

Kentucky's 2022-2024 Executive Budget

EXECUTIVE SUMMARY

THE FUTURE IS NOW

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

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

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

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

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

A RESPONSIBLE AND REAL BUDGET

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

- Is based on sound economic assumptions agreed to by the ten-member Consensus Forecasting Group of outside economists and financial experts who under state statute determine the official revenue estimates
- Devotes non-recurring resources solely to non-recurring uses
- Pays down on the Commonwealth's largest pension liability
- Creates the largest Budget Reserve Trust Fund, or rainy day fund, in state history
- Pays down on the deferred maintenance debt of the Commonwealth
- Is more than structurally balanced, with less recurring spending than recurring revenues, setting up positive outlooks and flexibility for future budgets
- Establishes a disaster relief and recovery fund to be better prepared for future natural disasters
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6% with a ratio of just 3.68%, the lowest debt ratio since the policy was adopted

PUBLIC EDUCATION

PRESCHOOL THROUGH HIGH SCHOOL EDUCATION

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

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

The Governor's 2022-2024 budget provides a 16 percent increase in funding for SEEK. Only the 1990 Education Reform Act and associated tax increases provided a larger percentage increase in the formula funding for Kentucky's education system.

Increases the Base Per Pupil by 12.5%

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

Other SEEK Funding Components

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

school districts, including the 5 percent pay raise: an additional \$25.5 million and \$35.9 million. The equalization of school district local tax levies dedicated to capital improvements continues to be a growing part of the SEEK budget. An additional \$49.2 million and \$38.1 million is funded. The budget also fully funds the National Board Certification salary supplement, which has been capped for many years.

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

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

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

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

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

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

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

Early Learning Initiative

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

Career and Technical Education

The budget includes **\$97.4 million** as a current year supplemental funding item to finance the renovation of another **11 local area vocational centers**. The funding is through the School Facilities Construction Commission. These centers applied for a \$75 million competitive pool in the current year, but scored closely to the ones that were funded. This will provide timely resources for center renovations at the following school districts: Boyd County, Carter County, Edmonson County, Fleming County, Grayson County, Lewis County, Livingston County, McCreary County, Marshall County, Nelson County, and Union County.

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

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

Professional Development and Textbooks/Instructional Resources

Past budget cuts have nearly eliminated state funding for professional development and textbooks/instructional resources. The budget includes \$11.9 million each year for professional development and \$11 million each year for textbooks/instructional resources.

Social Emotional Learning/Mental Health

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

Education Technology

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

Turnaround Schools

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

Family Resource and Youth Service Centers (FRYSCs)

The Governor included almost \$6 million more each year to increase funding for Family Resource and Youth Service Centers. There are 874 Family Resource and Youth Services Centers for 1,200 schools, serving 649,000 students and families. Funding for FRYSCs has not been increased for many years.

Library Grants

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

POSTSECONDARY EDUCATION – 11.7% INCREASE

Base Funding Increases

From 2008 to 2020, about \$250 million in the General Fund has been cut from the nine public postsecondary education institutions. The Governor’s budget adds **\$67.5 million** in fiscal year 2023 and **\$90 million** in fiscal year 2024 to their base budgets, a nearly 12 percent increase over the biennium. While performance funding has its merits, the hollowing out-of-state funds from past budget cuts has led to tuition increases and retrenchment as Kentucky aspires to meet the goal of 60 by 30 (60% of Kentuckians have a postsecondary degree or credential by 2030). Restoring a significant share of past budget cuts will better position these institutions with the fiscal capacity to achieve that and other performance goals.

Bucks for Brains Endowment Match

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

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

Asset Preservation

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

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

The Governor’s budget combines the Work Ready Scholarship with a new program – the Better Kentucky Promise Scholarship, which fills the gap between tuition and federal and other state aid for all new Associate degree and certificate-seeking students. The scholarship is available to new Associate degree and certificate-seeking students at public universities and private, non-profit Kentucky institutions, capped at the KCTCS tuition rate. Included in fiscal year 2023 is

\$16,270,000 and \$27,725,000 in fiscal year 2024. The new program will provide aid for approximately 6,000 additional recipients in the first year and 9,700 in the second year.

