Kentucky's 2024-2026 Executive Budget

EXECUTIVE SUMMARY

FORWARD, TOGETHER

Kentucky's economy is surging. The Commonwealth has seen record new private sector investment in the last four years. These successes have vaulted Kentucky's finances to a historic position and sets the table for game-changing and state-changing investments.

Kentucky had three consecutive fiscal years of record-setting budget surpluses. The revenue estimates for the 2024-2026 biennium continue that momentum. The Consensus Revenue Forecasting Group's new, official estimate calls for $1.4 billion more in General Fund revenues than budgeted in the current year. Even with a 20 percent reduction in income tax rates, from 5 to 4 percent effective January 2024, the revenue estimate for fiscal year 2025 is approximately the same as the current year, with a 2.9 percent growth rate in fiscal year 2026.

The current biennial budget incorporated significant investments in infrastructure, postsecondary education, economic development, and public safety. Governor Beshear's 2024-2026 budget recommendation devotes another round of resources into these areas that will improve Kentuckians lives.

Governor Beshear's budget captures the momentum of Kentucky's economy by proposing to deploy historic levels of resources to build the world-class education system that creates a world-class workforce. Such a workforce will continue Kentucky's success at attracting world-class companies.

Too few resources have been targeted to Kentucky's preschool through high school education system during this time of good fiscal health. This budget infuses a record amount of badly needed resources into education, funding an 11 percent pay raise for all school employees and universal pre-school for all four-year olds.

It is responsible and disciplined in using one-time money for one-time uses. It directs funding to continue access to health care for the low-income and disabled. It continues economic development initiatives to improve preparation for additional mega-investments and the growth in the economy. It pays down our liabilities in pensions and deferred maintenance. It fully funds our pension systems. It provides additional relief and recovery from the devastating flooding in Eastern Kentucky. It raises pay for all state government employees, including an initiative to address the effects of many years without pay raises.

Governor Beshear believes that this next two-year budget period is Kentucky's chance to put politics aside and instead choose progress, cooperation and continued economic momentum. By making these critical investments we can continue to move forward, together, and turn the last four years of progress into decades of prosperity.

A FISCALLY RESPONSIBLE BUDGET

Governor Beshear's 2024-2026 budget is both fiscally responsible and real. The Governor's budget:

- Is based on sound economic assumptions agreed to by the nine-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
- Does not use any of the $3.7 billion balance of the Budget Reserve Trust Fund, or rainy day fund, the largest balance in state history
- Pays down on the deferred maintenance debt of the Commonwealth
- Is structurally balanced, with less recurring spending than recurring revenues, setting up positive outlooks and flexibility for future budgets
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6% with a ratio of just 4.43%, one of the lowest debt ratios since the policy was adopted, even with the record level of debt enacted by the 2022 General Assembly.

EDUCATION FIRST

PRESCHOOL THROUGH HIGH SCHOOL EDUCATION

The Governor's budget adds over $2.5 billion over the biennium to the public education budget.

Teacher/School Employee Pay Increases and Benefits
The Governor's budget calls for an unprecedented **11 percent salary increase** for all school personnel, and an 11 percent increase in the minimum teacher salary. An additional $545 million is provided each year to ensure that every school district has sufficient funding for this pay increase. The allocations to school districts are within the SEEK budget, but they are not allocated through the SEEK formula funding – which guarantees enough money for every school district. This is the first identified pay increase in a state budget since fiscal year 2008.

Based on the most recently available reports from the National Education Association (NEA), it would raise Kentucky's starting teacher pay ranking from 44th to 24th. It would bring Kentucky up to 25th in average teacher salary, from its current ranking of 40th in NEA's rankings.

The budget **fully funds the teachers' pension and retiree medical benefits**. An additional $118.3 million is provided in fiscal year 2025 and an additional $308.8 million in fiscal year 2026. The Commonwealth's "shared responsibility" portion of funding the medical benefits requires $65.9 million in fiscal year 2025 and $84.2 million in fiscal year 2026.

There will be **no health insurance premium increases** for school employees. An additional $100.2 million in fiscal year 2025 and $184.6 million in fiscal year 2026 is included for the increase in employer contributions will prevent any premium increases for school employees.

Universal Preschool for all Four-Year-Olds and Full-Day Kindergarten
The Governor's plan includes $172 million each year to fund universal preschool for all 4-year-old children so every child is kindergarten ready. The Department of Education estimates that about 34,000 additional Kentucky 4-year-olds would be provided preschool education. This would be an unprecedented increase in investment for Kentucky's children. Early childhood education is proven to make sure children have long-term academic success.

SEEK Funding - an 18% increase
Inclusive of the funding for an 11 percent pay increase for school employees, the Governor's budget provides an 18 percent increase in funding for the SEEK budget. 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 4.0%
Kentucky's formula funding program for elementary and secondary schools, the SEEK program, has a base per-pupil of $4,200 in fiscal year 2024. The Governor's budget raises that to $4,368 in each fiscal year, a 4.0 percent increase. The increase provides $**126.4 million more** in fiscal year 2025 and **$114.2 million more** in fiscal year 2026.

Fully Fund Pupil Transportation
The Governor's budget fully funds pupil transportation for school districts, including in the current fiscal year. School districts have not received the funding intended by the statutory formula for pupil transportation since 2004. This budget adds **$124.4 million** each year to fully fund school district costs for **pupil transportation**, a 45 percent increase in funding.

Due to higher property valuations and lower pupil attendance, there will be unspent funding in the SEEK budget in the current fiscal year. The Governor's budget proposes to use $125 million to fully fund pupil transportation in the current year as well.

