

# **GENERAL ASSEMBLY**

## **COMMONWEALTH OF KENTUCKY**

### **2015 REGULAR SESSION**

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HOUSE BILL NO. 510

AS ENACTED AND VETOED IN PART

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INFORMATIONAL COPY

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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  
 3 expected to be received in fiscal year 2014-2015 is \$99,700,000 and in fiscal year 2015-  
 4 2016 is \$72,400,000. ~~It is recognized that payments to be received by the~~  
 5 ~~Commonwealth are estimated and are subject to change. Any appropriations made from~~  
 6 ~~the estimated receipts are subject to adjustments based on actual receipts as received and~~  
 7 ~~certified by the 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]~~  
 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  
6 to 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-  
14 003(5), \$9,159,000 in MSA payments in fiscal year 2014-2015[ and 6,652,400 in fiscal  
15 year 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

Childhood Development Fund, and 25 percent to the Health Care Improvement Fund.]

g. Excess MSA Payments: Notwithstanding KRS 248.654, 248.703, and 304.17B-003(5), if MSA payments received in fiscal year 2014-2015 exceed the enacted General Fund (Tobacco) appropriations for fiscal year 2014-2015, the excess MSA payments shall remain in the Tobacco Settlement Agreement Fund and shall not be appropriated or expended without express authority in an enacted biennial budget.

(7) MSA Appropriations - Fiscal Year 2015-2016: Based on the MSA payment estimate as well as the remaining moneys from the \$68,600,000 identified in subsections (5) and (6) of this Part, the following MSA payments are appropriated for fiscal year 2015-2016:

a. State Enforcement: Notwithstanding KRS 248.654, \$250,000 in MSA payments in fiscal year 2015-2016 is appropriated to the Finance and Administration Cabinet, Department of Revenue for the state's enforcement of noncompliant nonparticipating manufacturers.

b. Debt Service: Notwithstanding KRS 248.654 and 248.703(4), \$30,657,000 in MSA payments in fiscal year 2015-2016 is appropriated to the Finance and Administration Cabinet, Debt Service budget unit.

c. Agricultural Development Initiatives: Notwithstanding KRS 248.654 and 248.703(4), \$33,821,200 in MSA payments in fiscal year 2015-2016 is appropriated to the Kentucky Agricultural Development Fund as specified in this Part. Of the \$33,821,200, \$21,000,000 shall come from the remaining MSA payments received in fiscal year 2013-2014. The \$21,000,000 shall be appropriated in fiscal year 2015-2016 as follows:

1. \$5,000,000 for the Governor's Office of Agricultural Policy to support state agricultural programs established in KRS 248.703(1)(b);

2. \$5,000,000 for the Kentucky Agricultural Finance Corporation;

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~~  
 2 ~~Safety Cabinet—Justice Administration, \$47,100 in fiscal year 2013-2014; Health and~~  
 3 ~~Family Services Cabinet—Health Benefit Exchange—Kentucky Access, \$14,657,300 in~~  
 4 ~~fiscal year 2013-2014; and Postsecondary Education—Council on Postsecondary~~  
 5 ~~Education, \$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~~  
 14 ~~issue, any settlement proceeds shall be deposited into the Tobacco Settlement Agreement~~  
 15 ~~Fund 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.]~~

**A. STATE ENFORCEMENT**

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

*Notwithstanding KRS 248.654, appropriations for state enforcement shall be as follows:*

**1. FINANCE AND ADMINISTRATION CABINET**

<b>Budget Unit</b>	<b>2014-15</b>	<b>2015-16</b>
a. Revenue	250,000	250,000

**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	<b>Budget Unit</b>	<b>2014-15</b>	<b>2015-16</b>
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	<b>Budget Units</b>	<b>2014-15</b>	<b>2015-16</b>
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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  
19 program to benefit both Kentucky farmers and the needy by providing fresh, locally  
20 grown 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 <b>Budget Unit</b>	<b>2014-15</b>	<b>2015-16</b>
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 <b>Budget Units</b>	<b>2014-15</b>	<b>2015-16</b>
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
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20 **(1) HANDS Program, Healthy Start, Folic Acid Program, Early Childhood**  
21 **Mental Health, and Early Childhood Oral Health:** Included in the above General  
22 Fund (Tobacco) appropriation is \$9,000,000 in each fiscal year for the Health Access  
23 Nurturing Development Services (HANDS) Program, \$1,000,000 in each fiscal year for  
24 Healthy Start initiatives, \$80,000 in each fiscal year for the Folic Acid Program,  
25 \$1,000,000 in each fiscal year for Early Childhood Mental Health, and \$500,000 in each  
26 fiscal year for Early Childhood Oral Health.

27 c. Behavioral Health, Developmental and Intellectual Disabilities		
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1 Services 891,400 891,400

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

7 <b>Budget Unit</b>	<b>2014-15</b>	<b>2015-16</b>
8       a. Council on Postsecondary Education	4,972,500	<del>4,972,500</del> <del>[3,607,500]</del>

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	<del>9,159,000</del> <del>[6,652,400]</del>
18   TOTAL - PHASE I TOBACCO SETTLEMENT		
19           FUNDING PROGRAM	101,879,500	<del>98,086,100</del> <del>[74,579,500]</del>

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**

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

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**

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
26           General Fund (Tobacco)	-0-	6,000,000	<u><i>5,000,000</i></u> <del>0</del>

1	General Fund	742,600	32,882,900	33,579,600
2	Restricted Funds	-0-	16,431,700	16,342,400
3	Federal Funds	-0-	56,091,300	56,453,100
4	TOTAL	742,600	111,405,900	<u>111,375,100</u> <del>106,375,100</del>

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

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

19       **(3) Conservation Districts:** Included in the above General Fund appropriation is  
20 \$950,000 in each fiscal year for the Division of Conservation to provide direct aid to  
21 local conservation districts.

