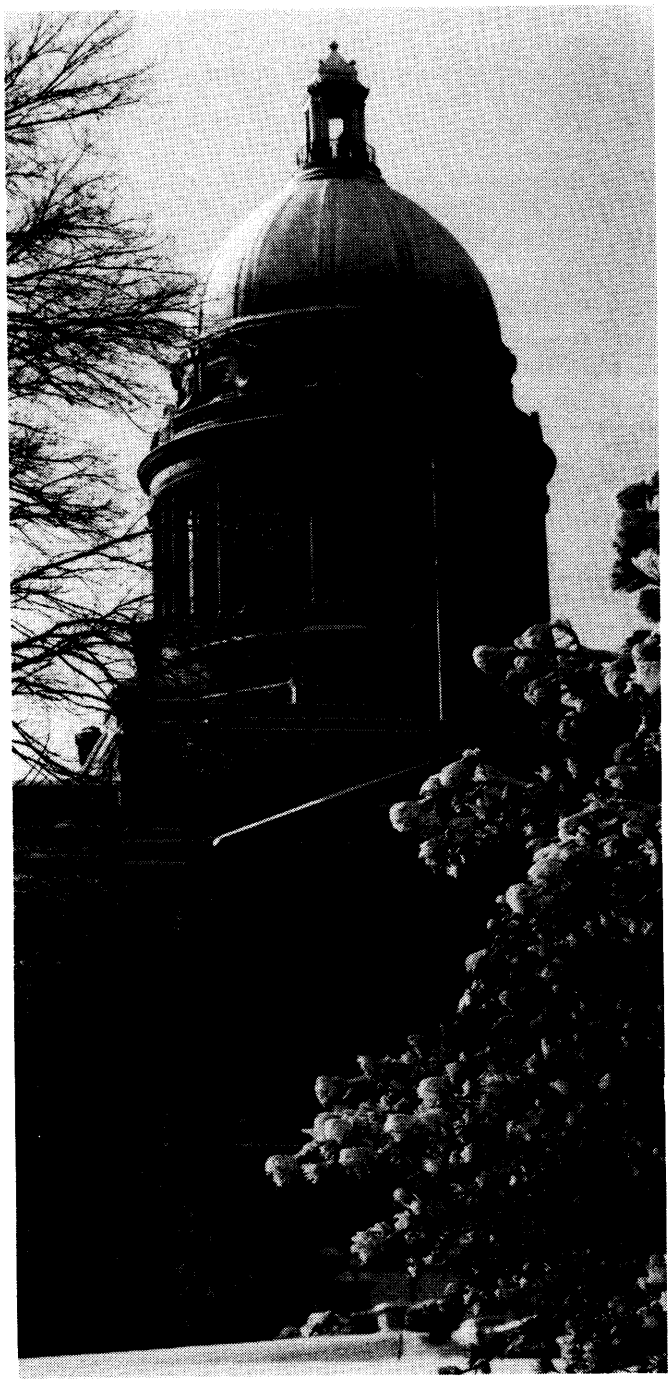
REPORT OF THE COMMISSION ON KENTUCKY'S GOVERNMENT



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Legislative Research Commission

March, 1991

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REPORT OF THE COMMISSION ON KENTUCKY'S GOVERNMENT

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Greg Freedman, Commission Staff Coordinator

Research Report No. 254

Legislative Research Commission
Frankfort, Kentucky
March, 1991

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FOREWORD

The 1988 Kentucky General Assembly enacted Senate Concurrent Resolution 83 which established the Commission on Kentucky's Government to study Kentucky's executive branch of state government. The purpose was to determine whether agencies were serving a legitimate public end, functioning in an efficient manner, and effectively serving the citizens of the Commonwealth.

The fourteen-member Commission was chaired by John A. "Eck" Rose, Senate President Pro Tem, and by Donald J. Blandford, House Speaker. The Commission was served by six committees, each with fifteen members. The chairs of the committees were members of the Commission. The ninety-eight persons who served as members of the Commission and its committees are commended for their efforts.

Appreciation is extended to the LRC staff who served the Commission and its committees. Greg Freedman acted as the Commission's staff coordinator and was assisted by Jim Baker. Sandra Deaton, Bob Gray, Norman Lawson, Daniel Risch, Jim Roberts, and John Schaaf were committee coordinators for the six committees. The assistance of Linda Attkisson, Gwyn Boyd, Rebecca Crawley, Diana Hill, Adell Kemper, Peggy Sciantarelli, and Cheryl Walters is acknowledged.

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SUMMARY OF THE RECOMMENDATIONS OF THE COMMISSION ON KENTUCKY'S GOVERNMENT

The 1988 Kentucky General Assembly enacted SCR 83 which established the Commission on Kentucky's Government. The fourteen-member commission was chaired by the Senate President Pro Tem and the Speaker of the House. The Commission was charged with studying the Executive Branch of Kentucky state government and making recommendations to insure the most effective and wisest expenditures of tax dollars. Six committees, each with fifteen members, served the Commission. The Commission met four times between September, 1988 and January, 1990. The committees held 55 meetings between October, 1988 and November, 1989. Each committee submitted a final report to the Commission, which adopted the reports and their recommendations. In addition to committee recommendations, the Commission adopted recommendations on other issues pertaining to the Executive Branch of state government.

COMMITTEE ON GENERAL GOVERNMENT, FINANCE AND PUBLIC PROTECTION

Proposed Constitutional Amendments Relating to Statewide Elected Officials

1. The General Assembly should place on the ballot a constitutional amendment which would reduce the number of officers elected statewide to four: the Governor, the Lieutenant Governor, the Attorney General and the Auditor of Public Accounts. The Governor and Lieutenant Governor should be slated as a team prior to the primary election.
2. The General Assembly should place on the ballot a constitutional amendment specifying that statewide elected officers may succeed themselves but shall be ineligible for the office they hold for the next succeeding four years after the expiration of any two consecutive four-year terms for which they shall have been elected.
3. The General Assembly should place on the ballot a constitutional amendment to allow the Governor to be absent from the state but retain his authority. The new language would provide for the Lieutenant Governor to become Acting Governor only if the Governor is to be absent and "certifies by entry on his journal that temporarily he or she cannot discharge the duties of the office."
4. The General Assembly should place on the ballot a constitutional amendment to provide a process by which gubernatorial disability could be determined and the Lieutenant Governor could become Acting Governor.

Office of the Attorney General

1. The General Assembly should authorize the Attorney General to direct local prosecutors to investigate allegations of local government corruption or, if the prosecutor asks to be excused from such duty, to appoint a prosecutor from another locality or from the Attorney General's Office to conduct the investigation. (KRS 15.200, 15.240, 15.715).
2. The General Assembly should enact an Administrative Procedures Act so that hearing procedures throughout state government would be consistent.
3. A committee should be appointed by the General Assembly or the Governor, with the Attorney General as Chairman, to evaluate the salaries of attorneys in executive branch agencies, and compensation of private attorneys working on contract with the Department of Public Advocacy. The committee should make appropriate recommendations to the 1990 General Assembly. At a minimum, the committee should include the Public Advocate and representatives appointed by the Secretaries of Natural Resources and Environmental Protection and Human Resources. The committee should make recommendations which would make the salaries competitive with those of similarly situated attorneys in the surrounding states.

Office of the Auditor of Public Accounts

1. The General Assembly should require all local government units to submit to the Auditor plans to correct audit findings of noncompliance.
2. The General Assembly should enact legislation giving the Auditor the authority to charge state government agencies for financial and compliance audits performed by the Auditor and requiring the agencies to pay for such audits. Any receipts should be deposited in an agency account.
3. The Auditor is currently required to perform audits of every county clerk every year for motor vehicle registration fees. The General Assembly should give the Auditor the authority to randomly select a representative sample of county clerks for annual audit. However, motor vehicle registration audits of each clerk should be conducted at least once every three years.
4. The General Assembly should review the necessity of requiring annual audits of county fee officials.

Finance and Administration Cabinet

1. The General Assembly should propose a constitutional amendment to eliminate the $500,000 limit on the issuance of general obligation bonds. (Ky. Const., Sec. 49)
2. The General Assembly should create a Commission on Capital Budgeting and Planning, to annually review plans for state spending on capital projects and any projects to be financed by state issuance of bonds or other indebtedness.

Occupational and Professional Licensing and Regulatory Boards

3. The General Assembly should consider consolidating some or all of the administrative services of the 27 occupational and professional licensing boards and require that their services be performed by the Division of Occupations and Professions. Each board should retain its policy-making authority.

Public Protection and Regulation Cabinet
Board of Claims/Crime Victims Compensation Board

The General Assembly should require that members of these two boards, which share the same membership, should be paid on a per diem basis for time spent attending meetings or reviewing case files.

Labor Cabinet

The General Assembly should specify that the Finance Cabinet's Office of Investment and Debt Management should be responsible for investing money received from workers' compensation premiums.

Department of Personnel

The General Assembly should amend KRS Chapter 18A to give the Department of Personnel the sole authority for promulgating regulations for the administration of the state's personnel system.

COMMITTEE ON ECONOMIC DEVELOPMENT, ENERGY AND NATURAL RESOURCES

Energy Cabinet

The Governor's reorganization of the state's energy function is supported.

Economic Development and Tourism Cabinets

1. The newly formed legislative Task Force on Economic Development and Tourism should give top priority to enhancing organizational, program and staffing stability for these Cabinets.
2. The Task Force on Economic Development and Tourism and other legislative committees of jurisdiction should act to continue the current emphasis in the Economic Development Cabinet on promotion of, and assistance to, existing state business and industry.
3. The Secretary of the Tourism Cabinet should be given representation on all commissions and boards within the statutory authority of the Tourism Cabinet.

4. The Tourism Cabinet and the Natural Resources and Environmental Protection Cabinet should work closely together to enhance the state's natural resources and promote their wise and careful use.
5. The Economic Development Cabinet should involve the Natural Resources and Environmental Protection Cabinet at the earliest possible stage in any decision making process for locating industrial facilities, and environmental protection issues should be given high priority in any considerations involving the expenditure of state economic development funds.

Department of Mines and Minerals

1. The state's coal regulatory functions should not be consolidated into one agency.
2. Coordination between the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet should be formalized by the adoption of a memorandum of understanding (MOU) between the two agencies addressing permitting and licensing responsibilities as they are now.
3. The Interim Joint Committee on Agriculture and Natural Resources should continue to monitor the activities of both agencies to look for possible efficiencies that could be accomplished through consolidation of responsibilities.

Natural Resources and Environmental Protection Cabinet

1. The basic Cabinet structure should remain unchanged.
2. The standing committees of the General Assembly with jurisdiction over the Cabinet for Human Resources and the Natural Resources and Environmental Protection Cabinet should review the feasibility of creating an environmental and health protection cabinet. This review should be in conjunction with the General Assembly's consideration of the state environmental plan and any additional funding or staffing requested to implement the plan.
3. The Department of Law should be abolished and an Office of General Counsel should be recreated.
4. The interagency functions and contacts between the Department for Environmental Protection, the Department for Surface Mining Reclamation and Enforcement and the Department of Mines and Minerals should be formalized as they are now through memorandums of understanding (MOU).
5. A planning and development office should be created and located within the Secretary's Office for the purpose of coordinating the development of new programs, regulations and proposed legislation. The office should fully utilize the expertise of the Environmental Quality Commission.

COMMITTEE ON JUSTICE AND CORRECTIONS

Justice Cabinet

1. The Justice and Corrections Cabinets should be combined. These agencies were combined before and evidence shows that fragmentation of the criminal justice system is undesirable.
2. The mission of the Crime Commission should be long-range strategic criminal justice planning. The planning should be system-wide and include all elements of the criminal justice system. The commission should be an independent agency in the same mold as the Council on Public Higher Education and should report directly to the Governor. The committee finds from the evidence provided to it that there is a lack of communication between the component parts of the criminal justice system and recommends that communications be established to provide a unified approach to criminal justice.

State Police

1. State police training should be integrated with all other criminal justice training. Evidence shows that the vast core of police knowledge is shared and that all police would benefit from uniform training. If specific in-agency training is desired, it should be short in duration and given by the agency following basic training. Agency training should complement the basic training and not thwart its content or design.
2. The state police crime laboratory needs additional personnel and salary improvements, to maintain high quality service in the future.
3. The economics of the situation are such that only a single state laboratory facility will suffice; thus, it is recommended that the state police utilize a central state laboratory. The security needs of the state police portion of the laboratory with regard to protection of the chain of evidence and security of evidence need to be planned into the laboratory, and maintained during its construction, and operational procedures need to be developed to maintain the required security during its operation.
4. The selection process for commissioner of state police should be designed to be nonpolitical and result in the selection of the best qualified person.
5. Such state law enforcement agencies as park rangers, facilities security, and the water patrol, should remain under the direction of their own agencies, because their duties are diverse and the missions limited.
6. All vestiges of statutes linking minor state law enforcement agencies, such as DOT personnel, to the state police should be repealed and control over those personnel and their duties placed either with the agency or specified by statute. Department of Transportation enforcement personnel with proper training in enforcement of driving under the influence laws should be allowed, by statute, to arrest drivers suspected of driving under the influence, regardless of what type of vehicle the offender is operating.

Criminal Justice Training

1. The General Assembly should require training of all persons acting as peace officers. Standards for all law enforcement training should be set by the Kentucky Law Enforcement Council.
2. Criminal justice training facilities must be expanded. They do not meet current needs and they certainly do not meet the needs for the future.
3. The state should look into utilization of the Army Depot at Avon as a police training facility.
4. Elective training should be provided to private security guards and private police. The committee urges the General Assembly to provide a statutory base for licensing, training, and operation of private security guards and private police.

Corrections Cabinet

1. At present we do not have enough prison facilities. It is recommended that the Corrections Cabinet give preference to building prison facilities in those counties in which the public wants them built, but that the cabinet not be limited thereto.
2. The expansion of current prisons without adequate support facilities and double celling at facilities designed for single occupancy should be avoided.
3. Idleness in prisons should be discouraged by incentives for work, prison industries, and educational opportunities.

Parole Board

1. The present subjective-based parole system should be retained. Evidence shows that the Parole Board is not influenced by prison overcrowding.
2. The legislature, not the Parole Board alone, is responsible for increasing prison population through mandatory sentences. A correctional impact statement should be required on each piece of criminal justice legislation, so that the legislature will know the effect of its actions while they are being taken.

Juvenile Justice

1. Jurisdiction over local juvenile facilities needs to rest solely with the Cabinet for Human Resources.
2. We do not have enough alternatives to detention programs for juveniles. It is recommended that the Cabinet for Human Resources' "Children's Residential Services Advisory Committee Report," appended hereto, be followed with regard to facilities and programs.
3. More juvenile detention facilities are needed. Until proper facilities can be constructed, county jails, with proper separation from sight and sound of adult prisoners, may be used as juvenile detention facilities, and adequate programming should be provided. If economically feasible, some of the smaller county jails which have been closed, and some which are still open, could be remodeled into juvenile detention facilities.

4. Juvenile judges need to be able to place juvenile offenders in detention when necessary, and adequate space should be available for that purpose.
5. Juvenile runaways, recalcitrant juveniles, and similar juveniles need to be placed in detention for their own protection. This should be done only when no other alternative is available, when they can be separate and apart with juveniles accused of crimes, and for not longer than 72 hours prior to court appearance.
6. The court-designated worker system appears to be working well in most judicial districts. This committee recommends that the court-designated worker system be under the direct control of the Administrative Office of the Courts and not be contracted out.
7. We need more in-the-community programs and alternatives for the treatment of juveniles.

Jails

1. Jails should have programs for alcohol and drug abuse.
2. Jails have been inequitably distributed, primarily to counties with an ability to build their own facilities. Federal prisoners should be housed in state jails only after all state jail needs have been met.
3. Mentally ill persons should not be housed in jail for more than 24 hours without being evaluated.
4. The jail construction authority should build only truly regional jails.
5. Jailer training should be provided by the Corrections Cabinet.
6. Full service jails should have educational and vocational programs in which the prisoners may participate.
7. Jails should have permissive counseling programs.

Other Recommendations

1. The office of Constable should be abolished by constitutional amendment.
2. There seem to be inadequacies in recordkeeping and statistics in the criminal justice system and the Administrative Office of the Courts is requested to study the matter and report to the 1990 regular session as to implementation of its new computer programs.
3. The committee heard testimony on state takeover of jails but could not make a conclusion regarding the matter.

COMMITTEE ON TRANSPORTATION

1. The Kentucky Transportation Cabinet, whose mission is to provide the state with an adequate road program, has properly identified its priority expenditure items. The Cabinet should continue to place its priorities on meeting debt service payments, funding statutory programs, and matching federal-aid dollars, before engaging in other expenditure programs.