Teachers' Retirement Funding in SEEK Budget
The SEEK budget pays for all but the federal fund share of the teachers' retirement employer contributions for every eligible school district employee, an additional $9.7 million in fiscal year 2025 and $19.3 million in fiscal year 2026.

Facilities Funding
The equalization of school district local tax levies dedicated to capital improvements continues to be a growing part of the SEEK budget. An additional $43.1 million in fiscal year 2025 and $12.8 million in fiscal year 2026 is funded.

Teacher Student Loan Forgiveness
The Executive Budget restores a teacher loan forgiveness program to be administered by the Kentucky Higher Education Assistance Authority by providing $26.3 million each year.

Early Learning Initiative
Recent legislation requires intensive intervention to K-3 students toward proficient performance in reading for students identified as needing accelerated progress toward proficiency. An additional $2 million each year will support ongoing statewide professional learning needs and the salaries of literacy coaches plus a director for the program.

Career and Technical Education
The Governor recommends another $100 million pool of funding for the renovation and improvements of secondary career and technical education centers. This is in addition to the $245 million provided over the last two biennial budgets. The improvements to these facilities have modernized these facilities, providing more up-to-date technical programs, and have generated greater interest from employers – improving the pipeline from school to career.

School Construction Funding Cost Overrun Pool
Like other construction projects, local school district construction projects have also been impacted by inflation, leaving districts unable to complete projects as originally planned and stalling projects currently underway. The budget includes **$150 million** from the General Fund for a pool of funds to fill the gaps in funding necessary to complete school district construction projects. Funds will be awarded by the School Facilities Construction Commission on a competitive basis.

School Facilities Construction Commission – Additional Offers of Assistance
The Governor's budget includes authorization for the School Facilities Construction Commission to make an additional $100 million in Offers of Assistance. It also includes the necessary debt service to finance the $85 million in Offers of Assistance authorized in the 2022-2024 budget.

Professional Development and Textbooks/Instructional Resources
Past budget cuts have nearly eliminated state funding for professional development for teachers and instructional resources. The Governor recommends adding $12.4 million each year for professional development and $17 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 with funding for statewide staff and eight regional Social Emotional Learning institutes for access to training of educators. Two new grant programs will allow school districts to provide wrap-around services to students impacted by violence, substance abuse, child abuse or parental incarceration, and training, resources and technical assistance to reduce exclusionary discipline.

Education Technology
An additional $9 million is provided each year to increase the Kentucky Education Technology System (KETS) offers of assistance. These funds are matched dollar-for-dollar by the districts to refresh student instructional devices, for technology staffing, and address the rapid increase and replacement of computers and other technical devices.

Education Recovery
To support statewide efforts for school improvement, $4 million in state funding each year will supplement current federal funding that restricts school improvement services for only the highest need schools in the state. These state funds will be used to support the recovery of lost education attainment due to COVID-19, provide school improvement to more schools by providing greater access to professional learning for school leaders, additional staffing to support improvement efforts underway in schools other than the highest need schools.

Middle School Acceleration
The budget includes $5.0 million in fiscal year 2025 for a middle school acceleration pilot program to improve student outcomes at five school sites. This program targets middle school students who need an accelerated learning recovery program.

Family Resource and Youth Service Centers (FRYSCs)
The Governor included $7.9 million more each year to increase the number of Family Resource and Youth Service Centers, targeting those that serve more than one school. There are currently 888 Family Resource and Youth Services Centers for 1,200 schools.

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 – 8% INCREASE

Base Funding Increases
From 2008 to 2020, about $250 million in General Fund was cut from the nine public postsecondary education institutions. In recognition of these historical cuts, and amidst ongoing pressure from inflation, the Governor's budget adds **$60.0 million** in fiscal year 2025 and **$78.9 million** in fiscal year 2026 to their base budgets, a nearly 8 percent increase over the biennium. The hollowing out of state funds from past budget cuts, along with ongoing inflationary pressure and declining enrollment, have 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). Additional state funding will better position these institutions with the fiscal capacity to achieve that and other performance goals as well as help address increased costs due to inflation. A portion of the increase requested by the institutions and included in the Governor's budget is significant growth in the cost of property and casualty insurance.

Asset Preservation
The Governor's budget includes **$400 million** from Bond Funds to continue to address deferred maintenance for the Commonwealth's largest physical plant, the nine postsecondary education institutions. When combined with the $700 million in Bonds Funds included in the 2022-2024 enacted budget, total state investment comes to $1.1 billion over a four-year period. Prior to these two rounds of funding, the last time the state provided funding for asset preservation was 20 years ago in the amount of $103 million. In addition to new state dollars, each institution will continue to deploy institutional funds toward deferred maintenance. The distribution to each

institution is based on a consensus formula developed by the Council on Postsecondary Education with the institutions.

Additional Funds for New Construction
Construction cost inflation has impacted the postsecondary education institutions' ability to complete new construction projects that were funded in the last biennium in the amount of $780.5 million. The Governor's budget includes an additional **$142.7 million** in Bond Funds and **$7.2 million in General Fund** to accommodate cost overruns for nine of these projects, which amounts to an approximately 22% increase on average.

KCTCS Workforce Training Assistance
The KCTCS Workforce Solutions program, also known as TRAINS, has seen unprecedented demand in recent years, doubling its number of partnerships with employers to provide customized workforce training from 2021 to 2022. To further grow this program, the Governor's budget includes an additional **$8 million** from the General Fund over the biennium. Partnering with companies to upskill workers in a post-pandemic, high-tech environment will open up additional economic development opportunities for Kentucky as well as allow KCTCS to continue to meet the needs of existing employers.

