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ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY K. Haller

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VETO MESSAGE FROM THE
GOVERNOR OF THE COMMONWEALTH OF KENTUCKY
REGARDING HOUSE BILL 510 OF THE
2015 REGULAR SESSION

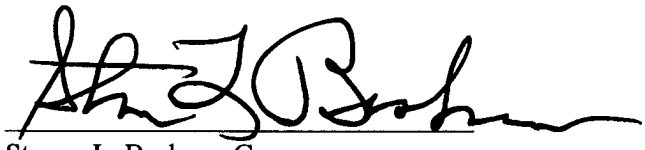
I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 2, line 13, after "2013-2014.", delete the rest of the line.
Page 2, lines 14 through 16, in their entirety.
Page 2 line 17, delete "unit, cabinet, and program affected".
Page 2, line 19, delete "unappropriated".
Page 3, line 19, delete "$26,600,000 of the".
Page 3, lines 24 through 27, in their entirety.
Page 4, line 1, in its entirety.

I am vetoing this part because it will prevent potentially significant budget cuts to agricultural development, early childhood development, and health care improvement programs funded from the Phase I Master Settlement Agreement (MSA) revenues in fiscal year 2014-2015. House Bill 510 provides budgetary relief to these programs in case of an expected $26.6 million MSA revenue shortfall, but any shortfall larger than $26.6 million must be resolved by budget cuts. New information has been communicated since the passage of House Bill 510 that the MSA revenue shortfall may be about $37.8 million, $11.2 million more than the relief provided in House Bill 510. Since the MSA Settlement revenues are received by all states later in April, the exact amount of the shortfall will not be known until then. If the shortfall is $11.2 million higher than expected, House Bill 510 as passed would require a 15 percent budget cut to agricultural development programs, a 12 percent budget cut to early childhood development programs, and a 30 percent cut to health care improvement programs. The source of the $26.6 million MSA revenue shortfall relief in House Bill 510 is $68,570,657 in excess MSA revenues received in fiscal year 2013-2014. From the excess $68,570,657, House Bill 510 appropriates $23,506,600 in the fiscal year 2015-2106 budget to agricultural development and health care improvement programs that had to suffer budget cuts within the enacted budget, and applies up to $26.6 million from the excess MSA revenues to address an estimated shortfall in fiscal year 2014-2015. After these two actions, there remains available over $18 million from the fiscal year 2013-2014 excess revenues that can be used to address this unexpected shortfall. The application of up to $26.6 million was included in House Bill 510 "to keep appropriations at their enacted levels for fiscal year 2014-2015." By vetoing these parts of House Bill 510, I am assuring those critical programs will have access to the remaining unbudgeted 2013-2014 MSA revenues, if needed, to keep their 2014-2015

appropriations at their enacted levels, as intended by the General Assembly. Taking this action now provides a solution to this late-breaking problem and avoids budget cuts to the very same programs for which the General Assembly, in this bill, provides additional funding for next year.

This the 6th day of April, 2015



Steven L. Beshear, Governor

GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

2015 REGULAR SESSION

HOUSE BILL NO. 510

AS ENACTED

WEDNESDAY, MARCH 25, 2015

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1 AN ACT amending the 2014-2016 executive branch and transportation cabinet
2 biennial budgets, making an appropriation therefor, and declaring an emergency.
3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***
4 ➔Section 1. 2014 Kentucky Acts Chapter 117, Part X, Phase I Tobacco
5 Settlement, at pages 750 to 754, is amended to read as follows:

6 **PART X**

7 **PHASE I TOBACCO SETTLEMENT**

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

15 **(2) State's MSA Share:** The Commonwealth's share of the MSA is equal to
16 1.7611586 percent of the total settlement amount. Payments under the MSA are made to
17 the states annually in April of each year.

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

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

1 **(5) MSA Payment Estimates and Adjustments:** Based on the current estimates
2 as reviewed by the Consensus Forecasting Group, the amount of MSA payments expected
3 to be received in fiscal year 2014-2015 is $99,700,000 and in fiscal year 2015-2016 is
4 $72,400,000. ~~[It is recognized that payments to be received by the Commonwealth are~~
5 ~~estimated and are subject to change. Any appropriations made from the estimated receipts~~
6 ~~are subject to adjustments based on actual receipts as received and certified by the~~
7 ~~Secretary of the Finance and Administration Cabinet.]~~
8 ***In addition to the above estimates, in June 2014, the Commonwealth reached a***
9 ***settlement with the participating manufacturers in regards to nonparticipating***
10 ***manufacturer adjustment disputes from 2003 to 2014. The settlement resulted in the***
11 ***Commonwealth receiving MSA payments of $159,400,000 in fiscal year 2013-2014.***
12 ***Due to the settlement being reached after the 2014 Regular Session, the General***
13 ***Assembly appropriated $90,800,000 in MSA payments for fiscal year 2013-2014,***
14 ***leaving $68,600,000 of the MSA payments unappropriated. The General Assembly***
15 ***hereby appropriates the $68,600,000 solely for the purposes identified in subsections***
16 ***(6) and (7) of this Part and separately identified in Part I of this Act for each budget***
17 ***unit, cabinet, and program affected.***
18 ***(6) MSA Appropriations - Fiscal Year 2014-2015: Based on the MSA payment***
19 ***estimate as well as the $68,600,000 of MSA payments unappropriated in fiscal year***
20 ***2013-2014 as identified in subsection (5) of this Part, the following MSA payments are***
21 ***appropriated for fiscal year 2014-2015:***
22 **a. State Enforcement:** Notwithstanding KRS 248.654, ~~[a total of]~~$250,000 ***in***
23 ~~[of the]~~ MSA payments~~[received]~~ in ~~[each]~~fiscal year ***2014-2015*** is appropriated to the
24 Finance and Administration Cabinet, Department of Revenue for the state's enforcement
25 of noncompliant nonparticipating manufacturers.
26 **b. Debt Service:** Notwithstanding KRS 248.654 and 248.703(4), ~~[a total of]~~
27 $30,570,000 in MSA payments~~[received]~~ in fiscal year 2014-2015~~[and a total of~~

1 ~~$30,657,000 in MSA payments received in fiscal year 2015-2016~~] is appropriated to the
2 Finance and Administration Cabinet, Debt Service budget unit.
3 **c. Agricultural Development Initiatives:** Notwithstanding KRS 248.654 and
4 248.703(4), $37,701,600 ***in MSA payments*** in fiscal year 2014-2015[~~ and 12,821,200 in~~
5 ~~fiscal year 2015-2016~~] is appropriated to the Kentucky Agricultural Development Fund to
6 be used for agricultural development initiatives.
7 **d. Early Childhood Development Initiatives:** ***Notwithstanding KRS 248.654,***
8 [~~twenty-five percent of the MSA payments, less the above enforcement appropriations,~~
9 ~~received in fiscal year 2014-2015, estimated to be~~] $24,198,900 ***in MSA payments in***
10 ***fiscal year 2014-2015***[~~, and notwithstanding KRS 248.654, in fiscal year 2015-2016,~~
11 ~~$24,198,900~~] is appropriated for early childhood development initiatives as specified in
12 this Part.
13 **e. Health Care Initiatives:** Notwithstanding KRS 248.654 ***and 304.17B-003(5)***,
14 $9,159,000 ***in MSA payments*** in fiscal year 2014-2015[~~ and 6,652,400 in fiscal year~~
15 ~~2015-2016~~] is appropriated to the Health Care Improvement Fund for health care
16 initiatives as specified in this Part.
17 ***f. Deficit: If MSA payments received in fiscal year 2014-2015 are insufficient***
18 ***to support the enacted General Fund (Tobacco) appropriations for fiscal year 2014-***
19 ***2015, up to $26,600,000 of the $68,600,000 shall be appropriated in fiscal year 2014-***
20 ***2015 to keep appropriations at their enacted levels for fiscal year 2014-2015.***
21 ***Notwithstanding KRS 248.654, 248.703, and 304.17B-003(5), the remainder of the***
22 ***$68,600,000 shall remain in the Tobacco Settlement Agreement Fund and shall not be***
23 ***appropriated or expended without express authority in an enacted biennial budget.***
24 ***Should the MSA payment be less than $73,100,000 and a deficit between the MSA***
25 ***payments and the enacted appropriations still exists after appropriating the***
26 ***$26,600,000, General Fund (Tobacco) appropriation reductions shall be applied as***
27 ***follows: 50 percent to the Agricultural Development Fund, 25 percent to the Early***

