 42240	$34,625.30
Pennyrile Urology	
219 West 17th Street	
Hopkinsville, Kentucky 42240	$230.00
Bastin Optometric Clinic	
1016 South Main Street	
Hopkinsville, Kentucky 42240	$163.00
Lance C. Love, MD	
1724 Kenton Street	
Hopkinsville, Kentucky 42240	$2,257.00
Affordable Dentures	
1870 Peartree Lane	
Hopkinsville, Kentucky 42240	$295.00
Dr. Prakash Shah	
Doctors Pavilion, Suite 1D	
1724 Kenton Street	$3,971.00
Hopkinsville, Kentucky 42240	
Technology Consulting, Inc.	
P.O. Box 22529	
Louisville, Kentucky 40252-0529	$23,225.00
Goldberg and Simpson, PSC	
3000 National City Tower	
Louisville, Kentucky 40202	$1,281.90
DFAS - CO/FPS/F	
Attn: DFAS-ADDHIK/CO Fuels	

P.O. Box 182204

Columbus, Ohio 43218-2204 $3,538.88

Harlan County Concrete

799 Highway 3459

Harlan, Kentucky 40831 $6,611.12

(2) The claims listed below are for the payment of State Treasury checks payable to the persons or their personal representatives, and the firms listed, but not presented for payment within five (5) years from the date of issuance of the checks as required by KRS 41.370 and 413.120.

	Payee	Treasury Fee	Total Check
Check #M1,916,633 dated June 11, 1982			
Steve W. Auslander, DMD			
107 Englewood Drive			
Bardstown, Kentucky 40004	$110.00	$25.00	$85.00
Check #G0349853 dated February 27, 1985			
Belle Hubbard			
P.O. Box 638			
Flat Lick, Kentucky 40935	$250.00	$25.00	$225.00
Check #T8507508 dated July 5, 1991			
Kyle Mathis			
1569 Brezeel School Road			
Benton, Kentucky 42025	$55.83	$25.00	$30.83
Check #E0690217 dated March 25, 1993			
Erika R. Stith			
2232 Deveron Drive			
Louisville, Kentucky 40216	$85.38	$25.00	$60.38
Check #T0390780 dated August 13, 1993			

Michael L. and J.N. Seebert			
109 Forest Place Court			
Louisville, Kentucky 40245	$612.00	$25.00	$587.00
Check #G9787562 dated August 23, 1993			
Theodore Volkar			
c/o Dianne Darnell, CHFS			
P.O. Box 2150			
Frankfort, Kentucky 40602-2150	$75.00	$25.00	$50.00
Check #T1259328 dated May 2, 1994			
Heather D. James			
3655 State Route 295 North			
Kuttawa, Kentucky 42055-6028	$48.00	$25.00	$23.00
Check #T1638013 dated June 28, 1994			
Jo E. Marshall			
1322 Highland Avenue			
Louisville, Kentucky 40204-2027	$268.00	$25.00	$243.00
Check #T2687452 dated June 29, 1995			
David S. and S.G. Owens			
10414 St. Rene Road			
Louisville, Kentucky 40299	$79.97	$25.00	$54.97
Check #CS1660646 dated September 8, 1995			
Kim M. Myers			
36 Shawnee Avenue			
Fort Thomas, Kentucky 41075	$395.00	$25.00	$370.00
Check #E1087499 dated March 5, 1996			
Charles H. Martin Estate			
c/o Marie Martin			