Student Loan Forgiveness
The Governor's budget includes **$49.3 million** each year from the General Fund for three new student loan forgiveness programs, focusing on public service areas currently experiencing worker shortages. The budget includes $52.6 million for Teacher Loan Forgiveness, $6 million for Social Service Worker Loan Forgiveness, and $40 million for State Employee Loan Forgiveness as recommended by the Personnel Cabinet. These new programs will aid in the recruitment and retention of workers in these high demand public service areas.

Need-Based Student Financial Aid
Kentucky's need-based aid programs, the College Access Program (CAP) and the Kentucky Tuition Grant program, have benefitted from the dedication and growth of Lottery receipts in the past several years, **funding all eligible applicants for the first time ever** in the most recent budget. The maximum grant award for CAP increased from $2,900 to $5,300 last biennium. When leveraging federal Pell Grant dollars, the CAP program covers full-time tuition and fees at KCTCS and nearly covers the average tuition and fees at four-year institutions. The FAFSA Simplification Act of 2021 is expected to grow the number of CAP-eligible Kentuckians significantly beginning in fiscal year 2025. The budget includes **$54.5 million** from the General Fund and **$104.9 million** from previous years' excess Lottery receipts currently being held in a trust and agency fund to support this expected increase in eligibility.

Kentucky Affordable Prepaid Tuition (KAPT) Program
Unappropriated excess Lottery funds currently held in a trust and agency account in the amount of **$34.7 million** are appropriated in fiscal year 2024 to provide a lump-sum contribution to the Kentucky Affordable Prepaid Tuition (KAPT) Trust Fund. This lump-sum contribution will ensure that the promises made to Kentucky families are honored.

Kentucky State University Nursing and Social Worker Scholarship Program
To improve the pipeline for the need to recruit essential state government workers, the budget includes General Fund of **$500,000** in fiscal year 2025 and **$750,000** in fiscal year 2026 for a new scholarship program at Kentucky State University for Nursing and Social Work students. Each scholarship recipient would agree to maintain employment at a state agency as a nurse or social service worker/social service clinician on a year-for-year basis for each year receiving the scholarship.

Optometry Scholarship Program and Veterinary School Contract Spaces
The budget sustains funding for the Optometry Scholarship Program and ensures that Kentucky's reserved spaces in out-of-state veterinary professional degree programs are intact with sufficient additional funding for their increased prices.

Pikeville Medical Center Psychiatry Residency Program
General Fund of **$16 million** in fiscal year 2025 is included to establish multi-year, start-up funding for a psychiatry residency program through the Pikeville Medical Center. Funds will be distributed over a four-year period to support the program based on a plan submitted to the Council on Postsecondary Education and approved by its President. The goal of the program is to establish a pipeline of mental healthcare providers in a severely underserved portion of the state to meet the needs of Eastern Kentuckians.

ENHANCING PUBLIC SAFETY AND VICTIM SERVICES

Kentucky State Police

Salary Increase for Troopers
In 2022, the Kentucky State Police was experiencing an unprecedented shortage of troopers, its lowest in over 30 years, but with actions to support increased pay for the State Police, the Trooper complement has reached 1,007. In the current budget, Trooper pay was increased by $15,000 in fiscal year 2023 plus an additional six percent raise in fiscal year 2024. This has resulted in progress in the number of Troopers, but the State Police need to continue adding to their ranks. The Governor's budget includes an additional $2,500 pay increase in fiscal year 2025 followed by an inflationary increase in fiscal year 2026. This will assist in both recruitment and retention efforts by setting the starting Trooper pay at $68,621. The Governor's budget includes additional $8.3 million in fiscal year 2025 and an additional $14.1 million in fiscal year 2026.

Additional Troopers
The Governor's budget includes funding to add 75 Troopers in fiscal year 2025 and an additional 75 in fiscal year 2026 – 150 more over the biennium. The budget includes $11.1 million in fiscal year 2025 and $21.7 million in fiscal year 2026.

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 proposed legislation to roll back the State Police Retirement systems 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.

State Police Emergency Radio System Replacement

The first three phases of replacing the State Police's emergency radio system were funded in the last three budgets. Additional funding of $47.9 million is needed for continued radio tower equipment and tower sites. 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 $500 stipend increase from the Kentucky Law Enforcement and Firefighters Foundation Program funds, bringing the stipend up to $4,800. Approximately, 8,000 law enforcement officers and over 4,100 firefighters will receive this increase. For the first time, the Governor recommends the inclusion of certified part-time law enforcement officers to receive a proportional amount of the training incentive stipend.

Juvenile Justice

Juvenile Detention Centers

To transition to a regional model as required by Senate Bill 162 from the 2023 legislative session, safely segregate males and females, and separate violent and nonviolent offenders this budget provides for capital funding for two new female-only juvenile detention centers in Fayette County and Western Kentucky, to renovate the Jefferson County Youth Detention Center, and to retrofit four detention centers in Breathitt, McCracken County, Fayette County, and the Lyndon Detention Center in Jefferson County. Most of the retrofit projects are necessary to ensure safe segregation of male high-level offenders from male low-level offenders. These facility plans, in combination with the increased staffing enabled by raising correctional officer salaries, once completed, will permit a safe return to a regional model that continues to detain female offenders in separate facilities.