2. No funds should be diverted from road fund to general fund programs. The General Assembly should adopt legislation to ensure that funds that have been traditionally earmarked for roads shall not be diverted to general fund programs.
3. The Transportation Cabinet should submit the six-year construction plan at the same time the transportation budget is presented to the General Assembly, in order for a proper review to be completed. The Transportation Cabinet, in its submission of the six-year highway construction plan, should make an exhaustive effort to ensure that project expenditures in the plan will match anticipated revenue for each fiscal year in the plan. No project deletion should be made from the six-year road construction plan without the approval of the General Assembly.
4. The Transportation Cabinet should examine all statutes relating to its mission and advise the appropriate legislative committees on those laws which might diminish the Cabinet's ability to act in an efficient manner.
5. The Transportation Cabinet should explore in depth those maintenance functions which could be taken over by the private sector and completed in a more efficient and economical manner. In those areas where contract maintenance is not feasible, the Transportation Cabinet should work toward providing an adequately trained and compensated work force.
6. The Transportation Cabinet should submit to the appropriate legislative committee a list of exemptions granted to all fees and taxes which are earmarked to the road fund and an estimate of the cost of each exemption.
7. From a historical perspective, the employees of the Transportation Cabinet should be commended for their part in providing this Commonwealth with a high quality highway system from the funding which has been made available. The Commonwealth's highway system rivals any of the state systems in this nation.

COMMITTEE ON HUMAN RESOURCES

General

Based on our hearings and deliberations, it is the consensus of the committee that we are not meeting basic needs of the citizens of Kentucky and have no hope of doing so unless fundamental changes are made in CHR and additional financial resources are allocated for this purpose. With this in mind, the committee endorses in principle the human service needs expressed in a March 10, 1989 communication to Senator Benny Ray Bailey from Human Resources Secretary Harry Cowherd. (Available from the staff of the LRC.) This document catalogs numerous pressing needs in human resources, including such areas as funding for community based services for severely emotionally disturbed children, funding for implementation of the federal Family Support Act, expansion of the Kentucky Medical Assistance Program, funding for additional juvenile

residential treatment beds, and funding for additional long-term care beds in the 1990-92 biennium.

AFDC Families

In order to provide AFDC families with a better chance of attaining economic independence, the committee recommends that CHR: develop a case management system to coordinate services for AFDC families; improve the Child Support Enforcement program by implementing an automated data system, establishing performance standards for the program, and eliminating backlogged cases; and improve the availability and quality of day care services by registering family day care homes, developing standards for relative care paid for by the state, and providing more programmatic support to day care providers. In addition, AFDC benefits should be increased on a regular basis and the number of subsidized day care slots should be increased.

Children and Families at Risk

The case manager concept should be implemented for high- risk multiple-problem families; community based alternatives to institutional services for severely emotionally disturbed children should be developed; the Child Support Enforcement program should be improved by implementing an automated data system, establishing performance standards for the program, and eliminating backlogged cases; the availability and quality of day care services should be improved by registering family day care homes and providing more programmatic support to day care providers. Additionally, CHR should be included in the development of early childhood development programs; the Medicaid program should be expanded to cover groups eligible under the federal law, and the number of Family Service Workers should be increased.

Elderly Population

A case management system for elderly persons at risk of institutionalization should be developed; greater supervision of community-based care providers should be provided; caregiver alternatives should be developed that reimburse family or neighbors for providing personal care to older persons; a pilot program to allow older persons to purchase services with vouchers should be developed; and CHR should be given a role in the development of housing policy for older persons.

Case Management

CHR should establish a Cabinet-wide program of computer-assisted case management for various high-risk, multiple-problem target populations; case managers should be given the authority to access and coordinate services across organizational lines; existing staff should be used as case managers where possible; a single data management system should be developed to permit case managers to access needed information.

Health Care Cost Containment

A coordinating group within the Executive Branch should be established to develop cost containment strategies for all state health expenditures; such a group should encourage the use of cost-effective services; efforts to contain health care costs in Medicaid should be continued; the use of allied health care personnel should be encouraged; and the Department of Insurance should review the role of private insurance carriers who are also health care providers.

Data Processing and Systems Management

The General Assembly should call for a program review of all data system contracts initiated by CHR for the past six years; a full-time professional should be appointed to manage the Cabinet's data systems; and a summary of key facts about CHR's data systems should be included in the Information Resources Plan.

Long-range Planning

Legislation should be enacted to require a continuous long-range planning process; CHR should continue to work with the General Assembly to gain concurrence on human service priorities; realistic outcome goals should be developed for programs and information systems should be designed to collect outcome information; advisory committees should be composed of independent thinkers and their work reviewed to determine those committees that could be combined or eliminated.

Volunteers

Volunteer services should have Cabinet-wide emphasis; the primary role of the coordinator of volunteer services should be to identify ways in which CHR can use volunteers, develop recruitment and training strategies, develop outcome measures for volunteer service providers, and provide appropriate public recognition of volunteers. The volunteer coordinator should coordinate with other state agencies and the private sector to maximize the use of volunteers.

COMMITTEE ON EDUCATION AND THE HUMANITIES

General

1. Amend the Constitution to establish a State Board of Education comprised of seven members representing the Congressional districts, elected in non-partisan elections, and six members appointed by the Governor; require the Board to appoint the Superintendent of Public Instruction.
2. Establish a bi-partisan panel appointed by the Governor to recommend nominees for appointed educational governing boards.

Education and Humanities Cabinet

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.

2. Consolidate the Oral History Commission, the Kentucky Historical Society, the Department for Libraries and Archives and the Kentucky Heritage Council.
3. Increase KET's independence, particularly in the areas of personnel and purchasing policies, to allow for a high quality of service, while maintaining accountability to the public.
4. Alter the composition of the Commission on the Deaf and Hearing Impaired to allow equal representation of hearing impaired and hearing persons.
5. Increase the level of statewide outreach for blind and hearing impaired persons in Kentucky through more satellite programs.
6. Organize programs for adult basic education into one agency to improve coordination of programs.
7. Provide tax incentives for businesses to establish literacy classes.

Department of Education

1. Eliminate the Division of Surplus Property in the Department of Education.
2. Support legislation to remove the high school athletic appeals process from the State Board of Elementary and Secondary Education, if an appeals process is provided in some fashion.
3. Recommend an external study of the Department of Education to determine the appropriate organizational structure and the level of resources required for the Department to meet its mission as established by the General Assembly. Study areas should include, but not be limited to, the following:
   a. An analysis of the number of staff and the amount of financial resources needed to be effective.
   b. A review of the salary and benefit structure for Department of Education employees, to assure that they are comparable to those of employees with similar training and experience in local school districts and that the structure is equitable for all employees within the Department.
   c. Address the concept of a teacher majority standards board as it relates to the increased efficiency within the Division of Teacher Education and Certification and the practice of licensure.
   d. Review the need for a unit on elementary education in the Office of Instruction.
   e. Review the program approval process for the Colleges of Education, to assure that the effort is coordinated between the State Board for Elementary and Secondary Education and the Council on Higher Education.
4. Recommend a computerized communications system designed to provide teachers with instant access to performance and program information, and link the Department of Education and the local districts for the transference of reports.
5. Recommend that the Department of Education be post-audited on personnel and expenditures, rather than receiving prior approval from the Department

of Finance and Administration and the Department of Personnel for all transactions.

6. Recommend that a statewide job placement service be made available by the Department of Education for instructional and administrative personnel.
7. Recommend that the state's accreditation process and the Southern Association of Colleges and Schools' accreditation process occur at the same time in districts that belong to the Southern Association.
8. Recommend that the General Assembly set standards for schools and implement a stringent monitoring process which will require in every individual school a level of quality that is acceptable by the Southern Association of Colleges and Schools.
9. Expand opportunities for highly qualified individuals to enter teaching as a career.

Post-Secondary Education

Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education, which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.

EXECUTIVE ORDERS

1. KRS 12.060(2) should be amended to delete the authority of the head of any department to "abolish unnecessary offices" with approval of the Secretary of the Finance and Administration Cabinet.
2. KRS 15A.090 (Justice Cabinet), 174.035 (Transportation Cabinet) and 224.014 (Natural Resources and Environmental Protection Cabinet) should be repealed. Subsection (1) and the first sentence of Subsection (2) of KRS 194.040 (Human Resources Cabinet) should be repealed.
3. Every executive order on reorganization forwarded to the Legislative Research Commission should have its complete text printed in the next issue of the Administrative Register.
4. KRS 12.028 should be amended to direct the interim joint legislative committee to which the reorganization plan has been assigned for review to indicate in its report to the legislative research commission whether the reorganization plan meets the requirements of KRS 12.028(3). If it fails to meet the requirements, the General Assembly should not confirm the reorganization plan at the next Regular Session.

ORGANIZATION AND STRUCTURE

1. Enabling legislation for Program Cabinets and Cabinet Secretaries should be consolidated and placed exclusively in KRS Chapter 12. A statute in the KRS Chapters pertaining to the various Cabinets should refer to KRS Chapter 12. KRS 12.270 should be amended to provide that each Secretary shall have exclusive control and direction over the administration of the Cabinet, as required by law.
2. KRS 12.255 should be amended to provide that each Program Cabinet Secretary shall be bonded, as required by KRS 62.160.
3. KRS 62.160, on bonds for state officials, should be amended to correct the titles of state officials listed; the bond amounts may need revision.
4. KRS 12.260(2) should be repealed, or the position of ombudsman for the Public Protection and Regulation Cabinet should be filled.
5. KRS 12.270 should be amended to provide that unless the Governor expressly reserves the power to himself, the Secretary is empowered to:

(a) Hold agency heads accountable for their administrative, fiscal and program actions in the conduct of the respective powers and duties of the agencies, and

(b) Direct the development of goals, objectives, policies and plans that are necessary to the effective and efficient operation of government.

6. The document prepared by LRC staff for the Commission on Kentucky's Government which describes the agencies, boards and commissions of the executive branch should be published and periodically updated and a copy provided to each legislator and appropriate staff.

SPACE NEEDS OF STATE GOVERNMENT IN FRANKFORT/FRANKLIN COUNTY, KENTUCKY

1. A capital construction program for office space needs in Frankfort financed by revenue bonds should be developed.
2. It should be the policy of the Commonwealth and plans should be developed to consolidate the staff of agencies in the fewest number of structures, if Cabinet Secretaries determine consolidation would improve efficiency and effectiveness of the agencies and better serve the taxpayers of the Commonwealth.

EMPLOYMENT TRENDS

The full-time employment cap for state government should be adjusted to reflect actual employment needs; excessive vacant positions should be abolished from agency personnel listings.

PERSONAL SERVICE CONTRACTS/HEARING OFFICERS

Hearing officers should not be hired by personal service contracts, if sufficient funding can be found to adequately finance the operation of a state agency to conduct administrative hearings.

KENTUCKY DEVELOPMENT FINANCE AUTHROITY—JAPANESE BOND ISSUE

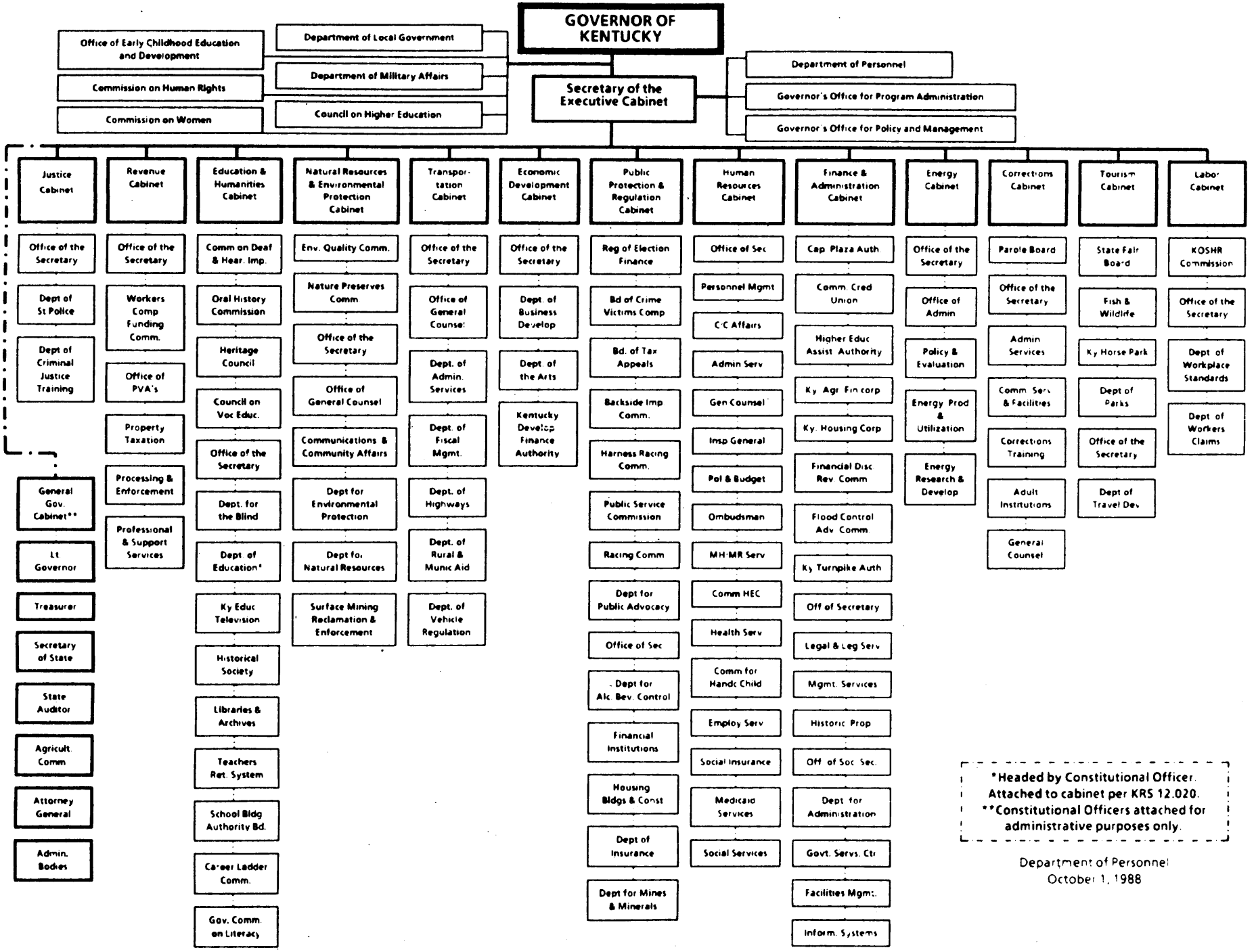
Any bond issue financed directly or indirectly by any state bonding authority should be approved by the General Assembly.

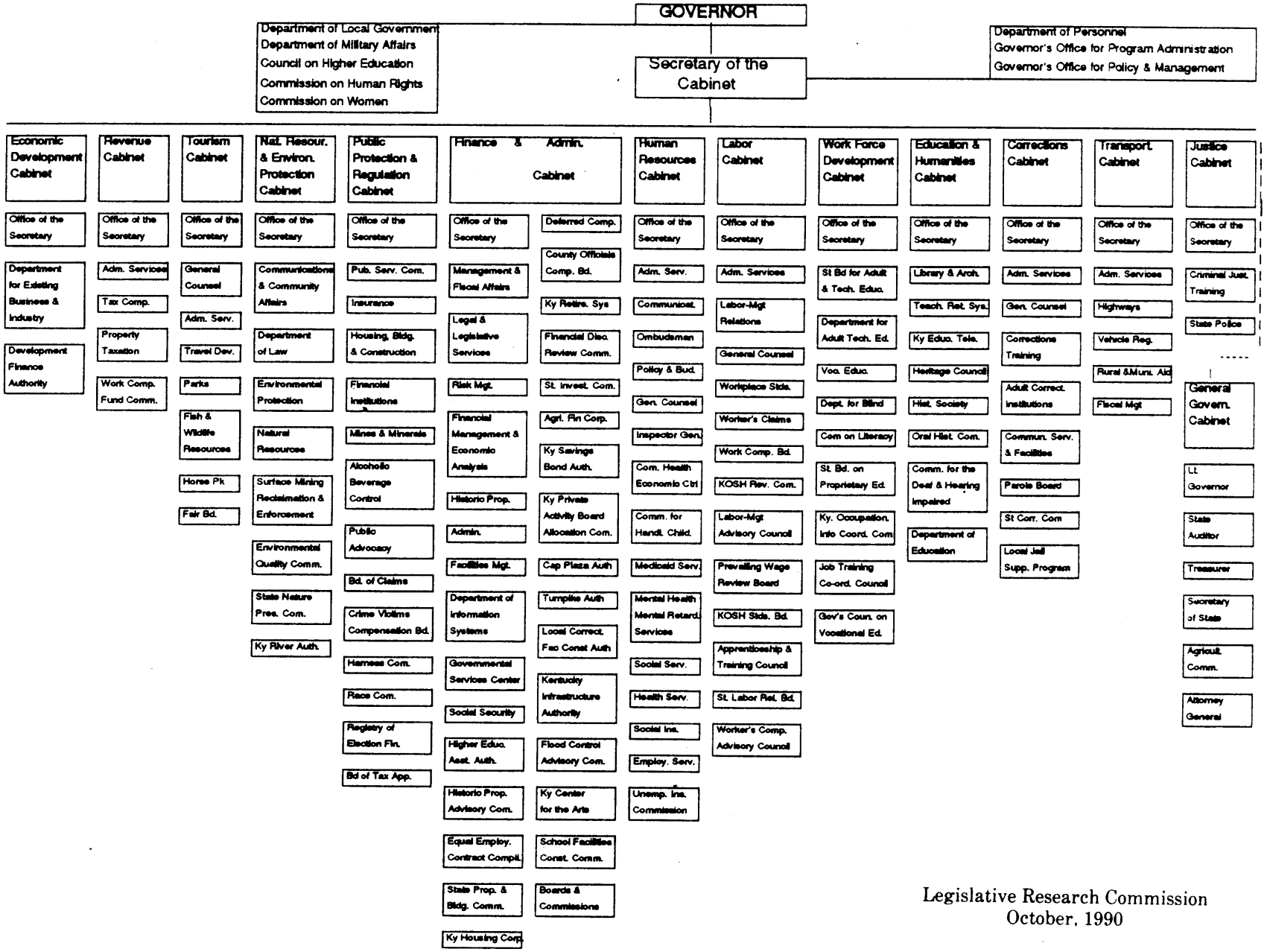
APPROPRIATION-SUPPORTED DEBT SERVICE

1. A debt service level should be established and all debt service should be accurately reflected in detail in the budget.
2. A shared information system relating to debt service should be developed for use by the executive and legislative branches of government.