1 *Childhood Development Fund, and 25 percent to the Health Care Improvement Fund.*
2 *g. Excess MSA Payments: Notwithstanding KRS 248.654, 248.703, and*
3 *304.17B-003(5), if MSA payments received in fiscal year 2014-2015 exceed the enacted*
4 *General Fund (Tobacco) appropriations for fiscal year 2014-2015, the excess MSA*
5 *payments shall remain in the Tobacco Settlement Agreement Fund and shall not be*
6 *appropriated or expended without express authority in an enacted biennial budget.*
7 *(7) MSA Appropriations - Fiscal Year 2015-2016: Based on the MSA payment*
8 *estimate as well as the remaining moneys from the $68,600,000 identified in*
9 *subsections (5) and (6) of this Part, the following MSA payments are appropriated for*
10 *fiscal year 2015-2016:*
11 *a. State Enforcement: Notwithstanding KRS 248.654, $250,000 in MSA*
12 *payments in fiscal year 2015-2016 is appropriated to the Finance and Administration*
13 *Cabinet, Department of Revenue for the state's enforcement of noncompliant*
14 *nonparticipating manufacturers.*
15 *b. Debt Service: Notwithstanding KRS 248.654 and 248.703(4), $30,657,000 in*
16 *MSA payments in fiscal year 2015-2016 is appropriated to the Finance and*
17 *Administration Cabinet, Debt Service budget unit.*
18 *c. Agricultural Development Initiatives: Notwithstanding KRS 248.654 and*
19 *248.703(4), $33,821,200 in MSA payments in fiscal year 2015-2016 is appropriated to*
20 *the Kentucky Agricultural Development Fund as specified in this Part. Of the*
21 *$33,821,200, $21,000,000 shall come from the remaining MSA payments received in*
22 *fiscal year 2013-2014. The $21,000,000 shall be appropriated in fiscal year 2015-2016*
23 *as follows:*
24 *1. $5,000,000 for the Governor's Office of Agricultural Policy to support state*
25 *agricultural programs established in KRS 248.703(1)(b);*
26 *2. $5,000,000 for the Kentucky Agricultural Finance Corporation;*
27 *3. $6,000,000 for the counties account established in KRS 248.703(1)(a); and*

1 *4. $5,000,000 for the Energy and Environment Cabinet's Environmental*
2 *Stewardship Program.*
3 *d. Early Childhood Development Initiatives: Notwithstanding KRS 248.654,*
4 *$24,198,900 in MSA payments in fiscal year 2015-2016 is appropriated for early*
5 *childhood development initiatives as specified in this Part.*
6 *e. Health Care Initiatives: Notwithstanding KRS 248.654 and 304.17B-003(5),*
7 *$9,159,000 in MSA payments in fiscal year 2015-2016 is appropriated to the Health*
8 *Care Improvement Fund for health care initiatives as specified in this Part. Of the*
9 *$9,159,000, $2,506,600 shall come from the remaining MSA payments received in*
10 *fiscal year 2013-2014. The $2,506,600 shall be appropriated in fiscal year 2015-2016 as*
11 *follows:*
12 *1. $682,500 for the Cabinet for Health and Family Service's Smoking*
13 *Cessation Program;*
14 *2. $459,100 for the Justice and Public Safety Cabinet's Office of Drug Control*
15 *Policy; and*
16 *3. $1,365,000 for the Lung Cancer Research Fund.*
17 *f. Deficit: If MSA payments received in fiscal year 2015-2016 are less than*
18 *$72,400,000, General Fund (Tobacco) appropriation reductions shall be applied as*
19 *follows: 50 percent to the Agricultural Development Fund, 25 percent to the Early*
20 *Childhood Development Fund, and 25 percent to the Health Care Improvement Fund.*
21 *g. Excess MSA Payments: Notwithstanding KRS 248.654, 248.703, and*
22 *304.17B-003(5), if MSA payments received in fiscal year 2015-2016 exceed*
23 *$72,400,000, the excess MSA payments shall remain in the Tobacco Settlement*
24 *Agreement Fund and shall not be appropriated or expended without express authority*
25 *in an enacted biennial budget.*
26 ~~[(6) **MSA Appropriation Adjustments:** Excluding any amounts received under~~
27 ~~Part X, (9), Nonparticipating Manufacturer Settlement Proceeds, if Phase I Master~~

1 ~~Settlement Agreement revenues exceed $99,700,000 in fiscal year 2014-2015, or~~
2 ~~$72,400,000 in fiscal year 2015-2016, these unanticipated revenues are hereby~~
3 ~~appropriated as follows: 50 percent to the Agricultural Development Fund, 25 percent to~~
4 ~~the Early Childhood Development Fund, and 25 percent to the Health Care Improvement~~
5 ~~Fund.~~
6 ~~(7) MSA Appropriation Adjustment – Fiscal Year 2013-2014: The Consensus~~
7 ~~Forecasting Group reduced the fiscal year 2013-2014 Phase I Master Settlement~~
8 ~~Agreement revenue forecast by 50 percent from the enacted estimate of $90,800,000 to~~
9 ~~$45,400,000. The reduction in the MSA revenue estimate was based on the expectation~~
10 ~~that a nonparticipating manufacturer adjustment would be applied to the annual MSA~~
11 ~~payment in fiscal year 2013-2014. To accommodate this reduction in estimated revenues,~~
12 ~~the following fiscal year 2013-2014 appropriations and continuing appropriations are~~
13 ~~hereby reduced:~~
14 ~~a. Agricultural Development: General Government – Governor's Office of~~
15 ~~Agricultural Policy, $14,379,300 in fiscal year 2013-2014; Energy and Environment~~
16 ~~Cabinet – Natural Resources, $2,938,600 ($2,500,000 in fiscal year 2013-2014 and~~
17 ~~$438,600, continuing appropriation); and Finance and Administration Cabinet – Debt~~
18 ~~Service, $5,806,300 in fiscal year 2013-2014.~~
19 ~~b. Early Childhood Development: General Government – Governor's Office:~~
20 ~~$2,101,800 ($1,912,500 in fiscal year 2013-2014 and $189,300, continuing~~
21 ~~appropriation); Health and Family Services Cabinet – Community Based Services,~~
22 ~~$100,000 in fiscal year 2013-2014; Health and Family Services Cabinet – Public Health,~~
23 ~~$3,682,900 in fiscal year 2013-2014; Health and Family Services Cabinet – Behavioral~~
24 ~~Health, Developmental and Intellectual Disabilities, $75,600 in fiscal year 2013-2014;~~
25 ~~and Council on Postsecondary Education – Kentucky Higher Education Assistance~~
26 ~~Authority, $301,000 in fiscal year 2013-2014.~~
27 ~~c. Health Care Improvement: Health and Family Services Cabinet – Public~~