931 Campbell Lane

Bowling Green, Kentucky 42104 $218.00 $25.00 $193.00

Check #E1118564 dated April 16, 1996

Jason Ramsdell

P.O. Box 1075

Moab, Utah 84532 $182.93 $25.00 $157.93

Check #E1196980 dated September 27, 1996

Clarence J. Lohr

211 Holly Street

Frankfort, Kentucky 40601 $122.00 $25.00 $97.00

Check #T4084873 dated March 7, 1997

Robin Johnson

2750 Cliffwood Avenue

Louisville, Kentucky 40206-2509 $269.00 $25.00 $244.00

Check #T4539626 dated May 2, 1997

Ronald K. Fletcher

2909 Cumberland Avenue

Middlesboro, Kentucky 40965-1541 $127.00 $25.00 $102.00

Check #BT0075436 dated September 22, 1997$254.18 $25.00 $229.18

Check #BT0075437 dated September 22, 1997$470.83 $25.00 $445.83

Teresa Babey, Executrix

159 Capri Drive

Fort Thomas, Kentucky 41075 $725.01 $50.00 $675.01

Check #E1333201 dated November 5, 1997

Andrew M. Campbell

5510 Pearce Way

Crestwood, Kentucky 40014 $49.00 $25.00 $24.00

Check #L1825776 dated December 3, 1997			
Helen D. Mercer			
c/o April Jones, Department of Labor			
1047 U.S. 127 South, Suite 4			
Frankfort, Kentucky 40601	$1,926.48	$25.00	$1,901.48
Check #P4467819 dated December 18, 1997	$463.36	$25.00	$438.36
Check #G3622574 dated January 6, 1998	$224.21	$25.00	$199.21
Charles R. Geveden			
c/o Joanna Sagester, LRC			
700 Capital Avenue, Room 316B			
Frankfort, Kentucky 40601	$687.57	$50.00	$637.57
Check #L1841998 dated December 29, 1997	$581.32	$25.00	$556.32
Check #L1854794 dated January 13, 1998	$581.32	$25.00	$556.32
Eugene Shepherd			
c/o Heather Chadwell, Department of Labor			
1047 U.S. 127 South, Suite 4			
Frankfort, Kentucky 40601	$1,162.64	$50.00	$1,112.64
Check #T5178092 dated March 10, 1998			
Margaret Hargrove			
205 North Drive			
Hopkinsville, Kentucky 42240-1605	$243.00	$25.00	$218.00
Check #BT0182131 dated September 23, 1998			
Greg Lee			
Lee Marine, Inc.			
3311 State Route 94 East			
Murray, Kentucky 42071	$2,212.80	$25.00	$2,187.80
Check #T5912148 dated October 15, 1998			

Frederick W. and J. Woolsey

2416 Dundee Drive

Louisville, Kentucky 40205-2047 $325.00 $25.00 $300.00

Check #BT0185202 dated October 23, 1998

Karen T. DeWitt

7271 U.S. 60 West

Owensboro, Kentucky 42301 $1,189.11 $25.00 $1,164.11

Check #CS5496308 dated December 23, 1998

Diandra M. Jones

c/o Dianne Darnell, CHFS

P.O. Box 2150

Frankfort, Kentucky 40602-2150 $93.00 $25.00 $68.00

Check #T6106920 dated February 17, 1999

Veronika Morrison

4021 Woodruff Avenue

Louisville, Kentucky 40215 $110.00 $25.00 $85.00

Check #G4290600 dated February 25, 1999

David B. Glass II

c/o Paula Wade, Unemployment Services

1121 Louisville Road, Suite 6

Frankfort, Kentucky 40601 $468.51 $25.00 $443.51

Check #BT0190899 dated February 26, 1999

Charles Brown, CLU and Company

250 Grandview Avenue, Suite 115

Fort Mitchell, Kentucky 41017 $107.34 $25.00 $82.34

Check #G4309292 dated March 16, 1999

Independent Piping, Inc.

c/o Nelson-Brown Equities, Inc.

P.O. Box 3027

Portland, Oregon 97208 $8,750.85 $25.00 $8,725.85

Check #T6797053 dated May 4, 1999

Patrick M. and Robin W. Morley

P.O. Box 984

Danville, Kentucky 40423-0984 $500.00 $25.00 $475.00

Check #T6924368 dated May 19, 1999

Kris Mefford

1225 West High Street

Lexington, Kentucky 40508 $97.00 $25.00 $72.00

Check #GT0914766 dated June 1, 1999

Jeannette Phillips

2120 Birdwell Loop

Marion, Kentucky 42064 $2,162.41 $25.00 $2,137.41

Check #G4435309 dated June 10, 1999

Robert F. Wright

P.O. Box 1405

Pikeville, Kentucky 41502 $250.00 $25.00 $225.00

Check #CW0235612 dated October 14, 1999

Robert A. Bye

Cinergy Communications Company

8829 Bond Street

Overland Park, Kansas 66214 $25,987.89 $25.00 $25,962.89

Section 2. The Finance and Administration Cabinet and the State Treasurer are authorized to pay the following listed claims from the following funds:

(1) The Education Cabinet is authorized to make payment from their Unemployment

Compensation Fund for state treasury checks payable to the persons or their personal representatives but not presented for payment within a period of five (5) years from the date of issuance of the checks, the amounts listed below:

Check #U2,923,764 dated January 25, 1999

Melanie A. Foster

355 Fincastle Way

Shepherdsville, Kentucky 40165-6118 $512.00