REVENUE FORECASTING AND THE REVENUE SHORTFALL CRISIS

A constitutional amendment should be proposed to the electorate to permit a Budget Session of the General Assembly in odd-numbered years.


GOVERNOR OF KENTUCKY
Office of Early Childhood Education and Development
Commission on Human Rights
Commission on Women
Department of Local Government
Department of Military Affairs
Council on Higher Education
Secretary of the Executive Cabinet
Department of Personnel
Governor's Office for Program Administration
Governor's Office for Policy and Management
Justice Cabinet
Office of the Secretary
Dept of St Police
Dept of Criminal Justice Training
General Gov. Cabinet**
Lt Governor
Treasurer
Secretary of State
State Auditor
Agricult. Comm
Attorney General
Admin. Bodies
Revenue Cabinet
Office of the Secretary
Workers Comp Funding Comm.
Office of PVA's
Property Taxation
Processing & Enforcement
Professional & Support Services
Education & Humanities Cabinet
Comm on Deaf & Hear. Imp.
Oral History Commission
Heritage Council
Council on Voc Educ.
Office of the Secretary
Dept. for the Blind
Dept. of Education*
Ky Educ Television
Historical Society
Libraries & Archives
Teachers Ret. System
School Bldg Authority Bd.
Career Ladder Comm.
Gov. Comm. on Literacy
Natural Resources & Environmental Protection Cabinet
Env. Quality Comm.
Nature Preserves Comm
Office of the Secretary
Office of General Counsel
Communications & Community Affairs
Dept for Environmental Protection
Dept for Natural Resources
Surface Mining Reclamation & Enforcement
Transportation Cabinet
Office of the Secretary
Office of General Counsel
Dept. of Admin. Services
Dept. of Fiscal Mgmt.
Dept. of Highways
Dept. of Rural & Munic Aid
Dept. of Vehicle Regulation
Economic Development Cabinet
Office of the Secretary
Dept. of Business Develop
Dept. of the Arts
Kentucky Develop Finance Authority
Public Protection & Regulation Cabinet
Reg of Election Finance
Bd of Crime Victims Comp
Bd. of Tax Appeals
Backside Imp Comm.
Harness Racing Comm.
Public Service Commission
Racing Comm
Dept for Public Advocacy
Office of Sec
Dept for Alc. Bev. Control
Financial Institutions
Housing Bldgs & Const
Dept of Insurance
Dept for Mines & Minerals
Human Resources Cabinet
Office of Sec
Personnel Mgmt
C/C Affairs
Admin Serv
Gen Counsel
Insp General
Pol & Budget
Ombudsman
MH/MR Serv
Comm HEC
Health Serv
Comm for Handc Child
Employ Serv
Social Insurance
Medicaid Services
Social Services
Finance & Administration Cabinet
Cap Plaza Auth.
Comm. Cred Union
Higher Educ Assist Authority
Ky Agr Fin corp
Ky. Housing Corp
Financial Disc Rev Comm
Flood Control Adv Comm.
Ky Turnpike Auth
Off of Secretary
Legal & Leg Serv
Mgmt. Services
Historic Prop
Off of Soc Sec.
Dept for Administration
Govt. Servs. Ctr
Facilities Mgmt.
Inform. Systems
Energy Cabinet
Office of the Secretary
Office of Admin
Policy & Evaluation
Energy Prod & Utilization
Energy Research & Develop
Corrections Cabinet
Parole Board
Office of the Secretary
Admin Services
Comm Serv & Facilities
Corrections Training
Adult Institutions
General Counsel
Tourism Cabinet
State Fair Board
Fish & Wildlife
Ky Horse Park
Dept of Parks
Office of the Secretary
Dept of Travel Dev
Labor Cabinet
KOSHR Commission
Office of the Secretary
Dept of Workplace Standards
Dept of Workers Claims
*Headed by Constitutional Officer. Attached to cabinet per KRS 12.020.
**Constitutional Officers attached for administrative purposes only.
Department of Personnel
October 1, 1988



Legislative Research Commission
October, 1990

CHAPTER I

INTRODUCTION

The 1988 Kentucky General Assembly enacted Senate Concurrent Resolution 83, which created the Commission on Kentucky's Government, to study each executive agency and its programs, functions, and mission. The purpose of the study is to determine whether the agencies and their programs are:

- serving a legitimate public end,
- functioning in the most efficient manner, and
- effectively serving citizens of the Commonwealth.

The overall goal, as stated in the resolution, is to make recommendations designed to insure the most effective and wise expenditures of tax dollars. The need for the study is evidenced by the revenue shortfalls repeatedly faced by Kentucky during the 1980's, which curtailed the delivery of services during a time of increased demand for state services.

Although there is no consensus on a perfect structure of state government, it is important that state government be manageable. Likewise, there is no perfect number of state agencies, but it is important that end results desired by taxpayers are being accomplished and that program objectives set by the General Assembly are being met in the most efficient and effective manner. A well-structured state government, with duplicative programs consolidated or eliminated, agencies trimmed to manageable size, and with clear lines of authority to the chief executive established, should provide not only a more efficient and effective government, but a government more accountable to the citizens of Kentucky and the General Assembly.

Kentucky's Executive Branch Structure

The executive branch of Kentucky state government is structured on a program cabinet system. There are 13 program cabinets, which are each headed by a Secretary appointed by the Governor. (Between the beginning of the Commission's work and the completion of its work, the number of Program Cabinets was reduced to 12, when the Energy Cabinet was abolished. Subsequent to the Commission's last meeting, the Workforce Development Cabinet was created.) The program cabinets are listed in KRS 12.250 and the agencies within each cabinet are designated in KRS 12.020. Each Secretary acts as the chairman of the related cabinet, is a member of the Governor's Cabinet, and serves as the Governor's liaison for providing direction and coordination of the various departments, boards and commissions. The General Assembly established the authority, powers and duties of the Secretaries in KRS 12.270.

The Governor's General Cabinet is described in KRS 11.060. It is composed of the heads of the constitutional and statutory administrative departments and Program

Cabinet Secretaries. The Governor serves as chairman of the General Cabinet, which is attached to the Office of the Governor and is not a separate department or agency.

The Governor's Executive Cabinet, as provided in KRS 11.065, consists of the Secretaries of the Program Cabinets, the Secretary of the Governor's Executive Cabinet, and the Lieutenant Governor. The Cabinet meets not less than once every two months. It is a part of the Office of the Governor and is not a separate department or agency. The members of the Cabinet are "major assistants to the Governor in the administration of the state government and . . . assist the Governor in the proper operation of his office and perform such other duties as the Governor may require of them."

The Secretary to the Governor's Executive Cabinet is an agency of state government created under KRS 11.040. The Secretary is appointed by the Governor and is "responsible for implementing all policies of the governor, coordinating all activities of the governor's executive cabinet, and advising and consulting with the governor on all policy matters affecting the state."

Five administrative bodies are attached to the Office of the Governor under KRS 12.023. They are: Council on Higher Education, Department of Military Affairs, Department of Local Government, Kentucky Commission on Human Rights, and Kentucky Commission on Women.

Executive Branch Structure and the Authority of the General Assembly

It is appropriate that the General Assembly study the organization of the executive branch, since the reorganization of the executive branch is legislative in nature. The Supreme Court of Kentucky in *Brown v. Barkley*, 628 SW2d 616 (1982), stated at page 623 that "when the General Assembly has placed a function, power or duty in one place there is no authority in the Governor to move it elsewhere unless the General Assembly gives him that authority." In *LRC v. Brown*, 664 SW2d 907 (1984), the Court at page 930 held:

> Even though the Governor has the supreme executive power of the Commonwealth (KY. Const. Sec. 69), he cannot transfer the functions of an existing, legislatively-created executive agency or department to another without legislative authority.

The Court went on to say at page 931 that "the Governor has no inherent power to reorganize" and that "reorganization is legislative in nature."

The General Assembly, recognizing that changes in state government organizational structure may need to be made during the interim between legislative sessions, has enacted procedures, codified in KRS Chapter 12, to enable the Governor to temporarily effect a change in the structure of the executive branch. The authority granted to the Governor does not extend to reorganization of an organizational unit or administrative body headed by an elected state executive officer, unless that officer has made a request

in writing. An elected state executive officer other than the Governor may also temporarily effect a change in organizational structure, but only to an organizational unit or administrative body that he or she heads. A temporary reorganization is effected by filing an executive order with LRC and the Secretary of State. The temporary reorganization plan shall be terminated 90 days after sine die adjournment of the next regular session of the General Assembly. Legislation is recommended to the General Assembly to confirm the plan. If the General Assembly fails to enact the plan, the previous organizational structure is reinstated upon termination of the temporary plan and the plan may not be effected prior to the next succeeding Session of the General Assembly.

The General Assembly has provided for administrative organization of the executive branch through enactment of other statutes codified in KRS Chapter 12.

- KRS 12.029 authorizes the Governor to appoint advisory or study committees on reorganization.
- KRS 12.040 authorizes heads of departments to have control of their departments, to be appointed by the Governor for terms up to 4 years, maintain an organization capable of attachment of related administrative bodies, provide facilities and functions to carry out duties, and exercise supervision over agency personnel.
- KRS 12.050 authorizes the appointment of deputy heads of departments and directors of divisions and institutions.
- KRS 12.060 authorizes heads of departments, with approval of the Secretary of the Finance and Administration Cabinet, to establish subordinate positions and to abolish unnecessary offices and positions, transfer employees, and change duties, titles and compensation of existing offices and positions.
- KRS 12.070 provides the requirements for appointment to administrative boards and commissions.
- KRS 12.080 authorizes the Governor, with approval of his Executive Cabinet, to prescribe general rules of conduct for administrative departments and authorizes heads of departments to prescribe rules not inconsistent with the rules prescribed by the Governor.
- KRS 12.090 directs agencies to cooperate with each other.
- KRS 12.100 authorizes the Governor, with the advice of his Executive Cabinet, to resolve conflicts between agencies.
- KRS 12.110 requires the Governor to submit to LRC annual reports of the finances and operations of the state. The head of each statutory department is required to submit an annual report to the Governor and special reports upon request. Copies of annual reports are required to be sent to LRC for use by members of the General Assembly.
- KRS 12.120 authorizes the heads of departments to administer oaths and examine witnesses.

- KRS 12.130 directs the Governor to require each agency to keep a systematized plan of filing, bookkeeping and accounting.

Commission Activity

The Commission on Kentucky's Government met four times between September, 1988, and January, 1990. At its first meeting, on September 20, 1988, the Commission adopted a mission statement to guide its six committees in their deliberations. The six committees of the Commission, each with 15 members, were established in SCR 83 and had the following subject matter jurisdictions: economic development, energy and natural resources; education and humanities; general government, finance and public protection; human resources; justice and corrections; and transportation. Appendix No. 1 is a copy of SCR 83.

The second meeting of the Commission was held on September 6, 1989. Staff reported on executive orders on reorganization, organization and management structure of the executive branch, space needs of state government in Franklin County, the Japanese bond issue of the Kentucky Development Finance Authority, and state revenue and expenditure data.

The third meeting of the Commission was held on October 12, 1989. Final committee reports were presented by the persons who chaired the Commission's six committees. Staff presented reports on appropriation-supported debt service, state employment trends, personal service contract hearing officers, and revenue forecasting and the revenue shortfall crisis. The Commission was presented with 144 recommendations for consideration. The Commission decided to have the recommendations sent to the agencies affected and allow them to respond in writing. The responses submitted by agencies are in Appendix No. 4 of this report.

The fourth and final meeting of the Commission was held on January 16, 1990. The Commission voted to approve all recommendations proposed by its six committees, as well as those proposed by the Commission staff. The Commission directed staff to draft legislation to implement the recommendations on executive orders and on organization and management structure. The legislation was drafted and introduced at the 1990 Session of the General Assembly as SB 355 and SB 363. A House Committee failed to report SB 363 (organization and management structure) and the Governor vetoed SB 355 (executive orders).

Overview of Activities of the Committees

Committee on Economic Development, Energy and Natural Resources

The Economic Development, Energy and Natural Resources Committee held eight meetings between October 1988 and July 1989. The Committee's jurisdiction included the agencies and programs of the Economic Development Cabinet, the Energy Cabinet, the Natural Resources and Environmental Protection Cabinet, and the Tourism Cabinet. During the ten-month period of Committee meetings, the Commerce Cabinet was renamed

the Economic Development Cabinet, the Energy Cabinet was abolished, and an Office for Coal and Energy Policy was created and attached to the Governor's Office.

The Committee proposed 14 recommendations to the Commission. Recommendations include the following: the Economic Development Cabinet should involve the Natural Resources and Environmental Protection Cabinet at the earliest possible stage in any decision-making process for locating industrial facilities, and environmental issues should be given high priority in any considerations involving the expenditure of state economic development funds; the state's coal regulatory functions should not be consolidated into one agency; coordination between the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet should be formalized by the adoption of a memorandum of understanding between the two agencies; the Department of Law in the Natural Resources and Environmental Protection Cabinet should be abolished and an Office of General Counsel established; and a planning and development office should be created within the Secretary's Office in the Natural Resources and Environmental Protection Cabinet.

Committee on Education and Humanities

The Committee on Education and Humanities met 11 times between October, 1988, and August, 1989. The Committee's jurisdiction included the Education and Humanities Cabinet, Department of Education, School Facilities Construction Committee, Council on Higher Education, Kentucky Higher Education Assistance Authority, and Kentucky Higher Education Student Loan Corporation.

The Committee proposed 19 recommendations to the Commission. Recommendations include the following: establish a State Board of Education, which will appoint the Superintendent of Public Instruction; abolish the Office of Secretary of the Education and Humanities Cabinet; consolidate the Oral History Commission, the Kentucky Historical Society, the Department for Libraries and Archives, and the Kentucky Heritage Council; eliminate the Division of Surplus Property in the Department of Education; establish a computerized communications system designed to provide teachers with instant access to performance and program information; and establish a separate, free-standing board for post-secondary education.

Committee on General Government, Finance and Public Protection

The Committee on General Government, Finance and Public Protection held nine meetings between October, 1988, and September, 1989. The committee's jurisdiction included the constitutional offices, Finance and Administration Cabinet, Labor Cabinet, Revenue Cabinet, Department of Personnel, Kentucky Commission on Human Rights, Kentucky Commission on Women, Department of Military Affairs, Council on Higher Education, Department for Local Government, and Cabinet for Public Protection and Regulation.

The Committee proposed 19 recommendations to the Commission, including constitutional amendments to reduce elected statewide offices to Governor, Lieutenant Governor, Attorney General and Auditor, allow statewide elected officers to succeed themselves, allow the Governor to retain his or her authority while absent from the state, and establish a process to determine gubernatorial disability. Other recommendations are to authorize the Attorney General to direct local prosecutors to investigate allegations of local government corruption; require local government units to submit to the Auditor plans to correct audit findings of noncompliance; authorize the Auditor to charge state agencies for audits; create a Commission on Capital Budgeting and Planning; consolidate some or all of the administrative services of the 27 occupational and professional licensing boards; and provide the Department of Personnel with sole authority for promulgating regulations for administration of the state's personnel system.

Committee on Human Resources

The Committee on Human Resources met nine times between October, 1988, and July, 1989. The Committee focused on several target populations served by the Cabinet for Human Resources. The Committee concentrated on AFDC families, children and families at risk, and the elderly. Cabinet-wide issues, such as long-range planning, case management, volunteer services, data processing and health care cost containment were also studied.

The Committee proposed more than 30 recommendations to the Commission. In general, the Committee concluded that basic needs of Kentuckians are not being met and will not be met unless fundamental changes are made in the Cabinet for Human Resources. Recommendations include the following: develop a case management system to coordinate services for AFDC families; implement an automated data system to improve the child support enforcement program; register family day care homes; implement the case manager concept for high-risk multiple-problem families and for elderly persons at risk of institutionalization; develop a pilot program to allow older persons to purchase services with vouchers; establish a role for the Cabinet for Human Resources in the development of a housing policy for older persons; establish a Cabinet-wide program of computer-assisted case management for various high-risk, multiple-problem target populations; establish a coordinating group within the Executive Branch to develop cost containment strategies for all state health expenditures; review all data system contracts initiated by the Cabinet for the past six years; establish by legislation a continuous long-range planning process; and give volunteer services a Cabinet-wide emphasis.