1 ~~Health - Smoking Cessation, $839,400 in fiscal year 2013-2014; Justice and Public Safety~~
2 ~~Cabinet - Justice Administration, $47,100 in fiscal year 2013-2014; Health and Family~~
3 ~~Services Cabinet - Health Benefit Exchange - Kentucky Access, $14,657,300 in fiscal~~
4 ~~year 2013-2014; and Postsecondary Education - Council on Postsecondary Education,~~
5 ~~$442,000 in fiscal year 2013-2014.~~
6 ~~(8) Kentucky Access: To accommodate the fiscal year 2013-2014 budget~~
7 ~~reduction associated with Kentucky Access, the Cabinet for Health and Family Services~~
8 ~~may use surplus, unexpended, or continuing appropriations from any source, excluding~~
9 ~~General Fund (Tobacco) dollars, within the Cabinet to fund the Kentucky Access~~
10 ~~program in fiscal year 2013-2014.~~
11 ~~(9) Nonparticipating Manufacturer Settlement Proceeds: Notwithstanding KRS~~
12 ~~248.654, in the event a settlement is reached between the Commonwealth and the~~
13 ~~participating manufacturers regarding the nonparticipating manufacturer adjustment issue,~~
14 ~~any settlement proceeds shall be deposited into the Tobacco Settlement Agreement Fund~~
15 ~~and shall not be expended without appropriation authority granted by the General~~
16 ~~Assembly.~~
17 ~~(10) Fiscal Year 2013-2014 County Accounts: Due to the budget reduction actions~~
18 ~~specified in Part X, (7), (a), the Governor's Office of Agricultural Policy shall transfer~~
19 ~~$6,000,000 in continuing appropriations to the county accounts in fiscal year 2013-2014.]~~
20 **A. STATE ENFORCEMENT**
21 **GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**
22 ***Notwithstanding KRS 248.654, appropriations for state enforcement shall be as***
23 ***follows:***
24 **1. FINANCE AND ADMINISTRATION CABINET**

25 **Budget Unit**	**2014-15**	**2015-16**
26 a. Revenue	250,000	250,000

27 **B. DEBT SERVICE**

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

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

4 **1. FINANCE AND ADMINISTRATION CABINET**

5 **Budget Unit**	**2014-15**	**2015-16**
6 a. Debt Service	30,570,000	30,657,000

7 **(1) Debt Service:** To the extent that revenues sufficient to support the required
8 debt service appropriations are received from the Tobacco Settlement Program, those
9 revenues shall be made available from those accounts to the appropriate account of the
10 General Fund.[~~ If revenues received from the Tobacco Settlement Program in fiscal year~~
11 ~~2013-2014 are insufficient to support the required debt service appropriations,~~
12 ~~notwithstanding 2012 Ky. Acts ch. 144, Part X., B., no more than $5,751,000 of General~~
13 ~~Fund (Tobacco) moneys from the Governor's Office of Agricultural Policy shall be~~
14 ~~transferred to the Finance and Administration Cabinet, Debt Service budget unit to pay~~
15 ~~the necessary debt service.~~] All necessary debt service amounts shall be appropriated
16 from the General Fund and shall be fully paid regardless of whether there is a sufficient
17 amount available to be transferred from tobacco-supported funding program accounts to
18 other accounts of the General Fund.

19 **(2) General Fund (Tobacco) Debt Service Lapse:** Notwithstanding Part X[~~.~~],
20 (4), of this Act, $2,179,500 in fiscal year 2014-2015 and $2,179,500 in fiscal year 2015-
21 2016 shall lapse.

22 **C. AGRICULTURAL DEVELOPMENT APPROPRIATIONS**

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

24 ***Notwithstanding KRS 248.654 and 248.703(4), appropriations for agricultural***
25 ***development shall be as follows:***

26 **1. GENERAL GOVERNMENT**

27 **Budget Units**	**2014-15**	**2015-16**

1 a. Governor's Office of Agricultural Policy 31,101,600***28,221,200***[~~12,221,200~~]

2 **(1) Tobacco Settlement Funds - Allocations:** Notwithstanding KRS 248.711(2),
3 and from the allocation provided therein, counties that are allocated in excess of $20,000
4 annually may provide up to four percent of the individual county allocation, not to exceed
5 $15,000 annually, to the county council in that county for administrative costs.

6 **(2) Agricultural Development Appropriations:** Notwithstanding KRS
7 248.703(1), included in the above General Fund (Tobacco) appropriation is $19,350,000
8 in fiscal year 2014-2015 and $***15,850,000***[~~9,850,000~~] in fiscal year 2015-2016, for the
9 counties account as specified in KRS 248.703(1)(a). ***The additional $6,000,000 in fiscal***
10 ***year 2015-2016 is provided from MSA moneys as detailed in Part X, (5) and (7)c. of***
11 ***this Act.***

12 ***(3) Kentucky Agricultural Finance Corporation: Included in the above General***
13 ***Fund (Tobacco) appropriation is $5,000,000 in fiscal year 2015-2016 for the Kentucky***
14 ***Agricultural Finance Corporation. The $5,000,000 is provided from MSA moneys as***
15 ***detailed in Part X, (5) and (7)c. of this Act.***

16 b. Agriculture 600,000 600,000

17 **(1) Farms to Food Banks:** Included in the above General Fund (Tobacco)
18 appropriation is $600,000 in each fiscal year to support the Farms to Food Banks program
19 to benefit both Kentucky farmers and the needy by providing fresh, locally grown
20 produce to food pantries.

21 **2. ENERGY AND ENVIRONMENT CABINET**

22 **Budget Unit** **2014-15** **2015-16**

23 a. Natural Resources 6,000,000 ***5,000,000***[~~0~~]

24 **(1) Environmental Stewardship Program:** Included in the above General Fund
25 (Tobacco) appropriation is $6,000,000 in fiscal year 2014-2015 ***and $5,000,000 in fiscal***
26 ***year 2015-2016*** for the Environmental Stewardship Program. ***The $5,000,000 in fiscal***
27 ***year 2015-2016 is provided from MSA moneys as detailed in Part X, (5) and (7)c. of***

1 ***this Act.***

2 TOTAL - AGRICULTURAL APPROPRIATIONS 37,701,600***33,821,200***~~[12,821,200]~~

3 **D. EARLY CHILDHOOD DEVELOPMENT**

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

5 ***Notwithstanding KRS 248.654, appropriations for early childhood development***

6 ***shall be as follows:***

7 **1. GENERAL GOVERNMENT**

8 **Budget Unit**	**2014-15**	**2015-16**
9 a. Office of the Governor	1,912,500	1,912,500

10 **(1) Governor's Office for Early Childhood Development:** Included in the
11 above General Fund (Tobacco) appropriation is $1,912,500 in fiscal year 2014-2015 and
12 $1,912,500 in fiscal year 2015-2016 for the Early Childhood Advisory Council.

13 **2. CABINET FOR HEALTH AND FAMILY SERVICES**

14 **Budget Units**	**2014-15**	**2015-16**
15 a. Community Based Services	8,715,000	8,715,000

16 **(1) Early Childhood Development Program:** Included in the above General
17 Fund (Tobacco) appropriation is $8,715,000 in each fiscal year for the Early Childhood
18 Development Program.

19 b. Public Health	11,580,000	11,580,000

20 **(1) HANDS Program, Healthy Start, Folic Acid Program, Early Childhood**
21 **Mental Health, and Early Childhood Oral Health:** Included in the above General Fund
22 (Tobacco) appropriation is $9,000,000 in each fiscal year for the Health Access Nurturing
23 Development Services (HANDS) Program, $1,000,000 in each fiscal year for Healthy
24 Start initiatives, $80,000 in each fiscal year for the Folic Acid Program, $1,000,000 in
25 each fiscal year for Early Childhood Mental Health, and $500,000 in each fiscal year for
26 Early Childhood Oral Health.

27 c. Behavioral Health, Developmental and Intellectual Disabilities

1 Services 891,400 891,400

2 **(1) Substance Abuse Prevention and Treatment:** Included in the above General
3 Fund (Tobacco) appropriation is $891,400 in each fiscal year for substance abuse
4 prevention and treatment.

5 **3. POSTSECONDARY EDUCATION**

6 **Budget Unit** **2014-15** **2015-16**

7 a. Kentucky Higher Education Assistance
8 Authority 1,100,000 1,100,000

9 **(1) Early Childhood Scholarships:** Included in the above General Fund
10 (Tobacco) appropriation is $1,100,000 in each fiscal year for Early Childhood
11 Scholarships.