Alternatives to Detention

To keep more youth out of detention the Department of Juvenile Justice has a system of Alternative to Detention services. The Courts are continually asking for more placements with a waiting list. The number of placements is similar to the number of detention center beds. Additional funding, $3.9 million each year, is included to add approximately 450 additional placements and staff to coordinate these services.

High-Acuity Youth – Juvenile Justice and Department for Community Based Services

The Governor's budget provides for a capital project to renovate an existing facility on the grounds of one of state government's psychiatric hospitals to establish psychiatric treatment services for juveniles needing these mental health and medical services. Youth under the care of both the Department for Juvenile Justice and the Department for Community Based Services may be referred to this facility based on an assessment of their medical needs.

Corrections

Operations of Expanded Little Sandy Correctional Complex

The expansion of the Little Sandy Correctional Complex which will enable the closing of the 84-year-old Kentucky State Reformatory, requires additional funds to open and operate the expansion. The budget includes $9.8 million in fiscal year 2025 and $19.8 million in fiscal year 2026. The expansion is slated to be completed in January 2025.

Expand Reentry Services

Only half of the inmate population are receiving reentry services. The biggest gap is state felons in county jails, where recidivism exceeds those released from institutions. There is also a long waiting list within the adult correctional institutions. To expand reentry efforts additional funding of $5.3 million in fiscal year 2025 and $5.2 million in fiscal year 2026 is provided to expand reentry services in jails and to the entire adult correctional institution inmate population.

Capital funding is included to construct a reentry skilled training facility on the grounds of the Eastern Kentucky Correctional Complex. The Department will enter into an agreement with an entity that will fit-up the training facility and provide the skills training with the goal of private sector employment upon their release back into society.

Expand Addiction and Assessment Services

To address a backlog in demand for substance abuse programs in the adult correctional institutions, and in jails, $2.1 million in funding each year is included to expand medically assisted treatment, community assessment services, and approved provider services.

Returning Hazardous Duty Retirement Plan to Previous Plan

The Departments of Corrections and Juvenile Justice have significant staffing gaps to operate critical institutions. Previous pay increases for the security staff of adult correctional institutions and the youth workers in juvenile justice facilities have assisted in recruitment and retention. To further improve the ability to recruit and retain staffing, the Governor's budget proposes to transition the Kentucky Employees hazardous duty retirement plan's Tier III hybrid cash balance plan to the Tier II defined benefit 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.

Probation and Parole – Caseload Increase

To accommodate an expected two percent increase in the probation and parole caseload, an additional 20 probation and parole officers is funded to maintain a caseload of 89 per officer, at a cost of $1.3 million in fiscal year 2026.

Supporting State Prosecutors and Victim Services

Commonwealth Attorneys - The Governor's budget provides over $4.8 million each year to implement Marsy's law.

County Attorneys - The Governor's budget provides over $7.0 million each year to implement Marsy's law.

State Operation of the Jefferson County Public Defender Office

The Governor's budget provides $10.5 million in each fiscal year for the state to take over the operation of the Jefferson County public defender office as required by House Bill 568 from the 2023 legislative session.

Public Advocacy – Conflict Cases
An additional $2.2 million is added each year to the Department for Public Advocacy's budget for conflict cases; cases where multiple defendants require representation and outside attorneys provide defense services. This is a nearly 90 percent increase in the budget for conflict cases.

Expansion of Forensic Services
The Governor's budget includes $3.1 million in General Fund each fiscal year to create competency and restoration programs. The programs include a community and jail-based competency and restoration program and a pilot step down residential program for individuals completing hospitalization at the Kentucky Correctional Psychiatric Center under KRS 202C and transitioning to the community.

Body Armor Grant Program for Local Governments
The Governor's budget provides $35 million for a grant program for local law enforcement and first responder agencies to purchase high-quality body armor. These funds will provide law-enforcement agencies and first responders with the needed body armor equipment to do their jobs safely while protecting the citizens of the Commonwealth.

Urban Search and Rescue
The Governor's budget includes funding for a new, statewide Urban Search and Rescue program created in House Bill 157 during the 2023 legislative session. Recent disasters in the Commonwealth have required the use of eight federal Urban Search and Rescue Teams to aid Commonwealth citizens. The creation of a Commonwealth Urban Search and Rescue Team will allow for rapid response to disasters and provide Kentuckians with lifesaving assistance. The General Fund will provide $8.3 million in fiscal year 2025 and $7.8 million in fiscal year 2026.

Next Generation 911 System
For many years the Commonwealth and all of its 911 call centers at the local and state level have been implementing foundational project to prepare for Next Generation 911. The Governor's budget includes $5.0 million each year which will support the Office of Homeland Security to complete the full statewide deployment of the Next Generation 911 system capability. The system will have the technology to route wireless calls based on the actual location of the caller needing 911 services. To complete the implementation this funding will support the procurement of IP connectivity for all Kentucky 911 call centers and geospatial call routing, statewide text control center (texting to/from 911), network diversity and to support the foundational projects including mapping, analytics and GIS validation/integration services.

Western Kentucky Regional Training Center
The Governor's capital budget provides $146.1 million to construct a Western Kentucky Regional Training Center for the Department of Criminal Justice Training to expand law enforcement basic training, in-service training, and advanced skills training in the western part of the state.

Child Fatality and Near Fatality External Review Panel
Due to a near doubling of caseload since 2019, a required database merger, and the demand to implement recommendations, funding is provided for additional staffing, epidemiology support, and to support the development of an improved case management system.