Committee on Justice and Corrections

The Committee on Justice and Corrections held 10 meetings from November, 1988, to September, 1989. The Committee's jurisdiction included the programs and agencies of the Justice Cabinet and the Corrections Cabinet.

The Committee proposed 34 recommendations to the Commission. Recommendations include the following: the Justice and Corrections Cabinets should be combined; the Crime Commission should focus on long-range strategic criminal justice planning and should be an independent agency; state police training should be integrated with all other criminal justice training; the state police should utilize a central state laboratory; all peace officers should be trained; the subjective-based parole system should be retained; the Cabinet for Human Resources should have sole responsibility for local juvenile facilities; the jail construction authority should build only truly regional jails; the office of Constable should be abolished; and the Administrative Office of the Courts should determine whether there are inadequacies in recordkeeping and statistics in the criminal justice system.

Committee on Transportation

The Committee on Transportation held 8 meetings between October, 1988, and September, 1989. The Committee reviewed agencies and programs within the Transportation Cabinet.

The Committee made 7 recommendations to the Commission. Recommendations include the following: the Transportation Cabinet should continue to place priority on meeting debt service payments, funding statutory programs, and matching federal-aid dollars before engaging in other expenditure programs; diversion of funds from the Road Fund to the General Fund should be prohibited; the six-year construction plan should be submitted by the Cabinet at the same time the transportation budget is presented to the General Assembly; the Cabinet should determine which maintenance functions could be taken over by the private sector; and a list of exemptions granted to all fees and taxes which are earmarked to the Road Fund should be submitted to the appropriate legislative committee.

Compilation of Descriptions of Organizational Units And Administrative Bodies of the Executive Branch

A byproduct of the Commission's work is a compilation of descriptions of organizational units and administrative bodies of the executive branch of Kentucky state government. This information was gathered by more than 50 LRC staff persons, to provide the Commission with information for reference during its deliberations. One of the Commission's recommendations is that this compendium be published by the Legislative Research Commission. It was published in October, 1990, by the Legislative Research Commission as Informational Bulletin No. 171.

Summaries and Index to Executive Orders on Reorganization

Another byproduct of the Commission's work is summaries of all executive orders on reorganization issued from 1974 to the present. Also included is a comprehensive index to make it easy to find summaries of executive orders pertaining to any executive agency.

Organization of this Report

The final reports of the Commission's six committees are presented in separate chapters in this report. In addition to the reports of committees, this report contains the Commission's findings and recommendations pertaining to executive orders on reorganization, organization and management structure of the executive branch, space needs of state government in Frankfort, the Japanese bond issue, revenue and expenditure data, appropriation-supported debt service, state employment trends, personal service contracts and hearing officers, and revenue forecasting and the revenue shortfall crisis.

Executive branch agencies were asked by the Commission to respond to the recommendations proposed by the Commission's six committees. The responses are found in Appendix 4. The appendices also include Senate Concurrent Resolution 83, Kentucky statutes on administrative organization of the executive branch, and SB 355 and SB 363.

CHAPTER II

FINAL REPORT OF THE COMMITTEE ON GENERAL GOVERNMENT, FINANCE AND PUBLIC PROTECTION

INTRODUCTION

The Committee on General Government, Finance and Public Protection was assigned to review a broad range of executive agencies, as well as constitutional offices. Because of the scope of its jurisdiction, the Committee could not review each organizational unit assigned to it. The Committee did conduct an extensive survey of the state's regulatory boards.

The Committee met nine times between October 1988 and September 1989. The Committee was addressed by the Lieutenant Governor, Attorney General, Auditor, State Treasurer, Secretary of State, Secretary of the Finance and Administration Cabinet, other representatives of that Cabinet including the Director of the Division of Occupations and Professions, Secretary of the Revenue Cabinet, Secretary of the Labor Cabinet, Commissioner of the Department of Housing, Buildings and Construction, and the Public Advocate. The Committee was also addressed by former Governor Julian Carroll and a representative of the Council of State Governments.

FINDINGS AND RECOMMENDATIONS

Proposed Constitutional Amendments Relating To Statewide Elected Officials

(1) The General Assembly should place on the ballot a constitutional amendment which would reduce the number of officers elected statewide to four: the Governor, the Lieutenant Governor, the Attorney General and the Auditor of Public Accounts. The Governor and Lieutenant Governor should be slated as a team prior to the primary election.

(2) The General Assembly should place on the ballot a constitutional amendment specifying that statewide elected officers may succeed themselves but shall be ineligible for the office they hold for the next succeeding four years after the expiration of any two consecutive four-year terms for which they shall have been elected.

(3) The General Assembly should place on the ballot a constitutional amendment to allow the Governor to be absent from the state but retain his authority. The new language would provide for the Lieutenant Governor to become Acting Governor only if the Governor is to be absent and "certifies by entry on his journal that temporarily he or she cannot discharge the duties of the office."

(4) The General Assembly should place on the ballot a constitutional amendment to provide a process by which gubernatorial disability could be determined and the Lieutenant Governor could become Acting Governor.

Office of the Attorney General

(1) The General Assembly should authorize the Attorney General to direct local prosecutors to investigate allegations of local government corruption or, if the prosecutor asks to be excused from such duty, to appoint a prosecutor from another locality or from the Attorney General's Office to conduct the investigation. (KRS 15.200, 15.240, 15.715).
(2) The General Assembly should enact an Administrative Procedures Act so that hearing procedures throughout state government would be consistent.
(3) A committee should be appointed by the General Assembly or the Governor, with the Attorney General as Chairman, to evaluate the salaries of attorneys in executive branch agencies, and compensation of private attorneys working on contract with the Department of Public Advocacy. The committee should make appropriate recommendations to the 1990 General Assembly. At a minimum, the committee should include the Public Advocate and representatives appointed by the Secretaries of Natural Resources and Environmental Protection and Human Resources. The committee should make recommendations which would make the salaries competitive with those of similarly situated attorneys in the surrounding states.

Office of the Auditor of Public Accounts

(1) The General Assembly should require all local government units to submit to the Auditor plans to correct audit findings of noncompliance.
(2) The General Assembly should enact legislation giving the Auditor the authority to charge state government agencies for financial and compliance audits performed by the Auditor and requiring the agencies to pay for such audits. Any receipts should be deposited in an agency account.
(3) The Auditor is currently required to perform audits of every county clerk every year for motor vehicle registration fees. The General Assembly should give the Auditor the authority to randomly select a representative sample of county clerks for annual audit. However, motor vehicle registration audits of each clerk should be conducted at least once every three years.
(4) The General Assembly should review the necessity of requiring annual audits of county fee officials.

Finance and Administration Cabinet

(1) The General Assembly should propose a constitutional amendment to eliminate the $500,000 limit on the issuance of general obligation bonds. (Ky. Const., Sec. 49.)
(2) The General Assembly should create a Commission on Capital Budgeting and Planning to annually review plans for state spending on capital projects and any projects to be financed by state issuance of bonds or other indebtedness.
(3) The General Assembly should consider consolidating some or all of the administrative services of the 27 occupational and professional licensing boards and require that those services be performed by the Division of Occupations and Professions. Each board should retain its policy-making authority.

Public Protection and Regulation Cabinet

The General Assembly should require that members of the Board of Claims and the Crime Victims Compensation Board, which share the same membership, should be paid on a per diem basis for time spent attending meetings or reviewing case files.

Labor Cabinet

The General Assembly should specify that the Finance Cabinet's Office of Investment and Debt Management should be responsible for investing money received from workers' compensation premiums.

Department of Personnel

The General Assembly should amend KRS Chapter 18A to give the Department of Personnel the sole authority for promulgating regulations for the administration of the state's personnel system.

CHAPTER III

FINAL REPORT OF THE COMMITTEE ON ECONOMIC DEVELOPMENT, ENERGY AND NATURAL RESOURCES

SUMMARY OF RECOMMENDATIONS

Energy Cabinet

The Governor's reorganization of the state's energy function is supported.

Economic Development and Tourism Cabinets

(1) The newly formed legislative Task Force on Economic Development and Tourism should give top priority to enhancing organizational, program and staffing stability for these Cabinets.
(2) The Task Force on Economic Development and Tourism and other legislative committees of jurisdiction should act to continue the current emphasis in the Economic Development Cabinet on promotion of, and assistance to, existing state business and industry.
(3) The Secretary of the Tourism Cabinet should be given representation on all commissions and boards within the statutory authority of the Tourism Cabinet.
(4) The Tourism Cabinet and the Natural Resources and Environmental Protection Cabinet should work closely together to enhance the state's natural resources and promote their wise and careful use.
(5) The Economic Development Cabinet should involve the Natural Resources and Environmental Protection Cabinet at the earliest possible stage in any decision-making process for locating industrial facilities, and environmental protection issues should be given high priority in any considerations involving the expenditure of state economic development funds.

Department of Mines and Minerals

(1) The state's coal regulatory functions should not be consolidated into one agency.
(2) Coordination between the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet should be formalized by the adoption of a memorandum of understanding (MOU) between the two agencies, addressing permitting and licensing responsibilities as they are now.
(3) The Interim Joint Committee on Agriculture and Natural Resources should continue to monitor the activities of both agencies to look for possible

efficiencies that could be accomplished through consolidation of responsibilities.

Natural Resources and Environmental Protection Cabinet

(1) The basic Cabinet structure should remain unchanged.
(2) The standing committees of the General Assembly with jurisdiction over the Cabinet for Human Resources and the Natural Resources and Environmental Protection Cabinet should review the feasibility of creating an environmental and health protection cabinet. This review should be in conjunction with the General Assembly's consideration of the state environmental plan and any additional funding or staffing requested to implement the plan.
(3) The Department of Law should be abolished and an Office of General Counsel should be recreated.
(4) The interagency functions and contacts between the Department for Environmental Protection, the Department for Surface Mining Reclamation and Enforcement and the Department of Mines and Minerals should be formalized as they are now, through memorandums of understanding (MOU).
(5) A planning and development office should be created and located within the Secretary's Office for the purpose of coordinating the development of new programs, regulations and proposed legislation. The office should fully utilize the expertise of the Environmental Quality Commission.

INTRODUCTION

The jurisdiction of the Committee on Economic Development, Energy and Natural Resources was centered on the programs administered by the Cabinets assigned for review; the Commerce Cabinet, the Energy Cabinet, the Natural Resources and Environmental Protection Cabinet, and the Tourism Cabinet. Noting only the titles of these executive agencies one might assume the Committee was presented with an insurmountable challenge, to study an incoherent mix of legislative programs. In fact, the Committee exploited a unique factor which leads to the interlocking of certain programs among these otherwise functionally distinct Cabinets. The natural resources of the state link these agencies. Therefore, the programs related to managing these natural resources are the programs the Committee chose to review.

The concurrent resolution establishing the Commission on Kentucky's Government and its committees was debated in March of 1988, at the height of the 1988 legislative session of the General Assembly. Appointments to the committees were made in September of 1988. Almost immediately after the Committee took life, the Governor reorganized the Commerce Cabinet. It became the Economic Development Cabinet. More than a name was changed, as is noted in the testimony and findings of this Committee.

Additionally, but near the end of the Committee's work period, the Energy Cabinet was reorganized out of existence and its functions scattered among a variety of state agencies.

The paths taken by these programs are carefully identified in the agency narrative portion of this report.

The Economic Development, Energy, and Natural Resources Committee held its first meeting in October of 1988, and completed its work at the eighth meeting, held on July 12, 1989.

As each Cabinet and its subordinate departments, boards, and commissions were scheduled for hearings, announcements were sent to interested organizations and individuals. The Committee compiled a mailing list numbering 51. In addition, requests for assistance were sent to 28 state agency officials. Upon the written and verbal comments netted by this widely-flung request for assistance, the Committee based its findings and recommendations.

ENERGY CABINET

Testimony

The Committee heard testimony concerning the Energy Cabinet, the Department of Mines and Minerals and the Kentucky Geological Survey on November 15, 1988. Representing the administration's position on the Energy Cabinet, its Secretary presented testimony on the current administrative structure of the Cabinet, as well as the past history of the agency. He stated that the Cabinet had suffered cuts in recent biennial budgets that would seriously restrict its ability to deal with a major energy shortage similar to that which occurred in the 1970s and which was a major impetus for creating the cabinet. The Secretary further stated that if the primary duties of the Cabinet (research, regulatory oversight and marketing) were to be scattered, the Cabinet should be dissolved.

A former Secretary of Energy testified that the Cabinet should develop more Kentucky-specific programs rather than follow federal energy policies.

The Executive Director of the Kentucky Rural Water Association testified about the Energy Cabinet's support of the Rural Water Association training and technical program. He testified that the program was a success in helping to cut costs of rural water systems. He recommended continued support by the Energy Cabinet.

Findings

The Committee finds that the Energy Cabinet's authority and ability to respond to its statutory charge have been seriously eroded through the years by budget reductions. The direction of the Cabinet and its resources should be redefined to more accurately address current energy issues and needs.

After the Committee's review of the Energy Cabinet, an executive order was issued by which the Cabinet was abolished and an Office for Coal and Energy Policy was created and administratively attached to the Governor's Office. The executive order also created a task force with the purpose of making recommendations for stabilizing and expanding Kentucky coal markets.

The Committee finds this is a better utilization of state resources and more clearly defines the state's efforts in planning and implementing a coordinated state energy policy.

Recommendation

The Governor's reorganization of the state's energy function is supported.

ECONOMIC DEVELOPMENT AND TOURISM CABINETS

Testimony

The Secretary of the Economic Development Cabinet stated that the primary goal of the Cabinet is to support existing Kentucky industries, thus retaining existing jobs and creating conditions for development of new jobs. An example of the method to reach this goal is the Cabinet efforts to identify manufacturing facilities that are more than fifteen years old. These facilities are then offered advice on how to avoid closing because of a lack of productivity and competitiveness. He testified that the Cabinet is working toward diversification of the state's economy. A secondary wood industry is being promoted, for example.

Responding to questions, the Secretary pointed out that his Cabinet and the Department for Environmental Protection each have specific staff people assigned to communicating between the two agencies. Also, he mentioned that his Cabinet, the Human Resources Cabinet, the Natural Resources and Environmental Protection Cabinet, and the Transportation Cabinet have formed an advisory group which can be used as needed to provide guidance and answer questions about the siting of businesses.

The Secretary of the Tourism Cabinet presented general facts about the tourism industry to the Committee, including the fact that tourism is the third largest industry in Kentucky and generates $4 billion, employs 115,000 people, and in 1987 led to the collection of $283 million from taxes.

She outlined a master plan for developing tourism in Kentucky. The plan will assess the strengths and weaknesses in Kentucky's overall tourism program, identify areas where tourism is viable, identify strong projects that should be developed, and determine how much money the projects will take.

The Secretary mentioned that it would be helpful if she were given clear statutory authority over all the agencies assigned to the Tourism Cabinet. Also, in answer to a question on promoting the natural areas of the state, the Secretary responded that the Cabinet does utilize the natural beauty of the state when promoting tourist attractions.

Findings

The Committee finds that with each new administration the organizational structure and program emphasis of the economic development and tourism agencies of state government undergo substantive changes. These changes are illustrated in economic

development by the alternating emphasis on promotion of new industrial efforts as opposed to assistance to existing industrial enterprise, and in tourism by the successive advertising and marketing campaigns. These changes often result in significant turnover among agency personnel (as is the case currently in the Department for the Arts), which reduces efficiency and stability in the state's efforts.

The Committee finds that the Tourism Cabinet is the youngest Cabinet in state government, and the composition of various boards and commissions within the Cabinet's scope do not reflect this new status.

The Committee recognizes that the promotion of tourism is basic to economic development in the Commonwealth and that Kentucky's outstanding wealth of natural resources constitutes a cornerstone of its tourism potential.

The Committee further recognizes that environmental protection considerations are basic to economic development activities and that strong and fairly managed environmental protection programs are fundamental to the state's achieving its long-term economic development potential.

Recommendations

(1) The newly formed legislative Task Force on Economic Development and Tourism should give top priority to enhancing organizational, program and staffing stability for these Cabinets.

(2) The Task Force on Economic Development and Tourism and other legislative committees of jurisdiction should act to continue the current emphasis in the Economic Development Cabinet on promotion of, and assistance to, existing state business and industry.

(3) The Secretary of the Tourism Cabinet should be given representation on all commissions and boards within the statutory authority of the Tourism Cabinet.

(4) The Tourism Cabinet and the Natural Resources and Environmental Protection Cabinet should work closely together to enhance the state's natural resources and promote their wise and careful use.

(5) The Economic Development Cabinet should involve the Natural Resources and Environmental Protection Cabinet at the earliest possible stage in any decision-making process for locating industrial facilities, and environmental protection issues should be given high priority in any considerations involving the expenditure of state economic development funds.