Need-Based Student Financial Aid

Kentucky’s need-based aid programs, the College Access Program (CAP) and the Kentucky Tuition Grant program, have benefitted from the dedication and growth of Kentucky Lottery receipts in the past several years, **funding all eligible applicants for the first time ever** in the most recent application cycle. The maximum grant award for CAP has increased from \$2,000 to \$2,900 last biennium. When leveraging federal Pell Grant dollars, the CAP program now covers full-time tuition and fees at KCTCS and nearly covers the average tuition and fees at four-year institutions. However, tuition and fees are only part of the total cost of attendance. Additional General Fund dollars will allow an increase in the maximum CAP award to \$3,100 and \$3,300 in fiscal years 2023 and 2024, respectively, while continuing to fund all eligible applicants.

Optometry and Veterinary School Contract Spaces

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

FEDERAL AMERICAN RESCUE PLAN ACT SPENDING

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

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

ENHANCING PUBLIC SAFETY AND VICTIM SERVICES

Kentucky State Police – Salary Increase for Troopers and Telecommunicators

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

funding in the amount of \$3,106,400 in fiscal year 2022, \$34,942,800 in fiscal year 2023 and \$41,480,900 in fiscal year 2024.

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

Returning State Police Retirement Plan to Previous Plan

To further improve the ability to recruit and retain State Police troopers, the Governor's budget aligns funding with Representative Wheatley's proposed legislation to roll back the State Police Retirement system's Tier III hybrid cash balance plan to the Tier II plan. The Tier III plan started January of 2014. The less beneficial change in the retirement plan has contributed to the difficulty in competing with other law enforcement agencies in recruiting and retaining state troopers.

Accountability - State Police Body Cameras

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

State Police Emergency Radio System Replacement

The first two phases of replacing the State Police's emergency radio system were funded in the last two budgets totaling \$87.6 million. The final phase is funded at \$80.9 million in the 2022-24 budget. Overall, the project will replace the existing statewide emergency radio communications network, which has reached the end of its life-cycle after 17 years. The new system will ensure a common technology platform and interoperable communications for those on the network.

Improved Compensation for Law Enforcement and Firefighters

Local and state law enforcement officers and local firefighters will receive a \$600 stipend increase from the Kentucky Law Enforcement and Firefighters Foundation Program funds, bringing the stipend up to \$4,600. Over 8,000 law enforcement officers and over 3,800 firefighters will receive this increase.

Supporting State Prosecutors and Victim Services

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

County Attorneys: The Governor's budget provides over \$15 million each year for 165 additional positions to provide enhanced victim services, including the implementation of Marsy's Law, and to address case backlogs and additional workload due to recent legislative changes. The budget also adds \$7,000 in operating expenses to each of the 120 County Attorney

offices to supplement the \$3,000 per office currently provided for criminal justice related operating expenses.

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

The Departments of Corrections and Juvenile Justice have significant staffing gaps to run these critical institutions. The Governor has approved a 10 percent pay increase for the security staff of adult correctional institutions and the workers in juvenile justice facilities. To further improve the ability to recruit and retain staffing, the Governor's budget aligns funding with Representative Wheatley's proposed legislation to roll back the hazardous duty retirement plan's Tier III hybrid cash balance plan to the Tier II plan. The Tier III plan started January of 2014. The less beneficial change in the retirement plan has contributed to the difficulty in recruiting and retaining staff at these facilities. Maintaining public safety requires this multi-pronged approach.

Probation and Parole – Caseload Increase

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

Public Advocacy – Conflict Cases

An additional \$700,000 is added each year to the Department of Public Advocacy's budget for conflict cases; cases where multiple defendants require representation and outside attorneys provide defense services. This represents a nearly 40 percent increase in the budget for conflict cases.

Replacement of the Kentucky State Reformatory

Due to the significant physical deterioration and the challenges presented in the recruitment and retention of correctional officers at the 84-year old Kentucky State Reformatory, the Governor's budget includes \$106 million in construction funding for the expansion of the Little Sandy Correctional Complex to add 816 beds and a separate \$171 million project to construct a new statewide correctional medical facility. Upon the completion of these two projects, the Kentucky State Reformatory will be closed. The multi-year design and construction timeline will enable the Department to transition Reformatory employees to other positions.

Court Security – Increase in Pay

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

PROTECTING AND EXPANDING HEALTH CARE

Addressing Kentucky's Nursing Shortage

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

Promoting Nursing as a Career – Expanding the Pipeline

The existing Nursing scholarship program, financed by a portion of nursing license fees, can provide scholarships to only 150 students. The Governor’s budget includes \$6 million each year from the General Fund to significantly increase the number of scholarships awarded and to double the maximum award from \$1,500 per semester to \$3,000 per semester.