PROTECTING AND EXPANDING HEALTH CARE

Fully Funding Medicaid
The Governor's budget fully funds the Medicaid program, including Medicaid expansion. During the national public health emergency resulting from COVID-19, the federal government provided all states with an enhanced federal share that has provided Kentucky with over $2 billion in additional funding for the Medicaid program over the last four years. Those extra funds expire at the end of calendar year 2023. The Governor's budget addresses the return of Kentucky's higher portion of funding Medicaid and ensures that the health care provided for over 1.5 million Kentuckians continues. To do so, an additional $395 million from the General Fund is required for fiscal year 2026.

Medicaid Waivers – 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 250 additional slots in the Supports for Community Living waiver program. These are health care services provided to populations who have mental or intellectual disabilities. Funding for these increases totals $51.6 million each year, with $14.7 million from the General Fund.

Medicaid-Nursing Home Facility Rate Rebasing
The Governor's budget provides $220 million in fiscal year 2025 and $235 million in fiscal year 2026 to provide for a rebase of nursing home reimbursement rates effective July 1, 2024. The periodic rebasing of nursing home reimbursement rates is mandated by the federal government. The General Fund amounts are $62.5 million for fiscal year 2025 and $67.0 million for fiscal year 2026.

Mobile Crisis Intervention Services
The Governor's budget advances an innovative model to expand mobile crisis intervention services statewide. Funding is included in the Medicaid and the Behavioral Health budgets for a community-based program with co-responder teams including trained behavioral health professionals, to respond to behavioral health or substance use disorder crisis in communities. The goal is to provide a response to crisis situations that address both the public safety and mental health needs of individuals in crisis and divert them from the emergency room or from jail and provide appropriate medical services. The budget includes $41.2 million over the biennium to provide mobile crisis intervention services throughout the Commonwealth. The General Fund portion is $10 million in fiscal year 2025 and $15 million in fiscal year 2026.

Medicaid - Serious Mental Illness Waiver Expansion
The Governor's budget provides $15.2 million in fiscal year 2025 and $16.2 million in fiscal year 2026 to expand services for Medicaid's Serious Mental Illness Waiver, of which the

General Fund amount is $4.3 million and $4.6 million, respectively. This expansion of services creates a recuperative care pilot program. Services provided in this pilot include 3 meals a day, transportation for aftercare appointments, daily medical checks, medication monitoring, and a nursing assessment within 24 hours of admission.

Tim's Law
Tim's law authorizes state courts to order assisted outpatient treatment for the small number of individuals diagnosed with a serious mental illness but would not voluntarily agree. Federal funding for Central State and Western State Hospital ends this fiscal year. The Governor's budget provides $1,000,000 each fiscal year to replace the grant funds.

Kentucky Pediatric Research Trust Fund
The Governor's budget continues funding to the Kentucky Pediatric Research Trust Fund by adding $5,000,000 each year to the base funding of $2,500,000. The Trust Fund serves as an umbrella organization to organize all pediatric cancer work across the state.

Medical Cannabis
The Governor's budget includes funding for the newly created Office of Medical Cannabis. This office will be responsible for the implementation, operation, oversight, and regulation of the medical cannabis program established from Senate Bill 47 in the 2023 legislative session. Beginning January 1, 2025, the use of medical cannabis by a patient cardholder will be considered lawful in the Commonwealth.

Central Lab Expansion
The Governor's capital budget includes $185 million for the Central Lab Expansion capital project. The Central lab is over 30 years old and has serious structural and safety issues. The expansion of the lab will allow the Department of Public Health to carry out federal and state mandated programs without interruption.

PROTECTING CHILDREN & FAMILIES

100 Additional Social Workers
Community Based Services currently has about 1,120 caseload carrying Social Service Worker and Social Service Clinician staff. Current average caseload is 19 with an average caseload with past due cases of 27. Adding 100 more staff would bring the average caseload to 17 and the average caseload with past due cases to 25. This will allow Kentucky's families and children to have caseworkers that have the time and experience to move their cases along to better outcomes for them and for Kentucky.

Foster Care Rate Increase
The Governor's budget includes $9.8 million each fiscal year for a 12 percent rate increase for the Department for Community Based Services foster homes that serve children which require the highest quality of care and cannot be placed in a family-based setting. This is the first rate increase since 2016.

Relative Caregiver Rate Increase
The federal government has issued a new rule which permits states to separately license relative (kin) foster care families from other foster care families. Kentucky plans to implement this new flexibility, as that will be an incentive to increase the number of relative caregivers. The federal rule requires that if a state chooses this new flexibility, it must provide the same financial assistance to relative caregivers as provided licensed foster care families. The Governor's budget includes $10 million from the General Fund in each fiscal year to increase rates for relative caregivers who agree to take a child that is already in the state's custody.

Social Service Worker Student Loan Forgiveness
The Governor's budget provides $3.0 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.

Senior Meals – Continue to Ensure No Waitlist
The Governor's budget includes $10 million from the General Fund in each fiscal year to continue providing nutritional meals for senior citizens in the community without having a waitlist.

State Long-Term Care Ombudsman
The Governor's budget includes $1.1 million from the General Fund in each fiscal year to support the State Long-Term Care Ombudsman programs to finance the unfunded mandate to provide services to assisted living facilities as passed in Senate Bill 11 from the 2022 legislative session to work with residents, families, resident councils, and facility management to resolve issues.