DEPARTMENT OF MINES AND MINERALS

Testimony

The Committee heard testimony from the Commissioner regarding the administrative structure and organization of the state's Department of Mines and Minerals. In response to questions regarding the Department's relationship with the Natural Resources and Environmental Protection Cabinet, the Commissioner emphasized that the objective of his Department was to promote and regulate mine safety. The objective of the Cabinet, on the other hand, is to protect the environment. Commissioner Stanley felt that the Department was the most isolated and independent organization in state government.

There was much discussion among Committee members over the relationship between the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet, specifically relating to the issuance of permits and licenses. The Department issues a license to mine. The Cabinet issues a surface mining and reclamation permit. They are different in purpose.

The Commissioner favors keeping the Department autonomous and would have reservations about reorganizing the Department of Mines and Minerals into a structure that would include surface mining.

The President of the Kentucky Coal Association testified that his organization felt that the Department should maintain its autonomy and not be combined with the Department for Surface Mining Reclamation and Enforcement (which is within the Cabinet), citing the distinction between regulating for safety and regulating for environmental protection.

Findings

The Committee finds that although both the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet regulate the mining of coal, the regulatory emphasis is different, in that Mines and Minerals regulates for mine safety, while the Cabinet enforces environmental protection laws. If they are combined, one or both of the two efforts, protecting the environment, or safety, could suffer. Administration officials from both agencies agree that the current structure works very well, although both agencies agree that coordination between the two could be improved.

Recommendations

(1) The state's coal regulatory functions should not be consolidated into one agency.

(2) Coordination between the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet should be formalized by the adoption of a memorandum of understanding (MOU) between the two

agencies, addressing permitting and licensing responsibilities as they are now.

(3) The Interim Joint Committee on Agriculture and Natural Resources should continue to monitor the activities of both agencies to look for possible efficiencies that could be accomplished through consolidation of responsibilities.

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET

Testimony

The Committee heard testimony on the Cabinet at the December and January regular meetings. The December meeting consisted of testimony by Cabinet and Department officials about the administration and organizational structure of the agency. The second meeting consisted of testimony by interested parties on their views on the operation of the agency.

Agency Testimony

The Cabinet Secretary testified about the Cabinet's growth, specifically in the environmental area. He also commented that the public awareness of and participation in the environmental area has placed increased pressures on the state's environmental regulatory programs. He cited training of employees and funding as major challenges for the future growth of the Cabinet.

Commissioner Tom Bennett testified on behalf of the Department for Surface Mining Reclamation and Enforcement. In explaining the Department's duties, he commented extensively on the role of the federal Office of Surface Mining (OSM) in determining the growth and direction of the Department. He stated that important funding decisions will need to be made at the upcoming Session of the General Assembly, because the court order which followed the resolution of the National Wildlife Federation lawsuit will have run its course. Much of the federal money which had been available to the state because of the court order may need to be replaced by the state.

The department Commissioner testified on behalf of the Department for Environmental Protection. The Commissioner's remarks centered around the development of an environmental plan that was to be presented in mid-summer. The plan will establish and evaluate program needs within the Department.

The department Commissioner testified on behalf of the Department of Natural Resources. He stated that the Department is a service agency rather than a regulatory agency. The Department is concerned with the conservation and enhancement of Kentucky's natural resources.

Testimony on behalf of the newly created Department of Law came from its Commissioner. The Department performs legal services for the other departments within the cabinet.

Interested Party Testimony

The Committee heard testimony in January from industry and environmental groups interested in the organizational structure of the Cabinet. A brief summary of each is listed below.

There are no compelling reasons to change the structure of the Cabinet. Efficiency might be gained from combining the offices in the Cabinet and the Cabinet for Human Resources which relate to radioactive waste.

The environmental programs should be managed in such a way that changes in the environment may be measured in terms of money spent. Also, the Cabinet should institute a Cabinet-wide plan development process.

A reorganization of the Cabinet is not necessary.

Citizens should be allowed greater involvement in the decision-making process and a comprehensive environmental management plan should be adopted.

Development of an environmental policy for the state should be worked out, with input from the Governor's Office and with cooperation of the Economic Development Cabinet.

Ways should be found to eliminate the delay between proposing regulations and their implementation.

Findings

The Committee's attention focused on the Cabinet's organizational structure and the ability of that structure to adequately address the state's regulatory programs relating to coal and to the environment. State officials agreed that the main thrust of the Cabinet over the past few years had been in regulation of surface coal mining. The Cabinet's emphasis on coal regulatory matters is changing, due primarily to the settlement of the National Wildlife Federation lawsuit and the passage of time allowing the Department for Surface Mining Reclamation and Enforcement to become more stabilized.

The committee explored the notion that the Cabinet's responsibilities have become too diverse to be organized within one agency and that Cabinet officials did not have the time to properly shape policy of the state's rapidly growing environmental programs. The Committee considered proposals that would separate the Department for Environmental Protection from the Cabinet and consolidate its functions with environmental health activities currently located within the Cabinet for Human Resources, creating a separate Health and Environment Cabinet. Resolutions from the Kentucky Public Health Association and the Kentucky Association of Milk, Food and Environmental Sanitarians supported this position.

There are many arguments for elevating the environmental regulatory programs to Cabinet-level stature. From the perspective of environmental interest groups, it would elevate policy-making authority to the highest level in state government, giving the programs the exposure needed to capture legislative attention for increased funding and for the adoption of new legislation implementing federally-mandated programs. From the

perspective of industry interests, it would elevate policymaking to a cabinet-level position on policy-sensitive subjects, such as the adoption of regulations on regulatory compliance and enforcement of federally-mandated programs. Industry could also benefit from increased exposure in gaining more funds for functions in the Divisions of Air Quality, Water and Waste Management.

However, the Committee found that, in the testimony and comments from both industry and environmental groups, the consensus was, in the words of one commentator, "don't fix what isn't broken." The Committee found that emphasis on policymaking is increasing in the environmental area. The Committee found that coordination between officials in policymaking roles and the regulators within the Department for Environmental Protection is improving and that public and legislative awareness is increasing. It is obvious that the Department for Environmental Protection will experience tremendous growth over the next few years and could warrant the establishment of a separate Cabinet, but the Committee accepts the suggestion of those who are affected most by the organizational structure to leave the Cabinet as it is currently structured.

The Committee considered creation of a Coal Cabinet that would incorporate the Department for Surface Mining Reclamation and Enforcement, the Department of Mines and Minerals and the remnants of the recently abolished Energy Cabinet. As stated earlier in this report, such a structure could serve to de-emphasize either environmental concerns of the Department for Surface Mining Reclamation and Enforcement or health and safety concerns of the Department of Mines and Minerals.

The Committee closely examined the newly created Department of Law within the Cabinet and questioned the rationale behind a department level agency for what is basically a service group to the other departments of the Cabinet. The Committee believes that the Cabinet's chief legal officer should not be in a policymaking role, as implied by being a Commissioner of a Department within the Cabinet. The Cabinet's chief legal officer, as well as other attorneys under his direction, should operate in a staff role, advising their clients, the Secretary, Commissioners, or other regulators.

Last, the Committee finds that the Department for Environmental Protection and Department for Surface Mining Reclamation and Enforcement are regulatory agencies charged with the responsibility of implementing and enforcing the laws of the Commonwealth, as established by the General Assembly, and administrative regulations promulgated to implement those laws. Public awareness for protection of the state's environment has risen dramatically in the last few years and has placed tremendous pressure on both departments to develop new policies, plans and proposed legislation to strengthen environmental laws.

The Committee believes that this increased public awareness is a positive force but is placing pressure at the wrong points in the administrative structure. The regulators should be free from the pressures of planning new programs and proposing new legislation.

This places regulators in an adversarial position with those they regulate. The planning process, including the development of new programs, funding and legislation to implement those programs, should be at the Cabinet level, with full input from all interested parties. The Committee finds, however, that recently, policy, regulations and

proposed legislative development has taken place at levels in the departments of the Cabinet that should be dedicated to the enforcement and implementation of policy, as directed by regulations and legislation.

Recommendations

(1) The basic Cabinet structure should remain unchanged.
(2) The standing committees of the General Assembly with jurisdiction over the Cabinet for Human Resources and the Natural Resources and Environmental Protection Cabinet should review the feasibility of creating an environmental and health protection cabinet. This review should be in conjunction with the General Assembly's consideration of the state environmental plan and any additional funding or staffing requested to implement the plan.
(3) The Department of Law should be abolished and an Office of General Counsel should be recreated.
(4) The interagency functions and contacts between the Department for Environmental Protection, the Department for Surface Mining Reclamation and Enforcement and the Department of Mines and Minerals should be formalized as they are now through memorandums of understanding (MOU).
(5) A planning and development office should be created and located within the Secretary's Office for the purpose of coordinating the development of new programs, regulations and proposed legislation. The office should fully utilize the expertise of the Environmental Quality Commission.

CHAPTER IV

FINAL REPORT OF THE COMMITTEE ON JUSTICE AND CORRECTIONS

INTRODUCTION

The Committee on Justice and Corrections reviewed programs within the Justice Cabinet and the Corrections Cabinet. The Justice Cabinet's major program areas are the Department of Criminal Justice Training, the Department of State Police, the Division of Grants Management, and the Medical Examiner Program. The Corrections Cabinet is responsible for managing the daily operations of the state correctional institutions and a variety of community-based services. Appropriation units within the Cabinet include Corrections Management, Adult Correctional Institutions, Community Services, and Local Jail Support.

The Committee held its first meeting on November 21, 1988, and held a total of ten meetings. The Committee heard from a variety of speakers, including representatives of the Justice Cabinet, Corrections Cabinet, National Alliance for the Mentally Ill, Cabinet on Human Resources, Administrative Office of the Courts, Jefferson County Attorney's Office, Kentucky Youth Advocates, and jailers, as well as the Franklin County Sheriff, two college professors, the Chairman of the Parole Board, and the Public Advocate.

FINDINGS AND RECOMMENDATIONS

Justice Cabinet

1. The Justice and Corrections Cabinets should be combined. These agencies were combined before and evidence shows that fragmentation of the criminal justice system is undesirable.
2. The mission of the Crime Commission should be long-range strategic criminal justice planning. The planning should be system-wide and include all elements of the criminal justice system. The commission should be an independent agency in the same mold as the Council on Public Higher Education and should report directly to the Governor. The Committee finds from the evidence provided to it that there is a lack of communication between the component parts of the criminal justice system and recommends that communications be established to provide a unified approach to criminal justice.

State Police

1. State police training should be integrated with all other criminal justice training. Evidence shows that the vast core of police knowledge is shared and that all police would benefit from uniform training. If specific in-agency training is desired, it should be short in duration and given by the agency

following basic training. Agency training should complement the basic training and not thwart its content or design.

2. The state police crime laboratory needs additional personnel and salary improvements, to maintain high quality service in the future.
3. The economics of the situation are such that only a single state laboratory facility will suffice; thus, it is recommended that the state police utilize a central state laboratory. The security needs of the state police portion of the laboratory with regard to protection of the chain of evidence and security of evidence need to be planned into the laboratory, and maintained during its construction, and operational procedures need to be developed to maintain the required security during its operation.
4. The selection process for Commissioner of State Police should be designed to be nonpolitical and result in the selection of the best qualified person.
5. Such special state law enforcement agencies as park rangers, facilities security, and the water patrol should remain under the direction of their own agencies, because their duties are diverse and their missions limited.
6. All vestiges of statutes linking minor state law enforcement agencies, such as DOT personnel, to the state police should be repealed and control over those personnel and their duties placed either with the agency or specified by statute. Department of Transportation enforcement personnel with proper training in enforcement of driving under the influence laws should be allowed, by statute, to arrest drivers suspected of driving under the influence, regardless of what type of vehicle the offender is operating.

Criminal Justice Training

1. The General Assembly should require training of all persons acting as peace officers. Standards for all law enforcement training should be set by the Kentucky Law Enforcement Council.
2. Criminal justice training facilities must be expanded. They do not meet current needs and they certainly do not meet the needs for the future.
3. The state should look into utilization of the Army Depot at Avon as a police training facility.
4. Elective training should be provided to private security guards and private police. The Committee urges the General Assembly to provide a statutory base for licensing, training, and operation of private security guards and private police.

Corrections Cabinet

1. At present we do not have enough prison facilities. It is recommended that the Corrections Cabinet give preference to building prison facilities in those

counties in which the public wants them built, but that the Cabinet not be limited thereto.

2. The expansion of current prisons without adequate support facilities and double celling at facilities designed for single occupancy should be avoided.
3. Idleness in prisons should be discouraged by incentives for work, prison industries, and educational opportunities.

Parole Board

1. The present subjective-based parole system should be retained. Evidence shows that the Parole Board is not influenced by prison overcrowding.
2. The legislature, not the Parole Board alone, is responsible for increasing prison population through mandatory sentences. A correctional impact statement should be required on each piece of criminal justice legislation, so that the legislature will know the effect of its actions while they are being taken.

Juvenile Justice

1. Jurisdiction over local juvenile facilities needs to rest solely with the Cabinet for Human Resources.
2. We do not have enough alternatives to detention programs for juveniles. It is recommended that the Cabinet for Human Resources', "Children's Residential Services Advisory Committee Report," appended to this chapter, be followed with regard to facilities and programs.
3. More juvenile detention facilities are needed. Until proper facilities can be constructed, county jails, with proper separation from sight and sound of adult prisoners, may be used as juvenile detention facilities, and adequate programming should be provided. If economically feasible, some of the smaller county jails which have been closed, and some which are still open, could be remodeled into juvenile detention facilities.
4. Juvenile judges need to be able to place juvenile offenders in detention when necessary, and adequate space should be available for that purpose.
5. Juvenile runaways, recalcitrant juveniles, and similar juveniles need to be placed in detention for their own protection. This should be done only when no alternative is available, when they can be separate from juveniles accused of crimes, and held for not longer than 72 hours prior to court appearance.
6. The court-designated worker system appears to be working well in most judicial districts. This Committee recommends that the court-designated worker system be under the direct control of the Administrative Office of the Courts and not be contracted out.

7. We need more in-the-community programs and alternatives for the treatment of juveniles. (See Cabinet for Human Resources' "Children's Residential Services Advisory Committee Report".)

Jails

1. Jails should have programs for alcohol and drug abuse.
2. Jails have been inequitably distributed, primarily to counties with an ability to build their own facilities. Federal prisoners should be housed in state jails only after all state jail needs have been met.
3. Mentally ill persons should not be housed in jail for more than 24 hours without being evaluated.
4. The jail construction authority should build only truly regional jails.
5. Jailer training should be provided by the Corrections Cabinet.
6. Full service jails should have educational and vocational programs in which the prisoners may participate.
7. Jails should have permissive counseling programs.

Other Recommendations

1. The Office of Constable should be abolished by constitutional amendment.
2. There seem to be inadequacies in recordkeeping and statistics in the criminal justice system and the Administrative Office of the Courts is requested to study the matter and report to the 1990 Regular Session on implementation of its new computer programs.
3. The Committee heard testimony on state takeover of jails but could not make a conclusion regarding the matter.

MINORITY REPORT

Comments and Objections to Committee

Report by W. Michael Troop,
Secretary, Justice Cabinet

September 1, 1989

MINORITY REPORT

Justice Cabinet

I agree with the mission statement as set forth for the Crime Commission. However, the recent reorganization of the Crime Commission by Governor Wilkinson has been an important step in meeting that mission. Since the reorganization of the Crime Commission, the Executive Cabinets have communicated and worked together well in the area of criminal justice, particularly in the areas of DUI and asset forfeiture legislation.

State Police

In response to the recommendation for merger of State Police training with all other criminal justice training, it should be noted that the Kentucky State Police is a unique law enforcement agency. Because of their statewide jurisdiction, including all rural and urban areas, the Kentucky State Police Academy has traditionally provided more specialized training. Most State Troopers operate as a one-man law enforcement agency covering multiple counties. A state Trooper who is on patrol may not have any backup within 30 to 40 miles. Because of that type of jurisdiction more specialized training must be provided. This has resulted in more intensive and specialized training, which is provided in a 20-week academy training course, as opposed to the 10-week training course provided at Richmond.

In the past ten years merger of the Academy and the Department of Criminal Justice Training has been the subject of two studies. Both of those studies have determined that merger is not feasible. One of the impediments is the space limitation. As Dr. William Pelfrey told this Committee on May 17, 1989, both training facilities are at full capacity. Combining the two facilities would "swamp the system."

Limited expansion at either facility would improve the situation with limited expense. Merger of the two facilities would require the purchase and construction of a facility at a new location. The enormous cost, particularly in light of revenue limitations, would certainly make a proposal impractical.

It also should be noted that there is currently a great deal of interaction between the two training facilities. There is a sharing of classes and a sharing of instructors. Specialized programs are open to all law enforcement officers, including local and Kentucky State Police officers.

Juvenile Justice

Kentucky currently does not have sufficient facilities for either secure or non-secure placement of juveniles. Construction of juvenile detention facilities must take priority. Every effort must be made to remove juveniles from county jails. In the meantime status offenders should be kept in alternative facilities and under no circumstances housed with other offenders.