12 TOTAL - EARLY CHILDHOOD APPROPRIATIONS 24,198,900 24,198,900

13 **E. HEALTH CARE IMPROVEMENT APPROPRIATIONS**

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

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

17 **1. CABINET FOR HEALTH AND FAMILY SERVICES**

18 **Budget Unit** **2014-15** **2015-16**

19 a. Public Health 2,486,300***2,486,300***~~[1,803,800]~~

20 **(1) Smoking Cessation Program:** Included in the above General Fund (Tobacco)
21 appropriation is $2,486,300 in fiscal year 2014-2015 and ***$2,486,300***~~[$1,803,800]~~ in
22 fiscal year 2015-2016 for the Smoking Cessation Program. ***The additional $682,500 in***
23 ***fiscal year 2015-2016 is provided from MSA moneys as detailed in Part X, (5) and (7)e.***
24 ***of this Act.***

25 **2. JUSTICE AND PUBLIC SAFETY CABINET**

26 **Budget Unit** **2014-15** **2015-16**

27 a. Justice Administration 1,700,200***1,700,200***~~[1,241,100]~~

1 **(1) Office of Drug Control Policy:** Included in the above General Fund
2 (Tobacco) appropriation is $1,700,200 in fiscal year 2014-2015 and
3 ***$1,700,200***[~~$1,241,100~~] in fiscal year 2015-2016 for the Office of Drug Control Policy.
4 ***The additional $459,100 in fiscal year 2015-2016 is provided from MSA moneys as***
5 ***detailed in Part X, (5) and (7)e. of this Act.***
6 **3. POSTSECONDARY EDUCATION**

Budget Unit	**2014-15**	**2015-16**
7 a. Council on Postsecondary Education	4,972,500	***4,972,500***[~~3,607,500~~]

9 **(1) Ovarian Cancer Screening:** Notwithstanding KRS 164.476, General Fund
10 (Tobacco) moneys in the amount of ***$800,000***[~~$775,000~~] in each fiscal year shall be
11 allotted from the Lung Cancer Research Fund to the Ovarian Cancer Screening Outreach
12 Program at the University of Kentucky.
13 ***(2) Lung Cancer Research Fund: Included in the above General Fund***
14 ***(Tobacco) appropriation is $4,972,500 in fiscal year 2015-2016. The additional***
15 ***$1,365,000 in fiscal year 2015-2016 is provided from MSA moneys as detailed in Part***
16 ***X, (5) and (7)e. of this Act.***

17 TOTAL - HEALTH CARE APPROPRIATIONS	9,159,000	***9,159,000***[~~6,652,400~~]
18 TOTAL - PHASE I TOBACCO SETTLEMENT		
19 FUNDING PROGRAM	101,879,500	***98,086,100***[~~74,579,500~~]

20 ➔Section 2. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; A.
21 General Government; 6. Governor's Office of Agricultural Policy, at pages 610 to 611, is
22 amended to read as follows:
23 **6. GOVERNOR'S OFFICE OF AGRICULTURAL POLICY**

	2014-15	**2015-16**
25 General Fund (Tobacco)	31,101,600	***28,221,200***[~~12,221,200~~]
26 Restricted Funds	843,800	553,500
27 TOTAL	31,945,400	***28,774,700***[~~12,774,700~~]

1 **(1) Kentucky Agricultural Finance Corporation:** Notwithstanding KRS
2 247.978(2), the total amount of principal which a qualified applicant may owe the
3 Kentucky Agricultural Finance Corporation at any one time shall not exceed $5,000,000.
4 ***Included in the above General Fund (Tobacco) appropriation is $5,000,000 in fiscal***
5 ***year 2015-2016 for the Kentucky Agricultural Finance Corporation. The $5,000,000 is***
6 ***provided from MSA moneys as detailed in Part X, (5) and (7)c. of this Act.***
7 **(2) Tobacco Settlement Funds - Allocations:** Notwithstanding KRS 248.711(2),
8 and from the allocation provided therein, counties that are allocated in excess of $20,000
9 annually may provide up to four percent of the individual county allocation, not to exceed
10 $15,000 annually, to the county council in that county for administrative costs.
11 **(3) Agricultural Development Appropriations:** Notwithstanding KRS
12 248.703(1), included in the above General Fund (Tobacco) appropriation is $19,350,000
13 in fiscal year 2014-2015 and $***15,850,000***~~[9,850,000]~~ in fiscal year 2015-2016 for the
14 counties account as specified in KRS 248.703(1)(a). ***The additional $6,000,000 in fiscal***
15 ***year 2015-2016 is provided from MSA moneys as detailed in Part X, (5) and (7)c. of***
16 ***this Act.***
17 **(4) Appropriation of Unexpended Tobacco Debt Service:** Any unexpended
18 balance from the fiscal year 2014-2015 or the fiscal year 2015-2016 General Fund
19 (Tobacco) debt service appropriation in the Finance and Administration Cabinet, Debt
20 Service budget unit, shall continue and be appropriated to the Governor's Office for
21 Agricultural Policy.
22 ➔Section 3. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; E.
23 Energy and Environment Cabinet; 3. Natural Resources, at pages 637 to 638, is amended
24 to read as follows:
25 **3. NATURAL RESOURCES**

	2013-14	2014-15	2015-16
26			
27 General Fund (Tobacco)	-0-	6,000,000	***5,000,000***~~[-0-]~~

General Fund	742,600	32,882,900	33,579,600
Restricted Funds	-0-	16,431,700	16,342,400
Federal Funds	-0-	56,091,300	56,453,100
TOTAL	742,600	111,405,900***111,375,100***~~[106,375,100]~~	

(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 $240,000. 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) Mine Safety: Notwithstanding KRS 42.4592, included in the above General Fund appropriation is $3,219,800 in each fiscal year from the Local Government Economic Development Fund for the Office of Mine Safety and Licensing. Notwithstanding KRS 351.140, the number of mandatory mine safety inspections to be carried out by the Office of Mine Safety and Licensing shall be equal to the number of mine safety inspections required annually by the Mine Safety and Health Administration.

(3) Conservation Districts: Included in the above General Fund appropriation is $950,000 in each fiscal year for the Division of Conservation to provide direct aid to local conservation districts.

(4) Forestry Tree Nurseries: Included in the above Restricted Funds appropriation is $250,000 in each fiscal year for the Department of Natural Resources' tree nursery programs in Morgan County and Marshall County.

(5) Division of Oil and Gas: Notwithstanding KRS 42.4588, included in the above Restricted Funds appropriation is $25,000 in each fiscal year for the Division of Oil and Gas within the Department for Natural Resources for an update of the Best

1 Practices Manual.

2 ***(6) Environmental Stewardship Program: Included in the above General Fund***
3 ***(Tobacco) appropriation is $5,000,000 in fiscal year 2015-2016 for the Environmental***
4 ***Stewardship Program. The $5,000,000 in fiscal year 2015-2016 is provided from MSA***
5 ***moneys as detailed in Part X, (5) and (7)c. of this Act.***

6 ➔Section 4. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; G.
7 Health and Family Services Cabinet; 5. Public Health, at pages 645 to 646, is amended to
8 read as follows:

9 **5. PUBLIC HEALTH**

	2014-15	2015-16
General Fund (Tobacco)	14,066,300***14,066,300***~~[13,383,800]~~	
General Fund	68,820,000	71,111,300
Restricted Funds	97,016,400	97,160,000
Federal Funds	199,916,700	186,493,400
TOTAL	379,819,400***368,831,000***~~[368,148,500]~~	

16 **(1) Tobacco Settlement Funds:** Included in the above General Fund (Tobacco)
17 appropriation is $9,000,000 in each fiscal year for the Health Access Nurturing
18 Development Services Program, $1,000,000 in each fiscal year for Healthy Start
19 initiatives, $80,000 in each fiscal year for Folic Acid Program, $1,000,000 in each fiscal
20 year for Early Childhood Mental Health, $500,000 in each fiscal year for Early Childhood
21 Oral Health, and $2,486,300 in fiscal year 2014-2015 and $***2,486,300***~~[1,803,800]~~ in fiscal
22 year 2015-2016 for Smoking Cessation. ***The additional $682,500 in fiscal year 2015-***
23 ***2016 for Smoking Cessation is provided from MSA moneys as detailed in Part X, (5)***
24 ***and (7)e. of this Act.***

25 **(2) Local and District Health Department Retirement Cost Increase:** Included
26 in the above General Fund appropriation is a total of $17,909,700 in each fiscal year for
27 Local and District Health Departments to assist them with employer contributions for the

1 Kentucky Employees Retirement System. Of that amount, $14,615,600 is to fully fund
2 the increase in employer contribution rates in both fiscal years. In July and January of
3 each year the Department for Public Health shall obtain the total creditable compensation
4 reported by each Local and District Health Department Board to the Kentucky Retirement
5 System and utilize that number to determine how much of this total appropriation shall be
6 distributed to each Department. Payments to the Departments shall be made on
7 September 1 and April 1 of each fiscal year.