Nursing and Nursing Faculty Student Loan Forgiveness

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

Broadcasting the Benefits of the Nursing Profession

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

Fully Funding Medicaid

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

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

The Governor’s budget recommendation includes funding for 500 additional slots in the Michelle P. waiver program and 100 additional slots in the Supports for Community Living waiver program.

Medicaid - Extend Temporary Nursing Home Facility Reimbursement Rate

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

Local Health Department Transformation

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

988 Crisis Support Line Implementation

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

The Governor's budget includes \$3.4 million in fiscal year 2023 and \$9.9 million in fiscal year 2024 to phase in 170 additional staff of Kentucky's Community Mental Health Centers for 24/7/365 crisis support line staffing. Currently, the Centers use \$1.7 million to support crisis services for those who have a serious mental illness from existing federal and state funds, but none of those funds are specifically designated for the operation of the crisis line.

Tim's Law Pilot Expansion to Two Other Psychiatric Hospitals

Tim's Law, which passed in 2017 but was not funded, authorizes state courts to order assisted outpatient treatment for the small number of individuals who are diagnosed with a serious mental illness, but would not voluntarily agree. This program currently exists at Central State and Eastern State hospitals, and soon will at Western State Hospital, funded with federal funds. State funding of \$500,000 and \$1,000,000 during the two fiscal years will expand the program to Eastern State Hospital and Appalachian Regional Hospitals.

Kentucky Pediatric Research Trust Fund

The Governor's budget increases funding to the Kentucky Pediatric Research Trust Fund by adding \$1,250,000 each year to the base funding of \$2,500,000. The Trust Fund serves as an umbrella organization to organize all pediatric cancer research work across the state.

PROTECTING CHILDREN & FAMILIES

350 New Social Workers to Fight Abuse and Neglect

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

Social Service Worker Student Loan Forgiveness

The Governor's budget provides \$2.1 million each year for a loan forgiveness program that will provide a maximum \$3,000 annual award for student loan forgiveness for each year of employment in the Department for Community Based Services as a social service worker.

Child Care Assistance - \$2 Per Day Increase

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

Prevention Services for Abused & Neglected Children

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

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

Child Advocacy Centers, Domestic Violence Centers, Rape Crisis Centers

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

Senior Meals – Continue to Ensure No Waitlist

Federal pandemic funds have eliminated a waitlist of about 7,000 Kentucky seniors requesting meals. These funds expired Dec. 31, 2021. The Governor's budget includes \$36.2 million over the next two and a half years to continue providing an additional 49,000 meals per week, fully meeting the current need for meals to Kentucky's senior citizens age 60 and older living in the community.

New Office of Dementia Services

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

Kentucky Caregiver and Hart-Supported Living Programs

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

Residential & Therapeutic Foster Care Rate Increase

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

PREPARING A WORLD-CLASS WORKFORCE

Workforce Initiative – Connecting a Guaranteed Job with Education and Training

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

Unemployment Insurance – Restore Staffing and Public Services Capacity

The Governor's budget funds the restoration of 90 staff positions eliminated in past budgets, phased in at 45 in fiscal year 2023 and another 45 in fiscal year 2024. They are being restored to provide in-person services to unemployed persons to help with their unemployment insurance claims at the twelve career centers across the state. The employees will be cross-trained to also provide employment-related services to employers and job seekers including employment

counseling and job search assistance. The funding for the 90 positions is \$5,650,000 in fiscal year 2023 and \$11,300,000 in fiscal year 2024 from the General Fund.

Louisville Urban League – Commercial Drivers License Training

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

Area Health Education Centers - Health Care Workforce Development

At a time when promoting health care career preparation was badly needed, state funding for Area Health Education Centers was eliminated in the 2018-20 budget. Area Health Education Centers promote health careers at schools, prepare students for the Medical College Admission Test, and create a nursing pipeline. There are program offices at the University of Kentucky and the University of Louisville, eight Regional Centers, nine host institutions and a host of community partners. \$2.5 million is provided each year.

Talent Attraction Media Campaign

To ensure that the Commonwealth is competitive now and into the future, significant strides must be taken to attract talent to Kentucky's workforce. Aligned with the Kentucky Chamber of Commerce's 2022 legislative priorities to build a competitive Kentucky, the Talent Attraction Media Campaign will contribute to the creation of a globally competitive talent development system. The campaign will include national outreach to recruit top talent to Kentucky and local coverage to retain talent in Kentucky, utilizing various media platforms. Funding is \$10 million each year from the General Fund.