CREATING AND ATTRACTING JOBS

Kentucky Product Development Initiative
The budget includes another $100 million for the Kentucky Product Development Initiative, now codified in KRS 154.21. Similar to the $100 million provided in the 2022-24 budget, the Governor recommends $50 million each year to be allocated to each of Kentucky's 120 counties based on population. This new program has been successful and the additional funding will support local governments and regional economic development organizations to finance site acquisition, due diligence studies, and site preparation and development improvements. This initiative is implemented with the participation of the Kentucky Association for Economic Development. 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.

Mega Project Additional Funding
The budget includes $100 million in fiscal year 2025 to support approved mega projects. Projects for consideration must involve the creation of at least 250 jobs paying an average of at least thirty dollars an hour. Funding will be used to ensure sites and infrastructure are attractive to projects considering no more than two other states, and at least one site in the Commonwealth.

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. The Governor proposes to fund this with $15 million. The campaign will serve two purposes: a statewide marketing campaign through the Economic Development Cabinet, to showcase the quality-of-life benefits and career opportunities of Kentucky, and to assist localities and/or regions to execute a more targeted talent attraction campaigns for the specific workforce and industry needs in their areas.

South Korea Office
The budget includes $500,000 in each fiscal year to support contracting with the Cabinet for Economic Development representation in South Korea. Representation will attract new projects and expansion opportunities for South Korean businesses located in or considering Kentucky.

Local Economic Development Project Due Diligence Services
There are many instances in which a local community needs to perform some due diligence on an economic development project through a Request for Information or similar method but does not have funding to complete the due diligence risking their prospects of meeting project deadlines. The Cabinet for Economic Development seeks to improve this process by having access to funding to obtain the needed due diligence for a project as determined by the Cabinet Secretary. The budget includes $350,000 in both fiscal years to assist local communities in this effort.

INFRASTRUCTURE INVESTMENT

Better Kentucky Cleaner Water Program
The Governor's budget includes $500 million from the General Fund in fiscal year 2025 for the Better Kentucky Cleaner Water program to provide grants pertaining to utilities to complete various water and wastewater projects throughout the Commonwealth, which shall be allocated to each county based on population. The county's allocation shall be determined by each county's proportion of the state's population from the 2020 Census, with the exception of Jefferson County's share, which is discounted by 50 percent.

Water Management Assistance Fund
The Governor's budget includes $30 million from the General Fund in fiscal year 2025 for the Water Management Assistance Fund to provide assistance for capital and non-capital expenses of governmental entities that provide drinking water and wastewater services to the public.

Major Transportation Infrastructure Projects
The Governor's Budget includes another historic investment of $300 million 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 two major projects targeted are the I-69 Ohio River crossing in Hendersonville in concert with the state of Indiana, and the completion of the Mountain Parkway project. These funds give Kentucky an improved prospect at leveraging new federal funding from the Infrastructure Investment and Jobs Act.

County and City Bridge Improvement Program
Included in the Governor's budget is $50 million over the biennium from the General Fund to fund a County and City Bridge improvement program. Currently there are 5,315 county and city bridges. The Transportation Cabinet conducts ongoing assessments of the condition of all these bridges. Currently 362 bridges or 6.8% are either closed or substandard, resulting in weight restrictions, 479 bridges are considered in poor condition, and 296 bridges are the only access to an area, referred to as Isolated Community Access bridges. While the responsibility for repair and replacement of these bridges falls on local governments, the size of the need far exceeds available local resources. This program will use the bridge condition data and other sources to develop a ranking process to determine prioritization for use of the $50 million in state funds for the replacement and/or repair, provide data and education to increase bridge longevity, and focus on corrective action early to minimize more expensive future needs.

Highways Contingency Account
The Governor's budget adds $28 million from the General Fund to support the Highway Construction Contingency Account in addition to returning the Road Fund portion to $31 million from $16 million. The Highway Contingency Account is generally utilized for "worst condition" repairs to roads in the city and county road systems across the state.

Governor's 2024-2026 Biennial Highway Construction Plan
The 2024-2026 biennial highway construction plan is based on $8.8 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 2022 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 provides funding to extend the 4-lane Mountain Parkway from Salyersville to Prestonsburg.

High-Speed Internet – Broadband Expansion
Kentucky will receive nearly $1.1 billion in federal Broadband Equity Access and Deployment (BEAD) funds based on 259,258 unserved locations as mapped by the Federal Communications Commission. Once Kentucky's Initial Proposal, submitted in December 2023 to the National Telecommunications and Information Administration (NTIA), is approved Kentucky will have access to 20% of this funding. The BEAD Challenge Process will take place in the first quarter of 2024 to determine locations eligible for funding, then the subgrantee selection process will beginning afterwards.

General Aviation Airports
The Governor recommends investing $50 million in Kentucky's to support the State's 58 general aviation airports for the development, rehabilitation, and maintenance of public use aviation facilities, from the state's General Fund. This is in addition to the Aviation Economic Development Fund financed from jet fuel tax revenues that is used to support Kentucky's general aviation airports.

Paducah Riverfront Project
An additional $3.5 million is provided to complete the Paducah Riverfront Project, which the City of Paducah will match with an additional $1.5 million. In 2019, the City of Paducah was awarded a $10.4 million BUILD grant from the U.S. Department of Transportation for a Riverport Infrastructure Project. Since the grant was awarded, the price of the project has increased significantly due to inflation, supply chain issues and labor shortages. This funding will allow them to complete the project as planned.