8 **(3) Debt Service:** Included in the above General Fund appropriation is $212,500
9 in fiscal year 2014-2015 and $425,000 in fiscal year 2015-2016 for new debt service to
10 support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

11 **(4) Local and District Health Department Payments:** The Department for
12 Public Health shall not interfere with the ability of a local or district health department to
13 receive reimbursement for services provided. The Department for Public Health shall
14 submit to the Department for Medicaid Services and the Medicaid Managed Care
15 Organizations all requests for payment for services received from a local or district health
16 department.

17 **(5) Diabetes Services:** Included in the above General Fund appropriation is
18 $2,600,000 in each fiscal year for continuation of base services through Local and District
19 Health Departments.

20 ➔Section 5. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; H.
21 Justice and Public Safety Cabinet; 1. Justice Administration, at page 648, is amended to
22 read as follows:

23 **1. JUSTICE ADMINISTRATION**

	2014-15	2015-16
25 General Fund (Tobacco)	1,700,200	***1,700,200***~~[1,241,100]~~
26 General Fund	11,095,700	11,210,300
27 Restricted Funds	3,893,500	3,814,600

1 Federal Funds 11,135,600 11,135,600

2 TOTAL 27,825,000***27,860,700***~~[27,401,600]~~

3 **(1) Operation Unite:** Included in the above Restricted Funds appropriation is
4 $2,000,000 in each fiscal year for Operation Unite.

5 **(2) Tobacco Settlement Funds:** Included in the above General Fund (Tobacco)
6 appropriation is $1,700,200 in fiscal year 2014-2015 and $***1,700,200***~~[1,241,100]~~ in fiscal
7 year 2015-2016 for the Office of Drug Control Policy. ***The additional $459,100 in fiscal***
8 ***year 2015-2016 is provided from MSA moneys as detailed in Part X, (5) and (7)e. of***
9 ***this Act.***

10 **(3) Kentucky Legal Education Opportunity Program:** Included in the above
11 General Fund appropriation is $250,000 in each fiscal year for the Kentucky Legal
12 Education Opportunity Program. All Kentucky law schools may participate in the
13 program, but the summer institute shall be held on the campus of the University of
14 Kentucky.

15 **(4) Madisonville Medical Examiner's Office:** Included in the above General
16 Fund appropriation is $327,200 in each fiscal year for the operation of the Madisonville
17 Medical Examiner's Office. The office shall not be relocated or closed during the 2014-
18 2016 biennium.

19 **(5) Court Appointed Special Advocates:** Included in the above General Fund
20 appropriation is $25,000 in fiscal year 2014-2015 for Court Appointed Special Advocates
21 in Hardin County.

22 **(6) Public Safety First Programs:** Included in the appropriations for the Justice
23 and Public Safety Cabinet is $1,100,000 in each fiscal year for Public Safety First
24 programs. Expenditure of these funds may be from a combination of any of the following
25 appropriation units: Justice Administration, State Police, Corrections Management, Adult
26 Correctional Institutions, and Community Services and Local Facilities.

27 ➔Section 6. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; K.

1 Postsecondary Education; 1. Council on Postsecondary Education, at pages 655 to 656, is
2 amended to read as follows:

3 **1. COUNCIL ON POSTSECONDARY EDUCATION**

	2013-14	2014-15	2015-16
General Fund (Tobacco)	-0-	4,972,500***4,972,500***~~[3,607,500]~~	
General Fund	-0-	45,489,900	71,405,000
Restricted Funds	293,800	6,022,400	6,027,600
Federal Funds	-0-	18,073,800	18,102,500
TOTAL	293,800	74,558,600***100,507,600***~~[99,142,600]~~	

(1) Carry Forward of General Fund Appropriation Balance: Notwithstanding KRS 45.229, the General Fund appropriation in fiscal year 2013-2014 and fiscal year 2014-2015 to the Adult Education and Literacy Funding Program shall not lapse and shall carry forward.

Notwithstanding KRS 45.229, the General Fund appropriation in fiscal year 2013-2014 and fiscal year 2014-2015 to the Science and Technology Funding Program shall not lapse and shall carry forward.

(2) 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.

(3) Ovarian Cancer Screening: Notwithstanding KRS 164.476(1), General Fund (Tobacco) moneys in the amount of ***$800,000***~~[$775,000]~~ in each fiscal year shall be allotted from the Lung Cancer Research Fund to the Ovarian Cancer Screening Outreach Program at the University of Kentucky.

(4) Debt Service: Included in the above General Fund appropriation is $2,940,500 in fiscal year 2014-2015 and $28,491,500 in fiscal year 2015-2016 for new

1 debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this
2 Act.
3 **(5) Postsecondary Education Debt:** Notwithstanding KRS 45.750 to 45.810, in
4 order to lower the cost of borrowing, any university that has issued or caused to be issued
5 debt obligations through a not-for-profit corporation or a municipality or county
6 government for which the rental or use payments of the university substantially meet the
7 debt service requirements of those debt obligations is authorized to refinance those debt
8 obligations if the principal amount of the debt obligations is not increased and the rental
9 payments of the university are not increased. Any funds used by a university to meet debt
10 obligations issued by a university pursuant to this subsection shall be subject to
11 interception of state-appropriated funds pursuant to KRS 164A.608.
12 **(6) Washington D.C. Internship Program:** Included in the above General Fund
13 appropriation are funds in each fiscal year for scholarships to the Washington Center for
14 Internships and Academic Seminars.
15 **(7) Adult Education:** Included in the above General Fund appropriation are
16 funds in each fiscal year for the Kentucky Adult Education Funding Program.
17 **(8) Contract Spaces:** Included in the above General Fund appropriation is
18 $5,419,000 in fiscal year 2014-2015 and $5,680,100 in fiscal year 2015-2016 for the
19 Contract Spaces Program.
20 **(9) Veterinary Medicine:** If General Fund appropriations are not sufficient to
21 fully fund 164 veterinary slots, the Council on Postsecondary Education shall fully fund
22 the 164 slots out of the Council's base budget.
23 **(10) Optometry Slots:** If General Fund appropriations are not sufficient to fully
24 fund 44 optometry slots, the Council on Postsecondary Education shall fully fund the 44
25 slots out of the Council's base budget. The Council on Postsecondary Education shall
26 conduct a study on the effect that the licensure and accreditation of any school of
27 optometry within the Commonwealth would have on the Contract Spaces Program. The

1 Council on Postsecondary Education shall submit a report containing the results of this
2 study to the Interim Joint Committee on Appropriations and Revenue and the Interim
3 Joint Committee on Education by December 1, 2015.

4 **(11) Council Presidential Compensation:** Notwithstanding KRS 164.013(6), the
5 Council on Postsecondary Education shall set the salary of the President at an amount no
6 greater than the salary he was receiving on January 1, 2012.