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

25       **(5) Division of Oil and Gas:** Notwithstanding KRS 42.4588, included in the  
26 above Restricted Funds appropriation is \$25,000 in each fiscal year for the Division of  
27 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**

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

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  
21 Childhood Oral Health, and \$2,486,300 in fiscal year 2014-2015 and  
22 **\$2,486,300**~~[1,803,800]~~ in fiscal year 2015-2016 for Smoking Cessation. **The additional**  
23 **\$682,500 in fiscal year 2015-2016 for Smoking Cessation is provided from MSA**  
24 **moneys as detailed in Part X, (5) and (7)e. of this Act.**

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



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

	<b>2014-15</b>	<b>2015-16</b>
24 General Fund (Tobacco)	1,700,200	<u>1,700,200</u> <del>[1,241,100]</del>
25 General Fund	11,095,700	11,210,300
26 Restricted Funds	3,893,500	3,814,600

1	Federal Funds	11,135,600	11,135,600
2	TOTAL	27,825,000	<del>27,401,600</del> <b>27,860,700</b>

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 ~~\$1,241,100~~ **\$1,700,200** 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**

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
4 General Fund (Tobacco)	-0-	4,972,500	<del>3,607,500</del> <b>4,972,500</b>
5 General Fund	-0-	45,489,900	71,405,000
6 Restricted Funds	293,800	6,022,400	6,027,600
7 Federal Funds	-0-	18,073,800	18,102,500
8 TOTAL	293,800	74,558,600	<del>99,142,600</del> <b>100,507,600</b>

9  
10 **(1) Carry Forward of General Fund Appropriation Balance:** Notwithstanding  
11 KRS 45.229, the General Fund appropriation in fiscal year 2013-2014 and fiscal year  
12 2014-2015 to the Adult Education and Literacy Funding Program shall not lapse and  
13 shall carry forward.

14 Notwithstanding KRS 45.229, the General Fund appropriation in fiscal year 2013-  
15 2014 and fiscal year 2014-2015 to the Science and Technology Funding Program shall  
16 not lapse and shall carry forward.

17 **(2) Interest Earnings Transfer from the Strategic Investment and Incentive**  
18 **Trust Fund Accounts:** Notwithstanding KRS 164.7911, 164.7913, 164.7915, 164.7917,  
19 164.7919, 164.7921, 164.7923, 164.7925, and 164.7927, any expenditures from the  
20 Strategic Investment and Incentive Trust Fund accounts in excess of appropriated  
21 amounts by the Council on Postsecondary Education shall be subject to KRS 48.630.

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

26 **(4) Debt Service:** Included in the above General Fund appropriation is  
27 \$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  
 12 as determined by the head of each branch for its respective budget units. No transfers to  
 13 the 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 ~~[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**

19		<b>2014-15</b>	<b>2015-16</b>
20	General Fund	2,972,270,700	3,009,490,600

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  
21 addition to the normal rank and step increase attained by certified personnel employed by  
22 local school districts. Classified staff employed by a local board of education that work  
23 less than full-time shall receive a pro rata share of the salary increase based on terms of  
24 their 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  
18 for 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  
12 M. Tourism, Arts and Heritage Cabinet, at page 664, is amended by inserting the  
13 following:

14 **N. BUDGET RESERVE TRUST FUND**

	<u>2014-15</u>	<u>2015-16</u>
<u>General Fund</u>	<u>-0-</u>	<u>63,500,000</u>

17 ➔Section 12. 2014 Kentucky Acts Chapter 117, Part V, Funds Transfer; E.  
18 Energy and Environment Cabinet; 3. Environmental Protection, at page 746, is amended  
19 to read as follows:

20 **3. Environmental Protection**

21 a. Insurance Administration Fund -0- 7,477,000 7,723,000  
22 (KRS 224.60-130, 224.60-140, ~~[and]~~224.60-145, and 224.60-150)

23 b. Insurance Administration Fund -0- 3,000,000 -0-  
24 (KRS 224.60-130, 224.60-140, 224.60-145, and 224.60-150)

25 In fiscal year 2014-2015, \$3,000,000 shall be transferred to the General  
26 Fund to support the County Road Aid Program and Municipal Road Aid Program as  
27 detailed in 2014 Ky. Acts ch. 127, I, A., 7., (1)(b) and (3)(b).

1           ➔Section 13. 2014 Kentucky Acts Chapter 127, Part I, Operating Budget; A.  
2 Transportation Cabinet; 7. Revenue Sharing, at page 791, is amended to read as follows:

3 **7. REVENUE SHARING**

	<b>2014-15</b>	<b>2015-16</b>
4 <b><i>General Fund</i></b>	<b><i>7,800,000</i></b>	<b><i>-0-</i></b>
6           Road Fund	396,861,000	390,753,800
7 <b><i>TOTAL</i></b>	<b><i>404,661,000</i></b>	<b><i>390,753,800</i></b>

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

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

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



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

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

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

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