PREPARING A WORLD-CLASS WORKFORCE

Child Care Assistance
From a combination of efforts and in concert with the Governor's proposal for universal preschool, the Governor's budget includes about $68 million in fiscal year 2025 and $73 million in fiscal year 2026 for child care assistance. There are three components of this initiative. First, $40 million each year from the General Fund to retain the average $37 per day provider reimbursement rate for the Child Care Assistance Program (CCAP). Without this funding, the expiration of temporary federal funds would cause the average reimbursement rate to fall to $24 per day. Second, it is expected that about $13 million in existing federal child care development funds will be freed up due to universal preschool, making available the funding to target children ages 0 to 3 years in the CCAP program. Third, to encourage the availability of more private child care slots, an additional $15 million in fiscal year 2025 and $20 million in fiscal year 2026 from the General Fund is included for child care payments to providers who care for children ages 0 through 3 years who are not eligible for the federal child care assistance program.

Apprenticeship Expansion
The Education and Labor Cabinet's apprenticeship program currently services 4,000 apprenticeships along with 3,000 new apprenticeships each year. Additional funding is included for 640 new apprenticeships, $1.5 million each year.

Jobs on Day One
As a complement to the Department of Corrections' reentry program, the Education and Labor Cabinet is provided $450,000 in fiscal year 2025 and $550,000 in fiscal year 2026 to provide career services orientation to state inmates in correctional institutions and in jails through reentry career success navigators who will provide career services plans, provide employment preparedness, support with job and career placement. The combined framework will prepare inmates for "Jobs on Day One" and focus on a system-wide approach to address the reentry population.

Unemployment Insurance – Restore Staffing and Public Services Capacity
The budget funds the restoration of 90 staff positions eliminated in past budgets. They are being restored to provide in-person services to unemployed persons with their unemployment insurance claims at the twelve career centers across the state. The employees will be cross-trained to also provide employment-related services to employers and job seekers including employment counseling and job search assistance. The funding for the 90 positions is $3.5 million in fiscal year 2025 and $7.7 million in fiscal year 2026 from the General Fund

Area Health Education Centers
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. In the current budget, $2.5 million was provided from federal pandemic funds. The Governor's budget continues that increase by replacing the expiring federal dollars from the General Fund.

INVESTING IN OUR PUBLIC EMPLOYEES & RETIREES

Salary Increases for State Employees
The Governor's budget continues to improve the salaries of Kentucky state government employees. Throughout fiscal year 2023 and fiscal year 2024, the Personnel Cabinet has completed their job classification review process covering over 1,300 job classes. Through that process about 19,000 state employees received a salary increase associated with the review's conclusions.

The Governor proposes an innovative approach to a problem that has built since fiscal year 2011, when state employees received no pay increases for 10 of the following 12 years. The problem is referred to as salary compression. Because of the lack of pay increases, new employees can make a similar salary as more senior employees. To partially address the issue, the Governor is recommending nearly $90 million each year to provide a variable percentage increase to state employees based upon months of service working for the Commonwealth. About half of the funding is from the General Fund. The percentage increases are:

- 1% for 24 to 83 months of continuous service
- 3% for 84 to 119 months of continuous service
- 5% for 120 to 155 months of continuous service
- 7% for 156 or more months of continuous service

All chapter 18A classified employees are eligible to receive the increase. This increase excludes most of the 18A unclassified positions, unclassified employees who have an annual salary of $100,000 or more, and high-level positions within state agencies that do not participate in the 18A personnel system. A more specific list is included in Part IV of the Governor's recommended appropriations bill. These increases would be effective June 16, 2024.

Salary Increments for State Employees
In addition to addressing the compression of state employee salaries, the Governor proposes a 6 percent across-the-board increase effective July 1, 2024 and a 4 percent increase effective July 1, 2025.

When combined with the salary increases approved in the current budget for fiscal years 2023 and 2024, state employees who have been employed throughout fiscal years 2023-2026 will have received at least a 27 to 35 percent salary increase over that four-year period.

Health Insurance – No Premium Increases for State Employees
The Governor's budget includes an additional $19.2 million in fiscal year 2025 and $42.4 million in fiscal year 2026 from the General Fund for the increase in health insurance employer contributions that will prevent any premium increases for state employees.

State Employee Loan Forgiveness Retention Program
To improve the recruitment and retention of state government employees, the Governor is proposing a new student loan forgiveness retention program.

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

13th Check for Retirees from the Kentucky Employees Retirement System and the State Police Retirement System
The Governor is recommending $100 million from one-time funds for a "13th check" in fiscal year 2025 to retired members in the Kentucky Employees Retirement System and the State Police Retirement System who retired prior to July 1, 2023. Retired members from these systems have not received any cost-of-living adjustments since 2012.

Paying Down Pension Liabilities
The Governor includes extra funding to pay down the pension liability of the Kentucky Retirement System's nonhazardous pension plan, which has a $13.9 billion unfunded actuarial liability. The budget includes $209 million over the biennium. This amount is equal to the reduction in the Executive branch's fixed allocation portion of the unfunded liability compared to the 2022-24 biennium.

Sports Wagering Tax Collections
The recently enacted Sports Wagering legislation directs the bulk of the sports wagering license and tax collections to the Permanent Pension Fund. The Governor's budget directs all of the funds deposited into the Permanent Pension Fund to be transferred to the Kentucky Public Pensions Authority and applied to the unfunded pension liability of the Kentucky Employees Nonhazardous pension fund. These amounts are net of the costs of administering Sports Wagering and the 2.5 percent set aside for the Problem Gaming fund.