7 ***(12) Lung Cancer Research Fund: Included in the above General Fund***
8 ***(Tobacco) appropriation is $4,972,500 in fiscal year 2015-2016. The additional***
9 ***$1,365,000 in fiscal year 2015-2016 is provided from MSA moneys as detailed in Part***
10 ***X, (5) and (7)e. of this Act.***

11 ➔Section 7. 2014 Kentucky Acts Chapter 117, Part VI, General Fund Budget
12 Reduction Plan, at pages 749 to 750, is amended to read as follows:

13 **PART VI**

14 **GENERAL FUND BUDGET REDUCTION PLAN**

15 Pursuant to KRS 48.130 and 48.600, a General Fund Budget Reduction Plan is
16 enacted for state government in the event of an actual or projected revenue shortfall in
17 General Fund revenue receipts, excluding Tobacco Settlement – Phase I receipts, of
18 $9,801,299,200 in fiscal year 2014-2015 and $10,067,223,600 in fiscal year 2015-2016,
19 as determined by KRS 48.120 and modified by related Acts and actions of the General
20 Assembly in an extraordinary or regular session. Direct services, obligations essential to
21 the minimum level of constitutional functions, and other items that may be specified in
22 this Act, are exempt from the requirements of this Plan. Each branch head shall prepare a
23 specific plan to address a proportionate share of the General Fund revenue shortfall
24 applicable to the respective branch. No budget revision action shall be taken by a branch
25 head in excess of the actual or projected revenue shortfall.

26 The Governor, the Chief Justice, and the Legislative Research Commission shall
27 direct and implement reductions in allotments and appropriations only for their respective

1 branch budget units as may be necessary, as well as take other measures which shall be
2 consistent with the provisions of this Part and general branch budget bills.
3 Notwithstanding KRS 48.130(4)(a) and (b), in the event of a revenue shortfall of
4 five percent or less, General Fund budget reduction actions shall be implemented in the
5 following sequence:
6 (1) The Local Government Economic Assistance and the Local Government
7 Economic Development Funds shall be adjusted by the Secretary of the Finance and
8 Administration Cabinet to equal revised estimates of receipts pursuant to KRS 42.4582 as
9 modified by the provisions of this Act;
10 (2) Transfers of excess unappropriated Restricted Funds, notwithstanding any
11 statutes to the contrary, other than fiduciary funds, to the General Fund shall be applied as
12 determined by the head of each branch for its respective budget units. No transfers to the
13 General Fund shall be made from the following:
14 (a) Local Government Economic Assistance and Local Government Economic
15 Development Funds;
16 (b) ~~[Unexpended debt service from the]~~Tobacco-Settlement Phase I Funds***,***
17 ***including but not limited to unexpended debt service and the Tobacco Unbudgeted***
18 ***Interest Income-Rural Development Trust Fund,*** in either fiscal year; ***and***
19 (c) ~~[Tobacco Unbudgeted Interest Income-Rural Development Trust Fund; and~~
20 ~~(d)]~~Multi-County Coal Severance Fund;
21 (3) ~~[Any unanticipated Phase I Master Settlement Agreement revenues in both~~
22 ~~fiscal years shall be appropriated according to KRS 248.654;~~
23 ~~(4)]~~Use of the unappropriated balance of the General Fund surplus shall be
24 applied;
25 ***(4)***~~[(6)]~~ Reduce General Fund appropriations in Executive Branch agencies'
26 operating budget units by a sufficient amount to balance either fiscal year. No reductions
27 of General Fund appropriations shall be made from the Local Government Economic

1 Assistance Fund or the Local Government Economic Development Fund;
2 *(5)*[~~(8)~~] Excess General Fund appropriations which accrue as a result of
3 personnel vacancies and turnover, and reduced requirements for operating expenses,
4 grants, and capital outlay shall be determined and applied by the heads of the executive,
5 judicial, and legislative departments of state government for their respective branches.
6 The branch heads shall certify the available amounts which shall be applied to budget
7 units within the respective branches and shall promptly transmit the certification to the
8 Secretary of the Finance and Administration Cabinet and the Legislative Research
9 Commission. The Secretary of the Finance and Administration Cabinet shall execute the
10 certified actions as transmitted by the branch heads.
11 Branch heads shall take care, by their respective actions, to protect, preserve, and
12 advance the fundamental health, safety, legal and social welfare, and educational well-
13 being of the citizens of the Commonwealth;
14 *(6)*[~~(9)~~] Funds available in the Budget Reserve Trust Fund shall be applied in an
15 amount not to exceed 25 percent of the Trust Fund balance in fiscal year 2014-2015 and
16 50 percent in fiscal year 2015-2016; and
17 *(7)*[~~(10)~~] Pursuant to KRS 48.130 and 48.600, if the actions contained in
18 subsections (1) to *(6)*[~~(5)~~] of this Part are insufficient to eliminate an actual or projected
19 General Fund revenue shortfall, then the Governor is empowered and directed to take
20 necessary actions with respect to the Executive Branch budget units to balance the budget
21 by such actions conforming with the criteria expressed in this Part.
22 ➔Section 8. 2014 Kentucky Acts Chapter 117, Part III, General Provisions, after
23 44. Debt Service Template Interest Rates, at page 743, is amended by inserting the
24 following:
25 ***45. Permitted Use of Water and Sewer Bond Funds: Notwithstanding Part II,***
26 ***(3) of this Act and any statute to the contrary, any balances remaining for either closed***
27 ***or open project grant agreements authorized pursuant to bond pools set forth in 2003***

1 ***Ky. Acts ch. 156, Part II, A., 3., d. Water and Sewer Resources Development Fund for***
2 ***Tobacco Counties and e. Water and Sewer Resources Development Fund For Coal***
3 ***Producing Counties, 2005 Ky. Acts ch. 173, Part II, A., 3., 003. Infrastructure for***
4 ***Economic Development Fund for Coal-Producing Counties and 004. Infrastructure***
5 ***for Economic Development Fund for Tobacco Counties, 2006 Ky. Acts ch. 252, Part II,***
6 ***A., 2., 003. Infrastructure for Economic Development Fund for Non-Coal Producing***
7 ***Counties and 004. Infrastructure for Economic Development Fund for Coal-***
8 ***Producing Counties, 2008 Ky. Acts ch. 123, Section 3., 004. Infrastructure for***
9 ***Economic Development Fund for Coal-Producing Counties and 005. Infrastructure***
10 ***for Economic Development Fund for Non-Coal Producing Counties, and 2008 Ky.***
11 ***Acts ch. 174, Section 2. and 2009 Ky. Acts ch. 87, Section 2. shall not lapse and shall***
12 ***remain to the credit of projects previously authorized by the General Assembly unless***
13 ***expressly reauthorized and reallocated by action of the General Assembly.***
14 ➔Section 9. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; C.
15 Department of Education; 1. Support Education Excellence in Kentucky (SEEK)
16 Program, at pages 625 to 628, is amended to read as follows:
17 **1. SUPPORT EDUCATION EXCELLENCE IN KENTUCKY (SEEK)**
18 **PROGRAM**

	2014-15	2015-16
General Fund	2,972,270,700	3,009,490,600

19
20

21 **(1) Common School Fund Earnings:** Accumulated earnings for the Common
22 School Fund shall be transferred in each fiscal year to the SEEK Program.
23 **(2) Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above
24 General Fund and Federal Funds appropriations to the base SEEK Program are intended
25 to provide a base guarantee of $3,911 per student in average daily attendance in fiscal
26 year 2014-2015 and $3,981 per student in average daily attendance in fiscal year 2015-
27 2016 as well as to meet the other requirements of KRS 157.360. In accordance with KRS