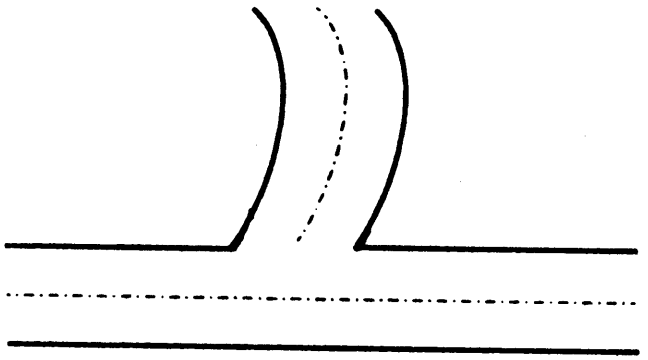
Other Recommendations

In order to ensure long-range planning in the area of criminal justice, Kentucky should pass a gubernatorial succession amendment. If there is continuity in the Executive Branch of government, then there will be greater assurance of continuity in planning.

CHAPTER IV

APPENDIX

THE TURNING POINT



CHILDREN'S RESIDENTIAL SERVICES ADVISORY

COMMITTEE REPORT

May 12, 1989

THE HONORABLE ROGER L. CRITTENDEN

CHAIRMAN

Commonwealth of Kentucky
Cabinet for Human Resources
Department for Social Services

COMMONWEALTH OF KENTUCKY
FRANKLIN DISTRICT COURT

ROGER L. CRITTENDEN
DISTRICT JUDGE
48TH JUDICIAL DISTRICT

FRANKLIN COUNTY COURTHOUSE
ST CLAIR STREET
FRANKFORT, KENTUCKY 40601

May 12, 1989

Harry J. Cowherd, M. D.
Secretary, Cabinet for Human Resources
275 East Main Street
Frankfort, Kentucky 40621

Dear Secretary Cowherd:

As Chairman of the Children's Residential Services Advisory Committee, I am transmitting to you a copy of the result of approximately seven months of study by Committee members. It is our conclusion that the system has made significant progress since 1983, and is an organizational and philosophical model for treatment of juveniles.

However, the internal structure is at a critical point in time. The most important element for the effective treatment of juveniles is the staff that deal with those children on a daily basis. Therefore, the major recommendations of the Committee are those which would enhance and provide for the continuity of that staff. If the turnover continues, it is my conclusion that at the end of this biennium the treatment programs will be less effective and the waiting list of troubled youth will be longer.

The Committee has also made recommendations concerning the current crisis, i.e. the waiting list. If, within the Commonwealth, there is a feeling that the Cabinet, along with the Department, does not address these issues, the matter in which the Department is able to work with the Judiciary will become confrontational and not cooperative.

This report does not offer any magical solutions to the problems within the Division of Children's Residential Services. The recommendations that the Committee has made are those that the Committee felt could and should be accomplished with a reasonably short period of time. These recommendations do not represent the "ideal" that could be recommended for an agency with unlimited resources; rather, they represent practical goals that can be accomplished by the Cabinet with the assistance of the Executive and Legislative Branches of the Commonwealth of Kentucky.

I hope that this report will be of significant value as you make your recommendations for the development of the Department for Social Services during the next two years.

Sincerely,

Roger L. Crittenden

RLC/jmg

The Children's Residential Services Advisory Committee was established by Administrative Order 88-29, by the Secretary of the Cabinet for Human Resources, Harry J. Cowherd, M.D., to review the programs in the Division of Children's Residential Services in Management, Treatment, Care of Patients, Staffing, Training and Physical Plant and to make recommendations to the Secretary of the Cabinet for Human Resources and the Commissioner of the Department for Social Services regarding program operations and long range planning.

The Committee did not address the issue of placement of children in psychiatric hospitals within the Commonwealth. This issue is currently being addressed by the Interim Joint Committee on Health and Welfare of the Kentucky Legislature.

This report consists of an introduction; a section devoted to a statement of each of the issues that the Committee found important and recommendations for dealing with each issue; and, finally a series of cost estimates, prepared at the Committee's request by the Department's staff, for implementing the Committee's recommendations.

INTRODUCTION

Kentucky is a leader in providing state residential treatment for its children. Kentucky's system of community based day treatment centers, group homes, clinical programs and residential facilities for public offenders provides unique multi-level, individualized treatment. This conclusion resulted from a seven month detailed review of Kentucky's system. Our visits to facilities in Tennessee, Pennsylvania and Massachusetts, as well as Kentucky, substantiate the improvements in Kentucky's Children's Residential Services programs that have occurred since the 1980 and 1983 Blue Ribbon Committees' reports. We heard testimony from members of the judiciary, advocacy groups and juvenile justice consultants from Kentucky and elsewhere. The comprehensive organizational structure, the attempt to provide a continuum of treatment, and the excellent condition of the facilities are evidence of the state's desire to carry out the recommendations of the earlier committees. **Yet, Kentucky's programs and the resources devoted by the state to the mission of Children's Residential Services are inadequate to meet the increased demands of treatment for a changing youth population. Immediate action is necessary to address the major issues within Kentucky's system which threaten the progress made. Without specific and strategic intervention, Kentucky's unique system of care and treatment may collapse. Kentucky has much to be proud of in its help to children who are in trouble, but much more must be dedicated to support this work if continued success is to occur.**

This is the first time an external advisory committee has been asked to evaluate a functioning system rather than one in crisis because of the death of a child or some other tragic incident. We hope this report may help prevent another such tragedy. Our charge was to assess the current condition of Children's Residential Services in the following areas:

1. Management and Staffing;
2. Treatment and Care of the Youth;
3. Staff Training; and,
4. Physical Plant.

We believe that the administration of Children's Residential Services, within the Department for Social Services, is consistent with Kentucky's philosophy of treatment and care for children and their families. The organizational structure permits a continuum of care and treatment not found in independent agencies, separate departments, or in the adult corrections system. We believe that the overall management and staffing are functioning adequately, but there is a critical need for improved salaries and training to retain a competent, professional staff.

The development of a training branch in 1983 has provided functional training to the staff and has promoted the growth of professional job expectations. More advanced training and more support for advanced educational opportunities for staff are needed.

The treatment and care provided our youth have improved substantially since the report of the 1983 committee. Individualized family and group counseling methods attempt to address the specific and varied treatment needs of the children receiving services.

The creation of the Assessment and Placement Branch streamlined the process of placing youth into appropriate treatment programs. Academic and vocational education has been strengthened as a result of the formation of the Education Branch in 1985. The policies and procedures of the Branch were adopted as regulations in 1988. Pursuit of graduation, GED and vocational certifications has been emphasized as an important part of treatment. Even more emphasis should be placed upon the opportunity for children in the care of Children's Residential Services to receive a valuable educational experience.

With a few exceptions, the physical condition of the facilities is excellent and indicates the staff's care and pride in their maintenance and appearance. Some programs have a major need for additional living space, recreational areas, and specialized counseling rooms. The Department has accepted the standards of the American Correctional Association with the goal of having all facilities accredited by this nationally recognized agency. Since 1987 seven programs have successfully completed the accreditation process and seven others are waiting for final approval. Five additional facilities are expected to complete the accreditation process in 1989.

Critical issues which threaten the system's collapse are the following:

1. Low staff salaries;
2. High staff turnover and lack of career advancement opportunities;
3. Lack of treatment resources;
4. The need for aftercare placement choices and supervision in the community; and,
5. The need for specialized treatment for youth with multiple problems.

Paramount among these issues is the excessive staff turnover which results, in part, from pitifully low and inequitable salaries, few career advancement opportunities in direct care positions and the demanding and stressful nature of residential services work.

The lack of treatment resources has resulted in a lengthy waiting list of children committed to the Department. This causes great problems for the children, their families, their communities and the judiciary.

An increasing number of youth who have multiple problems in behavior or diagnosis are being committed to the agency. Special needs for individualized treatment planning and specially trained staff for youth who are mentally ill, mentally retarded, drug and substance abusers and sexual offenders strain an already over-burdened staff. The public demands and expects protection from violent juvenile offenders. The number of these children is also increasing and the need for special treatment and additional services grows accordingly.

The success of the treatment and care of youth served by Children's Residential Services is dependent upon the wisdom of placement and treatment planning and, when possible, the positive involvement of families. The importance of counseling the entire family before a youth is placed in residential care, while in treatment and after release cannot be over-stated. If there is to be a successful reconciliation and re-integration to the home and the community, the relationship between the family and the youth must be maintained and strengthened while the youth is being treated. Distances and the availability of regionalized treatment services must be considered in future planning in order that the family, community

worker, residential staff and the youth can all be more involved in the treatment of the situation -- not simply the treatment of the youth.

We emphasize the great importance of improving communications and cooperative services between the divisions of Family Services and Children's Residential Services, as well as, between the Department and other agencies serving these youth. Supervision of juveniles in the community, during aftercare placements and in family counseling situations, requires a high degree of skill and a commitment from the staff. These efforts which require expertise and which may call for specialized staff to bring about the successful transition of youth to community placements depends upon close coordination between the two divisions.

The committee's general recommendations are:

- Provide for salary increases and reclassify job positions;
- Provide incentives for professional growth and development;
- Develop and strengthen staff training;
- Fund forty-eight (48) new community based treatment beds;
- Expand day treatment;
- Develop private contracts for specialized programs;
- Add treatment staff who have specialized expertise;
- Secure and expand a continuum of treatment resources for multi-problem children;
- Develop a new monitoring program for juveniles awaiting placement;
- Expand existing aftercare services and develop new, innovative aftercare services; and,
- Expand the facilities to provide adequate living, recreational, vocational education, day treatment space conducive to the treatment process.

We stress that Children's Residential Services is a positive, functioning system that is at a critical turning point. The issue is whether the system continues to provide the treatment and care of the children the law requires it to serve or whether it will collapse due to the increasing demands upon it.

MANAGEMENT AND STAFF

ISSUES	RECOMMENDATIONS
Staff Salaries are much lower than similar classifications in state government and others in the Department. The lack of equity makes recruitment and retention of staff difficult, if not impossible. Current Annual Entry Level Salaries are as follow: Juvenile Treatment Assistant - $10,200 Juvenile Treatment Coordinator - $11,244 Juvenile Counselor - $11,244 Juvenile Counselor Senior - $13,668	1. **Upgrade positions** within Children's Residential Services to attain pay equity with other similar classifications in state government, including but not limited to: a. Increased salaries for CRS employees; b. Development of a new Juvenile Treatment Professional Class series; and, c. Pay differentials for second shift and special assignments.
Staff Turnover has become a critical problem. This has resulted in inexperienced staff supervising youth, wasted training time, the high cost of training new staff, and loss of continuity in treatment programs. Low staff morale has become critical because of constantly retraining new staff, stress from having inexperienced staff, and the excessive perception that the agency discounts the staff's contribution to the total treatment program. Examples of classifications which have experienced a high percentage of staff turnover: Juvenile Treatment Assistant 14.71 % Juvenile Counselor 25.00 % Juvenile Counselor Senior 17.91 % Group Home Director 61.53 %	2. **Develop and strengthen staff training** programs, including but not limited to: a. Continued training for American Correctional Association & Joint Commission on Accreditation of Hospitals standards; b. Graded levels of training curriculum based on degree of difficulty or advancement; c. Specialized training for the special needs of the client population, i.e. drug and substance abusers, sex offenders, serious and violent offenders and multiple problem children.

MANAGEMENT AND STAFF

ISSUES	RECOMMENDATIONS
The inability to prepare personnel to assume future management positions is a problem.	3. **Provide incentives** for professional growth and development, including but not limited to: a. Paid educational leave; b. Tuition assistance.
Coordination and Communication of Services between CRS and the Division of Family Services is inadequate. Too often the coordination and communication of services provided the same youth and their families by the Department and other public and private agencies are also inadequate. Due to caseload demands, and the travel time and distances to the facilities, the community social worker is, too often, unable to visit youth while in residential care. The development of new community based programs has blurred the clear delineation of services between divisions. State of the art programs could be placed in either division which creates a need for high level, joint planning by the divisions. No person is charged with the specific responsibility of developing overall working relationships between the Department and other agencies.	4. **Additional management attention** be given to coordination and communication among the public and private agencies serving youth and their families, including but not limited to: a. Establish joint training sessions between the divisions related to the special needs of certain youth; b. Promote creative problem solving and planning by inter-agency case conferences and issue forums; c. Develop and maintain upper level management planning and coordination between the divisions; and, d. Consider re-establishment of community relations specialists.

TREATMENT AND CARE OF YOUTH

ISSUES	RECOMMENDATIONS
The critical lack of treatment choices is of great concern. For example, a daily waiting list of approximately 60 youth, has existed since September, 1988. Due to the limited number of approved detention facilities, treatment oriented private child care placements and state residential treatment beds, many youth who cannot be placed immediately are released into the community. This often leads to new offenses while youth are awaiting placement. Reasons why youth may not always be placed immediately upon court adjudication include: 1. A placement (bed) may not be available that is appropriate for that youth's special, or individual needs. Since 1980, 81 beds have been eliminated and have not been replaced. 2. The appropriate facility may be at capacity. Additional placements would cause the facility to be out of compliance with its own and national standards and would provide an unsafe environment for the youth and staff.	1. **Fund forty-eight (48) new community based treatment beds.** These beds should be organized as the Department deems necessary to appropriately meet the treatment needs of youth who are now on the waiting list.
Day treatment is a cost effective, less restrictive alternative to residential placement for some youth. This resource should be made available throughout the entire Commonwealth.	2. **Expand day treatment to add twelve (12) new programs, serving 30 youth each,** to provide services to areas within the state currently not served. Strengthen existing programs and enhance coordination with the Department for Mental Health/Mental Retardation Services.

TREATMENT AND CARE OF YOUTH

ISSUES	RECOMMENDATIONS
The Department does not have the resources to adequately serve the needs of children with multiple problems. Youth who have multiple diagnosis, mentally ill, mentally retarded and are court committed typically need specialized services. There is a growing number of youth committed for violent offenses, sexual offenses and drug/substance abuse problems.	3. **Enter into private contracts** for specialized programs to serve youth who have multiple problems. 4. **Add treatment staff** in CRS programs who have specialized expertise to provide counseling services to violent offenders, sexual offenders, drug/substance abusers.

TREATMENT AND CARE OF YOUTH

ISSUES	RECOMMENDATIONS
Aftercare placements for youth are a serious problem which affect the youth's treatment and placement plans, encumbers bed space and impacts the waiting list problem. Youth needing aftercare placements are: 1. either too old to return to their families and need to become independent; or, 2. in school or job training; or, 3. unable to return to their home because their family is too dysfunctional and their return would be detrimental to their successful transition to the community placement; or, 4. unable to return because their family unit has disintegrated during their placement. Services which lead to independent living are needed. They include housing while in job placement, job training or while completing education. Other services may be transportation, job counseling and assistance in job placement. There are a number of youth who have completed the residential treatment process but whose return to the community is limited by court order.	**Expand existing services and develop innovative new aftercare services** including, but not limited to: a. Increased use of private child care facilities to provide community placements; b. Development of more intensive community based services to assist youth in community placement upon return home; c. Development of independent living facilities to assist the transition from residential placement to fully independent living; and, d. Establishment of several minimum security transitional houses attached to existing facilities for youth who have completed the treatment process but who may not be returned home.

PHYSICAL PLANT

ISSUES	RECOMMENDATIONS
The overall condition, care and maintenance of the buildings and grounds are excellent. However, a few facilities do not meet ACA standards. A few of the CRS facilities have limited recreational, vocational education and counseling space. All facilities need to provide recreational opportunities regardless of weather conditions or security classification.	1. **Assure that living space** for each youth meet ACA standards. Bring up to standards any existing facilities which includes but not limited to: a. All facilities which are classified as medium or maximum security have an indoor gymnasium, or similar recreational area; and, b. Adequate space to be provided for effective individual and group counseling.
There may be a tendency to provide vocational education based upon convenience rather than need.	2. **Improve vocational educational programs** so as to meet the changing needs of the job market.

SPECIAL NEEDS

ISSUES	RECOMMENDATIONS
The special needs of children have changed which substantially impact the appropriate provision of treatment within facilities and at the community level. Emotionally disturbed and mentally retarded children have complex treatment needs which are not adequately being met within the current service delivery system. Specialized expertise is required to provide treatment services to sexual offenders, drug/substance abusers and youth with clinical problems.	1. **Secure and expand** a continuum of treatment resources for multi-problem children including, but not limited to: a. Private contract for inpatient psychiatric placement; b. Alternative programs to inpatient psychiatric hospitalization, such as, Family Preservation Projects, Therapeutic Foster Care and Intensive Family Based Support Services; c. Provision of other community based programs for mentally/emotionally disturbed children; and, d. Work cooperatively with other Departments to develop additional treatment resources.
Under the best circumstances there will continue to be a waiting list for many months. So long as this exists the Department should have a means to monitor the youth awaiting placement, adjudication or dispositional placement. The Committee realizes that the Department, at the present, does not have a pre-adjudication role in monitoring children before the court. This would be a valuable added service to the judiciary but may require statutory revision.	2. Develop a new intensive tracking program to monitor youth who are placed in the community.