Everybody Counts Expansion

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

CREATING AND ATTRACTING JOBS

Kentucky Site Identification & Development Program

The Governor's budget includes \$250 million in one-time funds for Kentucky's Site Identification and Development program. When companies are making decisions on where to expand or locate their operation, Kentucky's ability to provide location options which are "build-ready" is critical. The types of funding uses include land acquisition, site assembly, site preparation and improvement, infrastructure-water, wastewater, utilities, broadband; construction or improvement of buildings, environmental remediation, architectural/engineering/surveying professional services.

Northern Kentucky Life Sciences Lab

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

AgriTech Research and Development Facility

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

Worker Training

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

INVESTING IN OUR PUBLIC EMPLOYEES

Salary Increases for State Employees

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

Fully Funding Pensions

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

Paying Down Pension Liabilities

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

Health Insurance – No Premium Increases for State Employees

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

INFRASTRUCTURE INVESTMENT

Transportation – Roads and Bridges

The Governor’s budget includes an historic investment of \$250,000,000 from the General Fund for Major Transportation Infrastructure Projects. The intention of these one-time funds is to lock in an ability for Kentucky to meet an expected state share of potential federal competitive grants for major transportation infrastructure projects in combination with other resources. The three major projects targeted are the replacement of the Brent Spence Bridge, the I-69 Ohio River Crossing at Henderson, in concert with the state of Indiana, and the completion of the Mountain Parkway extension project. These funds give Kentucky an improved prospect of leveraging new federal funding from the Infrastructure Investment and Jobs Act.

Federal Infrastructure Legislation – Additional Road and Bridge Funding

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

Governor’s 2022-2024 Biennial Highway Construction Plan

The 2022-2024 biennial highway construction plan is based on \$8.5 billion in anticipated state and federal highway program revenues. Much of this funding is committed to continuing the development and construction of projects carried forward from the 2020 Highway Plan. Highlighted in the plan is a recommendation of almost \$600 million annually for investment in Kentucky’s existing pavements and bridges. This plan also charts a toll-free pathway for funding the I-71/75 Brent Spence Bridge project in Northern Kentucky, provides funding for continuing the development of the I-69 Ohio River Crossing and begins the roadway widening work necessary to extend the four-lane Mountain Parkway along KY 114 from Salyersville to Prestonsburg.

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

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

Better Kentucky Cleaner Water Program

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

Broadband Expansion

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

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

General Aviation Airports and Paducah Airport Terminal Project

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

PARTNERING WITH LOCAL GOVERNMENTS

Returning Coal Severance Tax Revenues to Counties

The Governor's budget proposes to return 100% of state coal severance tax revenues back to coal-producing counties. Based on revenue estimates, a total of \$74.5 million will be appropriated in fiscal year 2023 and \$77.2 million in fiscal year 2024, substantial increases from the fiscal year 2022 budget which appropriated \$26.4 million.

County Clerks – \$50 Million of Investment

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

Property Valuation Administrators

The budget includes over \$2.8 million each year for an additional 45 positions across the 120 PVA offices that have been lost due to past budget cuts. A formula is used to allocate funding for positions in PVA office across the state. By statute, the minimum number of employees per county is two. There are 24 counties with only two employees.

Area Development Districts – Additional Funding to Match Federal Grant

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

INVESTING IN VETERANS

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

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

Veterans Cemeteries - Addressing More Interments

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

Kentucky Medal of Honor Renovation/Redication

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

Bowling Green Veterans Center – Beginning Operations

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

TOURISM

State Parks Improvements

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

Kentucky Tourism Industry Marketing

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

ENHANCING FISCAL RESPONSIBILITY

Budget Reserve Trust Fund

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

Structural Balance

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

Preparing for Natural Disasters

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

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

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

correctional, mental health, veterans, military affairs, tourism, education, state police and state office facilities.

When combined, the budget has a total of about \$1.2 billion to reduce the debt of deferred maintenance.

DOING WHAT IS RIGHT

Commission on Women

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

Commission on Human Rights

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

Office of Minority Empowerment

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

REST OF GOVERNMENT

Military Affairs

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

Board of Elections

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

Enterprise-Wide Revenue and Financial Administration

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