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. With this policy change, the Local Government Economic Development Fund would be $13.4 million higher in fiscal year 2025 and $13.1 million higher in fiscal year 2026. The Local Government Economic Assistance Fund would be $5.7 million higher in fiscal year 2025 and $5.6 million higher in fiscal year 2026. When combined, the two funds would be $19.1 million higher in fiscal year 2025 and $18.8 million higher in fiscal year 2025.

Additional Funding to Match Federal Grants – the "GRANT" Program
The Governor's budget includes $100 million in one-time funding from the General Fund to provide financing for the new GRANT program enacted by House Bill 9 from the 2022 legislative session. This program is for providing matching funds to local government and nonprofit entities for competitive federal grant applications.

East Kentucky SAFE Fund
The $125.9 million portion of the East Kentucky SAFE Fund that was budgeted for counties, cities, school districts, nonprofit utilities, and state agencies has been exhausted. The Governor's budget seeks to add $75.0 million in the current fiscal year to shore up the fund and provide further resources for recovery. Eighteen requests for funding have been denied due to the lack of funds.

Affordable Housing
Governor Beshear is recommending $10 million from the General Fund over two years to the Kentucky Housing Corporation's Affordable Housing Trust Fund so the organization can provide more affordable housing to qualifying Kentuckians. This would be the first investment from the General Fund in this program in almost 20 years.

Property Valuation Administrators
The budget includes $2.0 million each year for additional staff 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.

INVESTING IN VETERANS

Bowling Green Veterans Center – Beginning Operations
The budget includes funding to open the Bowling Green Veterans Center which is currently under construction, $12.1 million in fiscal year 2025 and $15.3 million in fiscal year 2026. In the second year, due to achieving Medicaid certification, $10.0 million is from other funding sources.

TOURISM

State Parks Improvements
The Governor's budget provides very specific details for projects in the Parks system to be funded from the $71 million set-aside by the 2022 legislative session for improvements to the Parks properties. The funding covers building systems improvements, accommodation hospitality upgrades, and recreational amenities upgrades. The release of these funds is vital to maintain the momentum Parks has gained in revitalizing and restoring one of the Commonwealth's greatest treasures, the Kentucky State Parks system. These parks provide tourists from all over the nation and around the world unique opportunities to take in the unsurpassed beauty of this great commonwealth and these funds will be used ensure an experience that keeps them coming back.

Additionally, the Governor is proposing capital funding of $184 million for another set of projects needed for the Parks system to thrive – ranging from the reconstruction of marinas, new conference centers, to updating and upgrading Parks' electrical distribution and wastewater treatment systems.

Preserving History and Heritage
Over the biennium, $2.7 million is provided for the Martin Luther King, Jr. Commission, the Native American Heritage Commission, the Center for African American Heritage, and the Riverside, Farnsley-Moremen Landing to preserve the rich history and heritage of the Commonwealth and its people.

Tourism Marketing
An additional $4.0 million is included in fiscal year 2025 and $7.0 million in fiscal year 2026 from the Tourism, Meeting and Convention Marketing fund to broaden current efforts to market Kentucky as the world class tourist destination that it is.

Arts Programs and Education
The Governor's budget provides over $1 million in fiscal year 2026 to the Governor's School for the Arts to maintain a second summer program serving an additional 256 creatively gifted students. This second program is currently supported by federal funds that are set to expire September 2024. An additional $1.3 million is provided to the Arts Council to increase grants-in-aid to non-profit arts organizations that essentially function as the Commonwealth's arts infrastructure and are known as Kentucky Arts Partnership organizations.

ENHANCING FISCAL RESPONSIBILITY

Budget Reserve Trust Fund
The current balance of the Fund is a little over $3.7 billion, the largest dollar amount ever and the highest ratio of balance to the enacted fiscal year 2022 revenue estimate, at 12.5 percent. The Governor's budget recommendation does not use any portion of the Budget Reserve Trust Fund.

Structural Balance
One measure of a fiscally responsible budget is how recurring revenues line up with recurring spending. The Governor's budget is structurally balanced, because the recurring spending in both fiscal years is less than recurring revenues.

PAYING DOWN THE DEBT OF STATE GOVERNMENT'S DEFERRED MAINTENANCE – Over $800 Million

Governor Beshear's budget proposes a significant payment against the debt obligation of deferred maintenance to Kentucky state government's physical plant, second only to his budget recommendation in 2022. Including the $400 million for asset preservation for the public postsecondary education institutions, over $160 million for improvements and repairs to our state parks, and over $240 million devoted to major maintenance, renovations and repairs for the rest of state government's large physical plant, the budget has a total of over $800 million to reduce the debt of deferred maintenance. This includes replacing or repairing building systems which have determined by the Finance and Administration Cabinet as past their useful life, with some in dire need. The funding covers correctional, mental health, veterans, military affairs, tourism, state police, and state office facilities.

ENERGY AND ENVIRONMENT

The Governor's budget includes additional staffing in the Energy and Environment Cabinet associated with an increase in workload and being prepared for changes. More oil and gas field inspectors, evaluating the vulnerability of drinking water and wastewater systems in Kentucky, contending with the oncoming regulatory framework for PFAS chemicals, the significant construction investment in drinking water and wastewater systems, and conducting timely dam inspections.

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 funding cut from previous budgets for additional staffing so that the Commission can meets its requirements.

One-Time Louisville Bridge Toll Tax Credit

Governor Beshear proposes to use one-time funds to underwrite a one-year nonrefundable tax credit for Kentuckians equal to the aggregate amount of tolls paid for use of the three Louisville/Jefferson County bridges during calendar year 2024.