Children's Residential Services Advisory Committee
Department for Social Services
Projected Costs

Dollars

MANAGEMENT & STAFF	1st Year	2nd Year	Number of New Employees
1a. Salary Increases for CRS Staff	769,700	799,800	0
1b. Development of new Juvenile Treatment Professional Series	291,500	302,900	0
1c. Second Shift Differential - All Facilities	271,600	271,600	0
Pay Differential - Special Assignments	110,300	110,300	0
2. Develop & Strengthen Staff Training			
a. Continued Training for ACA and JCAH Standards	0	0	0
b. Graded Levels - Training Curriculum	0	0	0
c. Specialized training for special needs of the client population	100,000	100,000	0
3a. Paid Educational Leave	135,000	142,000	0
3b. Employee Tuition Assistance	100,000	100,000	0

Dollars

TRAINING	1st Year	2nd Year	Number of New Employees
4a. Joint Training Sessions	0	0	0
4b. Promote Creative Problem Solving	0	0	0
4c. Enhance upper level management planning and coordination	0	0	0
4d. Re-establish community relations specialists	465,000	490,000	14

Dollars

TREATMENT & CARE OF YOUTH	1st Year	2nd Year	Number of New Employees
1. 48 new treatment beds (20 DSS beds and 28 contract beds)	2,225,000	2,500,000	22
2. Add 12 new day treatment programs and upgrade existing ones	2,406,000	2,526,000	5
3. Contract to provide specialized programs and services for multi-problem children	912,500	959,000	0
4. Add specialized treatment staff in CRS programs	980,000	1,029,000	28

TREATMENT & CARE OF YOUTH	Dollars 1st Year	Dollars 2nd Year	Number of New Employees
a. Increased utilization of private child care facilities to provide community placements	775,000	814,000	0
b. Development of more intensive community based services	840,000	925,000	25
c. Development of independent living facilities	400,000	450,000	0
d. Minimum security transitional houses (20 beds)	200,000	300,000	14

PHYSICAL PLANT	Dollars 1st Year	Dollars 2nd Year	Number of New Employees
1. Living Space - cost not determinable at this time			
1a. Three recreational facilities 375,000 each to build	1,125,000	0	0
Operating	56,000	60,000	0
1b. Treatment Space - cost not determinable at this time			
2. Materials to build three Vocational Education Buildings	275,000	0	0
Operating	14,000	15,000	0
Replace existing day treatment space*			
Build one building	225,000	0	0
Renovate one building	100,000	0	0

* Relates to recommendation # 2 under Treatment and Care of Youth

Dollars

SPECIAL NEEDS	1st Year	2nd Year	Number of New Employees
1a. Contract for psychiatric hospitalization Bidding is in process			
1b. Alternative programs to hospitalization (Includes therapeutic day services and intensive family support services)	{**3,600,000}	{**4,000,000}	
1c. Provide additional community based services Four regionalized multi-disciplinary evaluation teams	{**950,000}	{**1,000,000}	20
1d. Work cooperatively with other Departments to develop additional treatment resources.	0	0	0
2. Intensive Tracking Program	1,350,000	1,417,500	*(45)
Totals	**14,126,600**	**13,312,100**	**173**

* Contract or Direct

** Funds to be expended by the Division of Family Services and may be financed by Medicaid. These estimates are not reflected in final expenditures for Children's Residential Services.

COMMITTEE MEMBERS

The Honorable Roger L. Crittenden, Chairperson
Franklin County District Judge

Gayla Peach
Department of Public Advocacy

Eric Tachau
Insurance Consultant
Louisville

Joe Tolan
Metro United Way
Louisville

Rebecca Epperson
Big Brothers/Big Sisters
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John Schauer, Ph.D.
Seven Counties Services
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Jay Douds
Governor's Office of Policy and Management

The Honorable Marshall Long
State Representative
Shelbyville

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Larry Michalczyk, MSSW
Commissioner, Department for Social Services

Steve Fox, Acting Director
Division of Children's Residential Services

Michele C. Foley, Trainer
Division of Children's Residential Services

CHAPTER V

FINAL REPORT OF THE COMMITTEE ON TRANSPORTATION

INTRODUCTION

The Committee on Transportation was assigned the task of reviewing agencies and programs within the Transportation Cabinet. The departments within the Transportation Cabinet subject to this review include the Department of Highways, Department of Vehicle Regulation and the Department of Rural and Municipal Aid. The Department of Highways oversees the road construction and maintenance programs in the Commonwealth. The primary focus of the Vehicle Regulation Department is registration, titling, and other regulatory functions for automobiles and motor carriers. The Department of Rural and Municipal Aid has jurisdiction over the statutory programs related to the state rural secondary, county and municipal road systems. In addition, services for the cabinet are contained within the Department of Administrative Services and various offices within the Cabinet.

The Committee on Transportation held seven meetings during the interim. The meetings included the following topics:

(1) Organizational meeting of the Committee;
(2) Review of revenue and expenditure information of the Transportation Cabinet;
(3) Discussion of state's revenue sharing program for state rural and local roads;
(4) Overview of the federal highway programs undertaken by the Transportation Cabinet;
(5) Discussion of the state resurfacing programs;
(6) Review of previous meetings; and
(7) Review and approval of Committee Report.

Information was received by testimony from Transportation Cabinet staff, local government officials and private sector representatives. Each Committee meeting dealt with single subjects decided upon by the membership at the previous meeting.

COMMITTEE MEETINGS

First Meeting

The initial meeting of the Committee on Transportation was for organizational purposes. The focus of this meeting was to review the issues and determine the programs or issues which the Committee wished to discuss. Among the possible meeting topics were the following:

- Meeting with as many former Transportation Secretaries as possible.
- Examination of all aspects of the state construction and maintenance programs.

- Review of the Rural Secondary, County Road, and Municipal Road Program.
- Road Fund Receipts, Road Fund Tax Exemptions and Recent Changes in Transportation Funding.
- State Role in Rail, Air, Water, and Public Transportation.
- Efficiency and Effectiveness of State Highway Safety Program.
- Current Benefits of the Six-Year Highway Plan.
- Meeting with County Clerks, Auto Dealers and others affected by motor vehicle registration and titling.
- Review of the work and workload of the Division of Driver's Licensing.
- Discussion of the specific interests of any Subcommittee members.

In addition, the Chairman contacted several former state highway engineers to address the Committee at its initial meeting. The invitation was extended in order to provide the Committee with ideas from former employees on efficiencies and inefficiencies of Cabinet operations during their tenure. None of the invitees accepted the offer to address the Committee.

Second Meeting

The second meeting of the Committee on Transportation was to give the members a perspective of the Cabinet's revenue and expenditures. The information was presented by the Transportation Cabinet's budget office personnel.

The discussion of the revenue side of the Cabinet's financial ledger showed revenue was estimated at $685.2 million for fiscal year 1988-89. The major revenue receipts would stem from motor fuels, $355.7 million; motor vehicle usage tax, $177.3 million; license and privilege taxes, $70.3 million; weight distance taxes, $44.9 million; miscellaneous fees, $19.7 million; and highways tolls, $17.3 million.

From a historical perspective, data was presented to show Road Fund receipt growth from fiscal year 1974-75 to the present. In 1974-75, receipts totaled $293,140,938, and the current fiscal year estimate for receipts was $693,971,400. These receipts were exclusive of federal funds, separate agency funds or general funds made available to the Cabinet.

On the expenditure side, the Cabinet provided the following information for fiscal year 1988-89. Road funds expenditure for maintenance, $117.5 million; construction, $108.4 million; administration and other, $50.4 million; federal aid, $50 million; revenue sharing programs, $162.4 million; debt services, $132 million; and vehicle regulation, $16.1 million. Noted in the discussion of the expenditures was the fact that debt service, revenue sharing and matching federal aid are fixed items which were the top priorities for expenditures by the Cabinet.

A second observation was made in regard to the state construction program. The historical chart for state construction illustrated constant fluctuations within that expenditure category. The state construction program, which includes those projects built

by use of one hundred percent state road fund dollars, is the program used to balance the budget. With priority given to the revenue sharing, debt service and federal match programs, state construction, resurfacing and maintenance are the recipients of the remaining allocations. This policy was the primary cause reflected by the fluctuating expenditure line over time in the state construction program. The revenue and expenditure charts submitted by the Cabinet are included as part of the committee report.

Third Meeting

The focus of the third meeting of the Transportation Committee was discussion of the Transportation Cabinet's Department of Rural and Municipal Aid. Speakers at this meeting included the Commissioner of the Department of Rural and Municipal Aid, a former Commissioner, the County Judge/Executive of Washington County, the County Judge/Executive of Pike County, and the Executive Director of the Kentucky County Judge/Executives Association.

The statutes which establish policy on the rural secondary, county road aid and municipal aid programs are contained in KRS Chapter 177. The programs are termed revenue sharing because a specified percent of the state motor fuels tax receipts are allocated to each program. The rural secondary program receives 22.2 percent of the state motor fuels tax; the county aid program, 18.3 percent; and municipal aid, 7.7 percent. The total amount made available to this program is 48.3 percent of the state motor fuel tax receipts.

The rural secondary program is within the Department of Rural and Municipal Aid. This Department oversees the projects which are to receive rural secondary funds. Projects are usually completed on the state rural secondary program; in some cases, however, county roads become recipients of funds expended through this program. The rural secondary program for each county is based on recommendations which are submitted to the Transportation Cabinet by district engineers, the county fiscal court, and any interested citizen within the county. Consideration is also given to the traffic count, school bus routes, mail routes, and number of families living along the route.

The county road program establishes funds to be spent exclusively on county roads and bridges. These funds are sent monthly to the county by the Department of Finance, unless the county has entered into the county aid cooperative agreement with the Division of Rural and Municipal Aid. This agreement states that each fiscal year the county will receive eighty percent of its funds in the first quarter of the fiscal year. Eighty-seven counties participate in the co-op program.

In regard to the rural secondary and county road aid program, the 1986 General Assembly, when it passed the five percent increase in gasoline taxes, increased the county road aid share from 15.6 percent to 18.3 percent and transferred 2,000 miles of county road into the state's rural secondary system.

Local officials were invited to discuss their perspective of these programs. The Executive Director for the Kentucky County Judge/Executive Association, said he would present the members with an overview of a typical county road department.

Based on U.S. Census Bureau figures, a typical Kentucky county has 515 miles of rural highway. The county officials in each county are maintaining 391 of these miles. Maintenance crews work out of a county garage with equipment inventory that includes two graders, five dump trucks, four other trucks, one backhoe, and one mower.

The county receives approximately $254,000 from the state, which amounts to about forty-eight percent of the total road fund budget. Aside from lack of funding, the county's major problem areas are lack of equipment and personnel, drainage, bridge maintenance, and inadequate right-of-ways.

Approximately 43,814 miles of roads and streets are maintained by county or municipal government. In 1986, $54.4 million dollars came from grants and other aid within the state to help finance local governments. In many counties, these are the only sources of road funds. County governments maintained 36,000 miles of these roads with these funds.

The 1986-87 budget allocated the counties in Kentucky $54 million for the county road aid program. In a typical county, this was 53.6 percent of the total county road budget. The truck license distribution consisted of $9.5 million, which is 9.5 percent of the total road fund. Driver's license refunds made up $242,000, two-tenths of one percent of the road fund. Additional revenue to the counties totalled $21 million, which is 20.8 percent of the road fund. The total county road aid fund was $84 million. Another 11.9 percent of the total came from Local Government Economic Assistance (LGEA) funds. The total expenditures of all counties in Kentucky was approximately $313 million.

The Pike County Judge/Executive testified to the Committee that the state is not equipped to maintain traffic bound roads. He said he would like the state to adopt a program which would eliminate traffic bound roads from the state system.

The Judge/Executive of Washington County, one of the smaller counties in the state, testified that the total budget for the county was $986,000 during this fiscal year. Sixty-one percent of this budget went to roads. Twenty-nine percent was in the general fund, nine percent was in the jail fund, and one percent went to the LGEA program.

Washington County had to rely on the road fund for salary and administrative costs. According to the Cabinet seven percent of the road fund went to finance administration costs in Washington County. The judge said they did not like to use road fund money for other expenses, but in their county they have little choice.

He said that during the next Regular Session of the General Assembly, he would like legislation adopted which would give cities the authority to impose a utility tax and an insurance premium tax. He stated that most residents of his county work in other counties. His county is reluctant to adopt an occupational tax because a minority of county residents would bear a majority of the tax burden. He stated that new revenues need to be addressed for an equitable tax in each county.

Fourth Meeting

The purpose of the fourth meeting was to review the state's involvement with the federal highway program. The federal government became involved in road building

in 1916. Before that time roads were built by state or local government or by the private sector.

In 1989, there are four systems of federal-aid highways: interstate, primary, secondary and urban. The federal system handles about seventy-nine percent of all traffic nationwide and consists of 843,000 miles.

The funding of these roads came through four categories: system-related, national special purpose, other special purpose and demonstration. Each program is funded separately. The largest part of federal money is made available through the system program. This program is primarily responsible for funding interstate construction, interstate 4R, primary, secondary and urban systems.

In the evolution of the federal program, the scope of funding has changed from using money solely for physical construction to using it for every aspect of road building. Some additional permitted uses include engineering, landscaping and roadside development, right-of-way acquisition and relocation assistance.

Funding through the federal program reaches the state by way of a four-step authorization process: authorizations by Congress, Federal Highway Administration apportionment of sums among the states, commitment of a state's authority, and an annual appropriations act which provides cash to liquidate project authorizations. In addition, Congress places limitations on obligations to control cash outflow. In order to receive federal funds, general projects must be on the federal-aid system. A federal-aid project must be requested for funding by the state and receive approval by the Federal Highway Administration to become eligible under the program.

Fifth Meeting

The agenda for the fifth meeting was designed to address private sector concerns in the highway industry and to review the maintenance and resurfacing program of the Highway Department.

A spokesman for the Plantmix Asphalt Industry of Kentucky addressed some concerns within the highway industry, noting that the Federal Highway Trust Fund would end next year unless legislation is passed for its continuance. In addition, Kentucky's allocation of federal highway funds has decreased by twenty-five percent in recent years. If this trend continues, additional pressure will be placed on state and local governments to meet the state's highway needs.

A second industry concern was the diversion of traditional state Road Fund dollars to General Fund programs. As an example, $42 million which was to be used from coal severance tax receipts to pay debt service for resource recovery roads had been placed in the General Fund. The spokesman stated that he understood the need to support education and other human service programs, but not to the detriment and neglect of the state's highway needs. He suggested that new methods of raising state Road Fund revenues needed to be explored. As an example, the gas tax could be tied to the federal highway maintenance cost index and revenues received would be based on costs of maintenance.

A discussion of the state six-year highway construction plan illustrated that the state's construction needs far outweigh available revenue. Although the plan could not be precise in its estimates of forecasting fund sources or implementing design changes, the industry felt the plan could be more concise.

The private sector difficulty is an inability to plan for the fluctuations in funding and the shifting of projects which result. The purchase of equipment, personnel decisions, and other major expenditure items for contractors were dependent upon a strong and stable funding source for road building.

In summary, Mr. Blake noted that of the $100 million received for the General Assembly's enactment of the $.05 tax increase in 1986, almost half went to the revenue sharing programs, $10 million for debt service, $35 million to state police, leaving only $5 million unallocated for improvement of Kentucky's highway system.

A review of the resurfacing program illustrated that the last two years had the highest allocation for resurfacing in the last eleven fiscal years. A total of $120,100,000 was spent on resurfacing in 1988. Of that total, $36.5 million was spent on state resurfacing; $20 million was spent on toll roads and parkways; $21.9 went to rural and secondary funds; and $41.7 went to other resurfacing. In 1989, the total program is projected to be $123,573,000, with $35 million let by April of 1989 and an $88 million of lettings to be made.

In regard to other maintenance, questions arose related to private sector contracting of certain maintenance functions. Cabinet officials responded that the state was moving in that direction when it felt that contract maintenance was economical. The Cabinet felt that some types of maintenance, such as winter maintenance, are not economical to contract, it is contracting other types of maintenance activity when feasible.

Sixth Meeting

The sixth meeting included reviewing testimony received from the previous meetings, in order to review significant findings, developing recommendations, and beginning work on the committee's report to the Commission of Kentucky State Government.

FINDINGS AND RECOMMENDATIONS

(1) The Kentucky Transportation Cabinet, whose mission is to provide the state with an adequate road program, has properly identified its priority expenditure items. The Cabinet should continue to place its priorities on meeting debt service payments, funding statutory programs, and matching federal-aid dollars before engaging in other expenditure programs.

(2) No funds should be diverted from Road fund to General Fund programs. The General Assembly should adopt legislation to ensure that funds that have been traditionally earmarked for roads shall not be diverted to General Fund programs.

(3) The Transportation Cabinet should submit the six-year construction plan at the same time the transportation budget is presented to the General Assembly, in order for a proper review to be completed. The Transportation Cabinet, in its submission of the six-year highway construction plan, should make an exhaustive effort to ensure that project expenditures in the plan will match anticipated revenue for each fiscal year in the plan. No project deletion should be made from the six-year road construction plan without the approval of the General Assembly.

(4) The Transportation Cabinet should examine all statutes relating to its mission and advise the appropriate legislative committees on those laws which might diminish the Cabinet's ability to act in an efficient manner.