1 157.390(3), $100 of the base per pupil guarantee shall be for capital outlay purposes.
2 Funds appropriated to the SEEK Program shall be allotted to school districts in
3 accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall
4 not exceed the appropriations for this purpose, except as provided in this Act. The total
5 appropriation for the SEEK Program shall be measured by, or construed as, estimates of
6 the state expenditures required by KRS 157.310 to 157.440. If the required expenditures
7 exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon
8 the written request of the Commissioner of Education and with the approval of the
9 Governor, may increase the appropriation by such amount as may be available and
10 necessary to meet, to the extent possible, the required expenditures under the cited
11 sections of the Kentucky Revised Statutes, but any increase of the total appropriation to
12 the SEEK Program is subject to Part III, General Provisions, of this Act and KRS Chapter
13 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of
14 money required under KRS 157.310 to 157.440, allotments to local school districts may
15 be reduced in accordance with KRS 157.430.
16 **(3) Local School District Certified and Classified Employee Pay Increases:**
17 Notwithstanding KRS 157.420(2), local school districts shall provide all certified and
18 classified staff a salary or compensation increase of not less than one percent in fiscal
19 year 2014-2015, and an additional salary or compensation increase of not less than two
20 percent in fiscal year 2015-2016. The salary increase for certified staff shall be in addition
21 to the normal rank and step increase attained by certified personnel employed by local
22 school districts. Classified staff employed by a local board of education that work less
23 than full-time shall receive a pro rata share of the salary increase based on terms of their
24 employment.
25 **(4) Base SEEK Allotments:** Notwithstanding KRS 157.420(2), included in the
26 above General Fund appropriation is $2,069,514,800 in fiscal year 2014-2015 and
27 $2,103,805,900 in fiscal year 2015-2016 for the base SEEK Program as defined by KRS

1 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in
2 accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall
3 not exceed the appropriations for this purpose except as provided in this Act.
4 Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK
5 Program is $214,752,800 in each fiscal year for pupil transportation.

6 **(5) Tier I Component:** Included in the above General Fund appropriation is
7 $170,476,000 in fiscal year 2014-2015 and $168,116,200 in fiscal year 2015-2016 for the
8 Tier I component as established by KRS 157.440.

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

11 **(7) Secondary Vocational Education:** Included in the above General Fund
12 appropriation is $22,866,900 in fiscal year 2014-2015 and $22,881,900 in fiscal year
13 2015-2016 to provide secondary vocational education in state-operated vocational
14 schools.

15 **(8) Teachers' Retirement System Employer Match:** Included in the above
16 General Fund appropriation is $372,278,100 in fiscal year 2014-2015 and $380,489,300
17 in fiscal year 2015-2016 to enable local school districts to provide the employer match for
18 qualified employees as provided for by KRS 161.550.

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

26 **(10) Final SEEK Calculation:** Notwithstanding KRS 157.410, on or before
27 March 1 of each year, the Commissioner of Education shall determine the exact amount

1 of the public common school fund to which each district is entitled, and the remainder of
2 the amount due each district for the year shall be distributed in equal installments
3 beginning the first month after completion of final calculation and for each successive
4 month thereafter.

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

9 **(12) Facilities Support Program of Kentucky/Equalized Nickel Levies:**
10 Included in the above General Fund appropriation is $76,315,900 in fiscal year 2014-
11 2015 and $73,953,700 in fiscal year 2015-2016 to provide facilities equalization funding
12 pursuant to KRS 157.440 and 157.620.

13 **(13) Growth Levy Equalization Funding:** Included in the above General Fund
14 appropriation is $16,823,600 in fiscal year 2014-2015 and $16,659,300 in fiscal year
15 2015-2016 to provide facilities equalization funding pursuant to KRS 157.440 and
16 157.620, for districts meeting the eligibility requirements of KRS 157.621(1) and (4).

17 **(14) Retroactive Equalized Facility Funding:** Included in the above General
18 Fund appropriation is $10,753,400 in fiscal year 2014-2015 and $10,741,700 in fiscal
19 year 2015-2016 to provide equalized facility funding pursuant to KRS 157.440 and
20 157.620 to districts meeting the eligibility requirements of KRS 157.621(2) and (4). In
21 addition, a local board of education that levied a tax rate subject to recall by January 1,
22 2014, in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that
23 committed the receipts to debt service, new facilities, or major renovations of existing
24 facilities shall be eligible for equalization funds from the state at 150 percent of the
25 statewide average per pupil assessment. Revenue to generate the five cent equivalent levy
26 may be obtained from levies on property, motor vehicles, or the taxes authorized by KRS
27 160.593 to 160.597, 160.601 to 160.633, and 160.635 to 160.648 if the levy was

1 dedicated to facilities funding at the time of the levy. The equalization funds shall be used
2 as provided in KRS 157.440(1)(b). For the 2014-2016 fiscal biennium, school districts
3 that levied the tax rate subject to recall prior to September 1, 2012, and began collecting
4 the tax in fiscal year 2012-2013 shall be equalized at 100 percent of the calculated
5 equalization funding, and school districts that levied the tax rate subject to recall after
6 September 1, 2012, and began collecting the tax in the following fiscal year shall be
7 equalized at 25 percent of the calculated equalization funding in each fiscal year. It is the
8 intent of the 2014 General Assembly that any local school district receiving partial
9 equalization under this subsection in the 2014-2016 fiscal biennium shall receive full
10 calculated equalization in the 2016-2018 fiscal biennium and thereafter.

11 **(15) Equalized Facility Funding:** Included in the above General Fund
12 appropriation is $6,271,500 in fiscal year 2014-2015 and $6,096,100 in fiscal year 2015-
13 2016 to provide equalized facility funding pursuant to KRS 157.420 and 157.620 to
14 districts meeting the eligibility requirements of KRS 157.621(3) and (4).

15 **(16) BRAC Equalized Facility Funding:** Included in the above General Fund
16 appropriation is $1,719,100 in fiscal year 2014-2015 and $1,658,800 in fiscal year 2015-
17 2016 to provide equalized facility funding to school districts meeting the eligibility
18 requirements of KRS 157.621(1)(c) pursuant to KRS 157.440 and 157.620.

19 **(17) Instructional Days:** Notwithstanding KRS 158.070, the school term for fiscal
20 year 2014-2015 and fiscal year 2015-2016 shall include the equivalent of 177 six-hour
21 instructional days. Districts may exceed 177 six-hour instructional days.

22 **(18) Hold-Harmless Guarantee:** A modified hold-harmless guarantee is
23 established in fiscal biennium 2014-2016 which provides that every local school district
24 shall receive at least the same amount of Support Education Excellence in Kentucky
25 (SEEK) state funding per pupil as was received in fiscal year 1991-1992. If funds
26 appropriated to the SEEK Program are insufficient to provide the amount of money
27 required under KRS 157.310 to 157.440, and allotments to local school districts are

1 reduced in accordance with KRS 157.430, allocations to school districts subject to this
2 provision shall not be reduced.
3 **(19) Equalization Funding for Critical Construction Needs Schools:** (a)
4 Included in the above General Fund appropriation is $5,331,800 in fiscal year 2014-2015
5 and $5,168,000 in fiscal year 2015-2016 to provide equalization funding for school
6 districts that have school facilities classified as Category 5 on May 18, 2010, by the
7 Department of Education; Sheldon Clark High School in Martin County, which has been
8 determined to be structurally unsound by a certified engineer; Magoffin County Schools,
9 which have serious space limitations as a result of tornado damage; Carlisle County
10 Elementary School, which is the A1 school determined to be in the poorest condition in
11 the state according to the Parsons/MGT Report of November 2011; and school districts
12 that have levied an additional five cents equivalent tax rate for debt service, new
13 construction, and major renovation beyond the five cents equivalent tax rate required by
14 KRS 157.440(1)(b), except as provided in paragraph (c) of this subsection. Equalization
15 shall be provided at 150 percent of the statewide average per pupil assessment beginning
16 in the fiscal year following the fiscal year in which the levy is imposed. This levy shall be
17 subject to the recall provisions of KRS 132.017. Local school districts that have schools
18 rated in poor condition in the Parsons/MGT Report of November 2011 are encouraged to
19 levy an additional five cents equivalent tax rate for debt service, new construction, and
20 major renovation beyond the five cents equivalent tax rate required by KRS
21 157.440(1)(b), except as provided in paragraph (c) of this subsection in anticipation of
22 receiving equalization funding during the 2016-2018 fiscal biennium.
23 (b) If the total revenue generated in the 2014-2016 fiscal biennium by the additional
24 five cents equivalent tax levy, the equalization funds, and any escrowed or additional
25 offers of assistance from the School Facilities Construction Commission is insufficient to
26 cash fund the project or to sufficiently support the required annual debt service for the
27 entirety of the capital project, the school district shall be awarded additional funds equal

1 to the amount of annual debt service necessary to complete the project in its entirety. Any
2 funds included in paragraph (a) of this subsection not necessary to provide equalization in
3 each fiscal year shall be used for this purpose. If the total funds appropriated in paragraph
4 (a) of this subsection are insufficient, the School Facilities Construction Commission is
5 authorized to make additional offers of assistance not to exceed the debt service for
6 $7,300,000 for Carlisle County, not to exceed the debt service for $5,000,000 for
7 Magoffin County, and not to exceed the debt service for $14,000,000 for Martin County.
8 (c) If the school district utilizes the equalization funds appropriated in paragraph (a)
9 of this subsection to support a bond issue for construction purposes, equalization funds
10 shall be provided for 20 years or until the bonds are retired, whichever is less.
11 (d) If a school district receives an allotment under paragraph (a) of this subsection
12 and subsequently, as the result of litigation or insurance, receives funds for the original
13 facility, the school district shall reimburse the Commonwealth an amount equal to that
14 received pursuant to paragraph (a) of this subsection. If the litigation or insurance receipts
15 are less than the amount received pursuant to paragraph (a) of this subsection, the district
16 shall reimburse the Commonwealth an amount equal to that received as a result of
17 litigation or insurance less the district's costs and legal fees in securing the judgment or
18 payment. Any funds received in this manner shall be deposited in the Budget Reserve
19 Trust Fund Account (KRS 48.705).
20 ***(20) Additional SEEK Funding: If the above General Fund appropriation is not***
21 ***sufficient to fully fund the SEEK Program including any adjustments pursuant to KRS***
22 ***157.360 in fiscal year 2014-2015, the Kentucky Department of Education may request***
23 ***up to $10,000,000 in fiscal year 2014-2015, which shall be deemed a necessary***
24 ***government expense and shall be paid from the General Fund Surplus Account (KRS***
25 ***48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).***
26 ➔Section 10. 2014 Kentucky Acts Chapter 117, Part V, Funds Transfer; I.
27 Personnel Cabinet, 3. Public Employees Health Trust Fund, at page 748, is amended to

1 read as follows:

2 **3. Public Employee Health Trust Fund**

3 Enterprise Fund -0- 93,000,000 ***63,500,000***~~[0]~~

4 (KRS 18A.2254(3))

5 ***(1) The***~~[This]~~ fund transfer ***of $93,000,000*** to the General Fund ***in fiscal year***

6 ***2014-2015*** partially supports the salary increases for Local School District Certified and

7 Classified employees as recommended in Part I, C., 1., (3) of this Act and for full-time

8 and part-time employees of the Executive Branch as set out in Part IV, 3. of this Act.

9 ***(2) The fund transfer of $63,500,000 to the General Fund in fiscal year 2015-***

10 ***2016 shall be appropriated to the Budget Reserve Trust Fund Account (KRS 48.705).***

11 ➔Section 11. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; after M.

12 Tourism, Arts and Heritage Cabinet, at page 664, is amended by inserting the following:

13 ***N. BUDGET RESERVE TRUST FUND***

14 ***2014-15 2015-16***

15 ***General Fund -0- 63,500,000***

16 ➔Section 12. 2014 Kentucky Acts Chapter 117, Part V, Funds Transfer; E.

17 Energy and Environment Cabinet; 3. Environmental Protection, at page 746, is amended

18 to read as follows:

19 **3. Environmental Protection**

20 ***a.*** Insurance Administration Fund -0- 7,477,000 7,723,000

21 (KRS 224.60-130, 224.60-140, ~~[and]~~224.60-145***, and 224.60-150***)

22 ***b. Insurance Administration Fund -0- 3,000,000 -0-***

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

24 ***In fiscal year 2014-2015, $3,000,000 shall be transferred to the General***

25 ***Fund to support the County Road Aid Program and Municipal Road Aid Program as***

26 ***detailed in 2014 Ky. Acts ch. 127, I, A., 7., (1)(b) and (3)(b).***

27 ➔Section 13. 2014 Kentucky Acts Chapter 127, Part I, Operating Budget; A.

1 Transportation Cabinet; 7. Revenue Sharing, at page 791, is amended to read as follows:

2 **7. REVENUE SHARING**

	2014-15	2015-16
General Fund	***7,800,000***	***-0-***
Road Fund	396,861,000	390,753,800
TOTAL	***404,661,000***	***390,753,800***

7 **(1) County Road Aid Program:** ***(a)*** Included in the above Road Fund
8 appropriation is $149,967,100 in fiscal year 2014-2015 and $147,643,000 in fiscal year
9 2015-2016 for the County Road Aid Program in accordance with KRS 177.320, 179.410,
10 179.415, and 179.440. Notwithstanding KRS 177.320(2), the above amounts have been
11 reduced by $38,000 in each fiscal year, which has been appropriated to the Highways
12 budget unit for the support of the Kentucky Transportation Center.

13 ***(b) Included in the above General Fund appropriation is $5,490,000 in fiscal***
14 ***year 2014-2015 for the County Road Aid Program in accordance with KRS 177.320,***
15 ***179.410, 179.415, and 179.440. Notwithstanding any statute to the contrary, no county***
16 ***shall be denied its apportionment of the funds contained in this paragraph for failure***
17 ***to comply with the provisions of KRS 65.900 to 65.925. It shall be the responsibility of***
18 ***each county government to ensure that the money hereby allocated in this paragraph is***
19 ***used exclusively for the construction, reconstruction, improvement, and maintenance***
20 ***of county roads and bridges.***

21 **(2) Rural Secondary Program:** Included in the above Road Fund appropriation
22 is $181,927,400 in fiscal year 2014-2015 and $179,108,000 in fiscal year 2015-2016 for
23 the Rural Secondary Program in accordance with KRS 177.320, 177.330, 177.340,
24 177.350, and 177.360. Notwithstanding KRS 177.320(1), the above amounts have been
25 reduced by $46,000 in each fiscal year, which has been appropriated to the Highways
26 budget unit for the support of the Kentucky Transportation Center.

27 **(3) Municipal Road Aid Program:** ***(a)*** Included in the above Road Fund

1 appropriation is $63,100,900 in fiscal year 2014-2015 and $62,123,000 in fiscal year
2 2015-2016 for the Municipal Road Aid Program in accordance with KRS 177.365,
3 177.366, and 177.369. Notwithstanding KRS 177.365(1), the above amounts have been
4 reduced by $16,000 in each fiscal year, which has been appropriated to the Highways
5 budget unit for the support of the Kentucky Transportation Center.

6 ***(b) Included in the above General Fund appropriation is $2,310,000 in fiscal***
7 ***year 2014-2015 for the Municipal Road Aid Program in accordance with KRS 177.365,***
8 ***177.366(1) - (7), and 177.369. It shall be the responsibility of each municipal***
9 ***government to ensure that the money hereby allocated in this paragraph is used***
10 ***exclusively for the construction, reconstruction, and maintenance of city roads and***
11 ***bridges.***

12 **(4) Energy Recovery Road Fund:** Included in the above Road Fund
13 appropriation is $903,000 in each fiscal year for the Energy Recovery Road Fund in
14 accordance with KRS 177.977, 177.9771, 177.9772, 177.978, 177.979, and 177.981.

15 ➔Section 14. Whereas the provisions of this Act provide ongoing support for
16 programs funded in the 2014-2016 executive branch and transportation cabinet biennial
17 budgets, an emergency is declared to exist, and this Act takes effect upon its passage and
18 approval by the Governor or upon it otherwise becoming law.

Speaker-House of Representatives

President of Senate

Attest: Chief Clerk of House of Representatives

Approved Governor

Date