(5) The Transportation Cabinet should explore in depth those maintenance functions which could be taken over by the private sector and completed in a more efficient and economical manner. In those areas where contract maintenance is not feasible, the Transportation Cabinet should work toward providing an adequately trained and compensated work force.

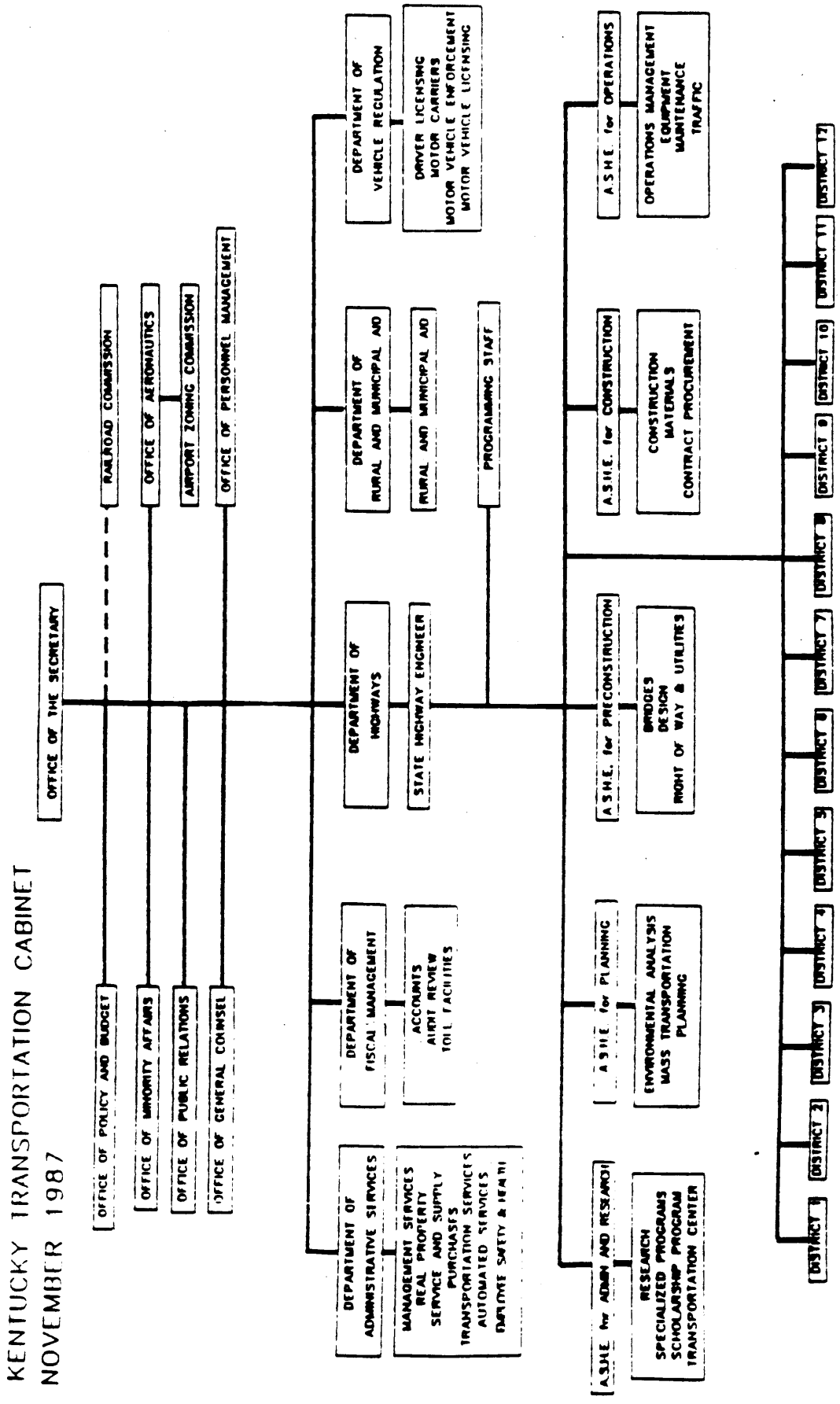
(6) The Transportation Cabinet should submit to the appropriate legislative committee a list of exemptions granted to all fees and taxes which are earmarked to the Road Fund and an estimate of the cost of each exemption.

(7) From a historical perspective, the employees of the Transportation Cabinet should be commended for their part in providing this Commonwealth with a high quality highway system from the funding which has been made available. The Commonwealth's highway system rivals any of the state systems in this nation.

CHAPTER V

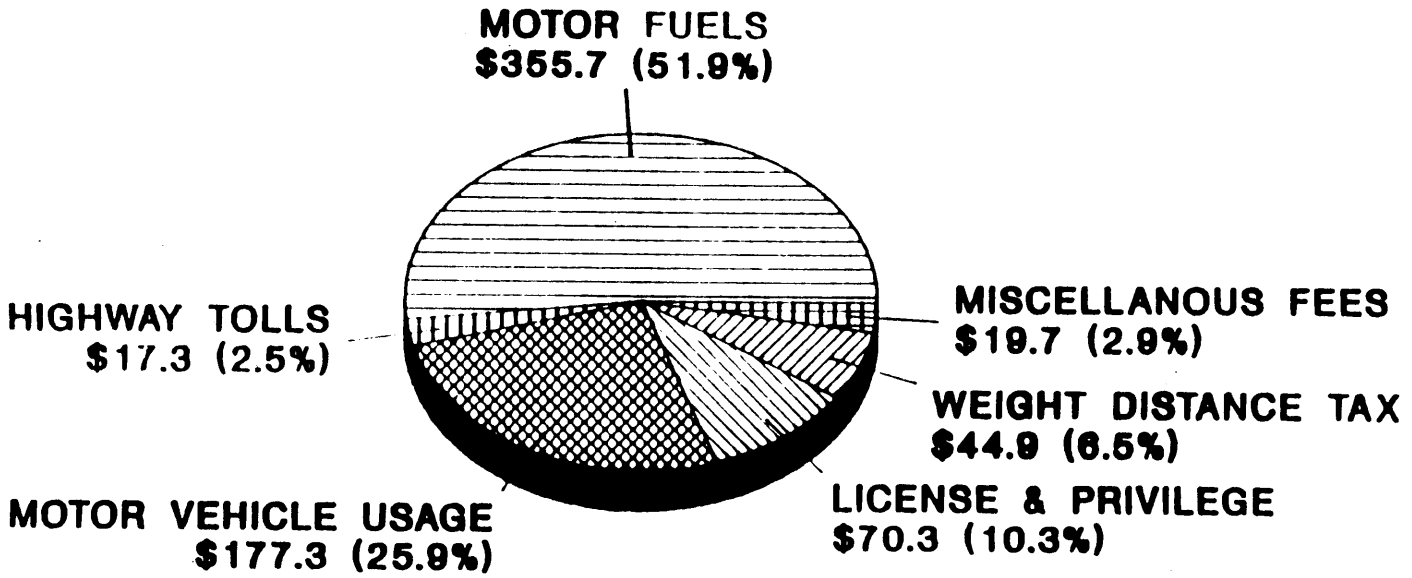
APPENDICES

APPENDIX A

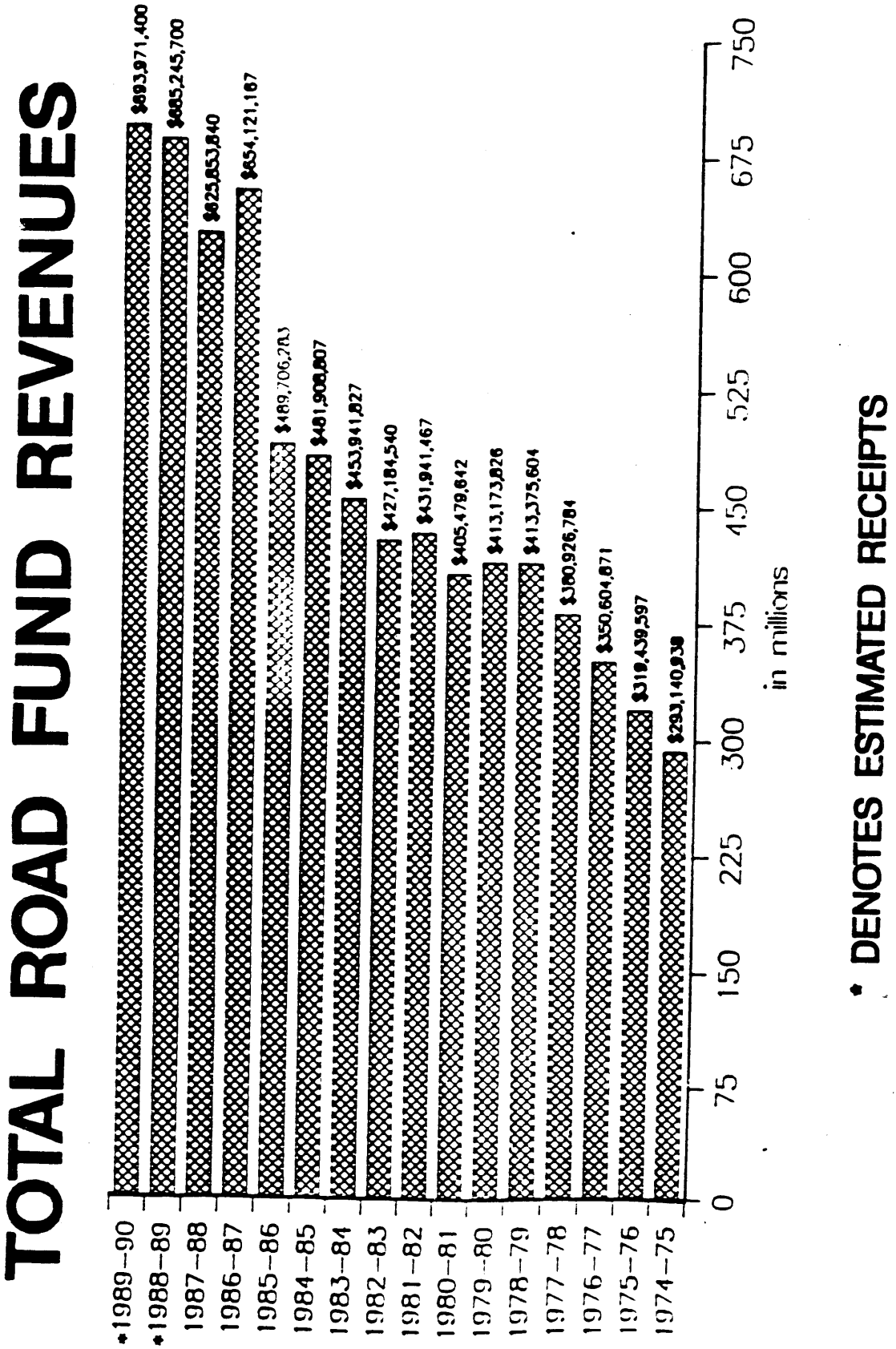

KENTUCKY TRANSPORTATION CABINET
NOVEMBER 1987
OFFICE OF THE SECRETARY
OFFICE OF POLICY AND BUDGET
OFFICE OF MINORITY AFFAIRS
OFFICE OF PUBLIC RELATIONS
OFFICE OF GENERAL COUNSEL
RAILROAD COMMISSION
OFFICE OF AERONAUTICS
AIRPORT ZONING COMMISSION
OFFICE OF PERSONNEL MANAGEMENT
DEPARTMENT OF ADMINISTRATIVE SERVICES
MANAGEMENT SERVICES
REAL PROPERTY
SERVICE AND SUPPLY
PURCHASES
TRANSPORTATION SERVICES
AUTOMATED SERVICES
DEPARTMENT OF FISCAL MANAGEMENT
ACCOUNTS
AUDIT REVIEW
TOLL FACILITIES
DEPARTMENT OF HIGHWAYS
STATE HIGHWAY ENGINEER
DEPARTMENT OF RURAL AND MUNICIPAL AID
RURAL AND MUNICIPAL AID
PROGRAMMING STAFF
DEPARTMENT OF VEHICLE REGULATION
DRIVER LICENSING
MOTOR CARRIERS
MOTOR VEHICLE ENFORCEMENT
MOTOR VEHICLE LICENSING
A.S.H.E. for ADMIN AND RESEARCH
RESEARCH
SPECIALIZED PROGRAMS
SCHOLARSHIP PROGRAM
TRANSPORTATION CENTER
A.S.H.E. for PLANNING
ENVIRONMENTAL ANALYSIS
MASS TRANSPORTATION
PLANNING
A.S.H.E. for PRECONSTRUCTION
BRIDGES
DESIGN
RIGHT OF WAY & UTILITIES
A.S.H.E. for CONSTRUCTION
CONSTRUCTION
MATERIALS
CONTRACT PROCUREMENT
A.S.H.E. for OPERATIONS
OPERATIONS MANAGEMENT
EQUIPMENT
MAINTENANCE
TRAFFIC
DISTRICT 1
DISTRICT 2
DISTRICT 3
DISTRICT 4
DISTRICT 5
DISTRICT 6
DISTRICT 7
DISTRICT 8
DISTRICT 9
DISTRICT 10
DISTRICT 11
DISTRICT 12

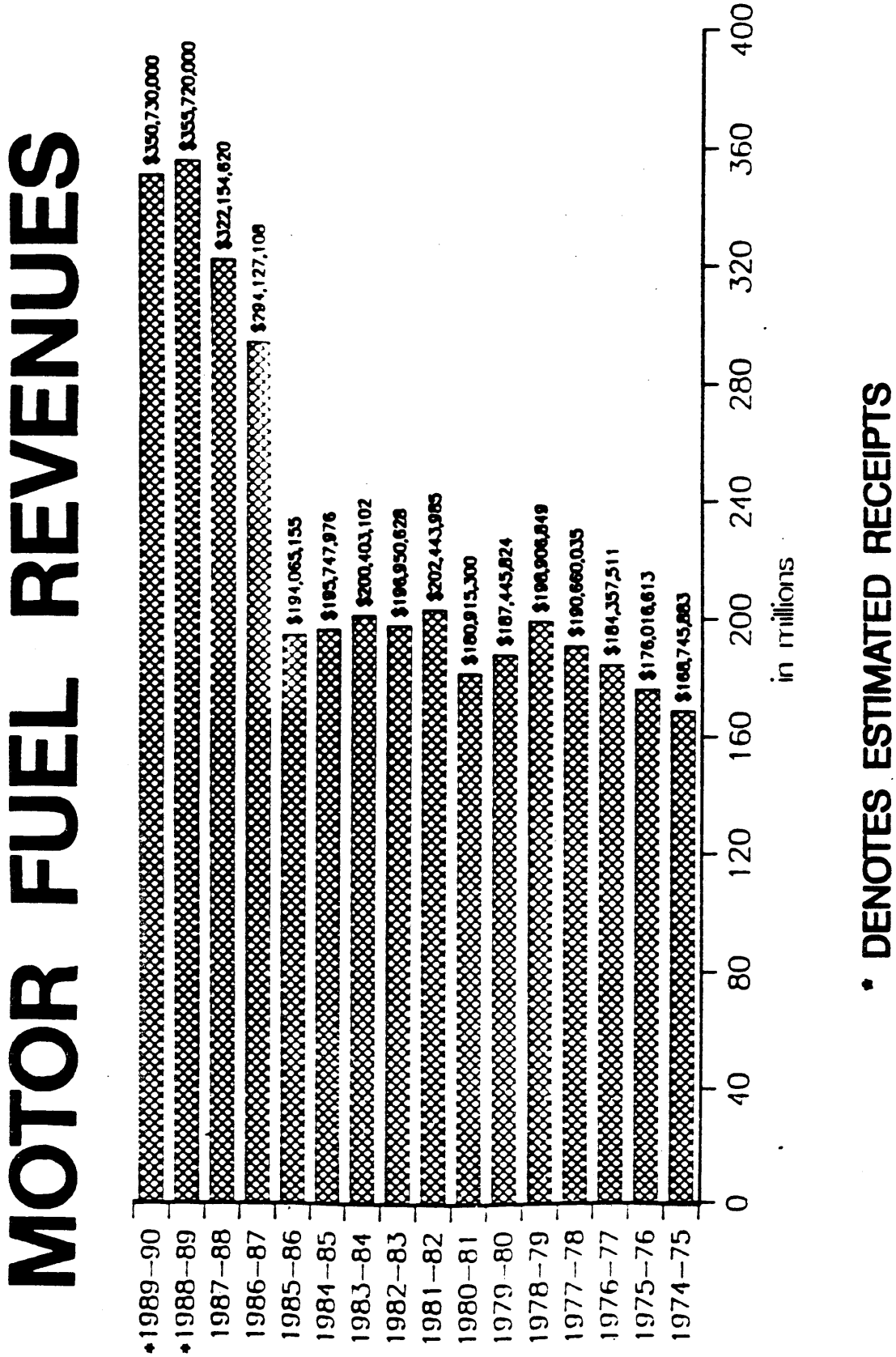
ROAD FUND REVENUES

FISCAL YEAR 1988-89 ESTIMATE (DOLLARS IN MILLIONS)

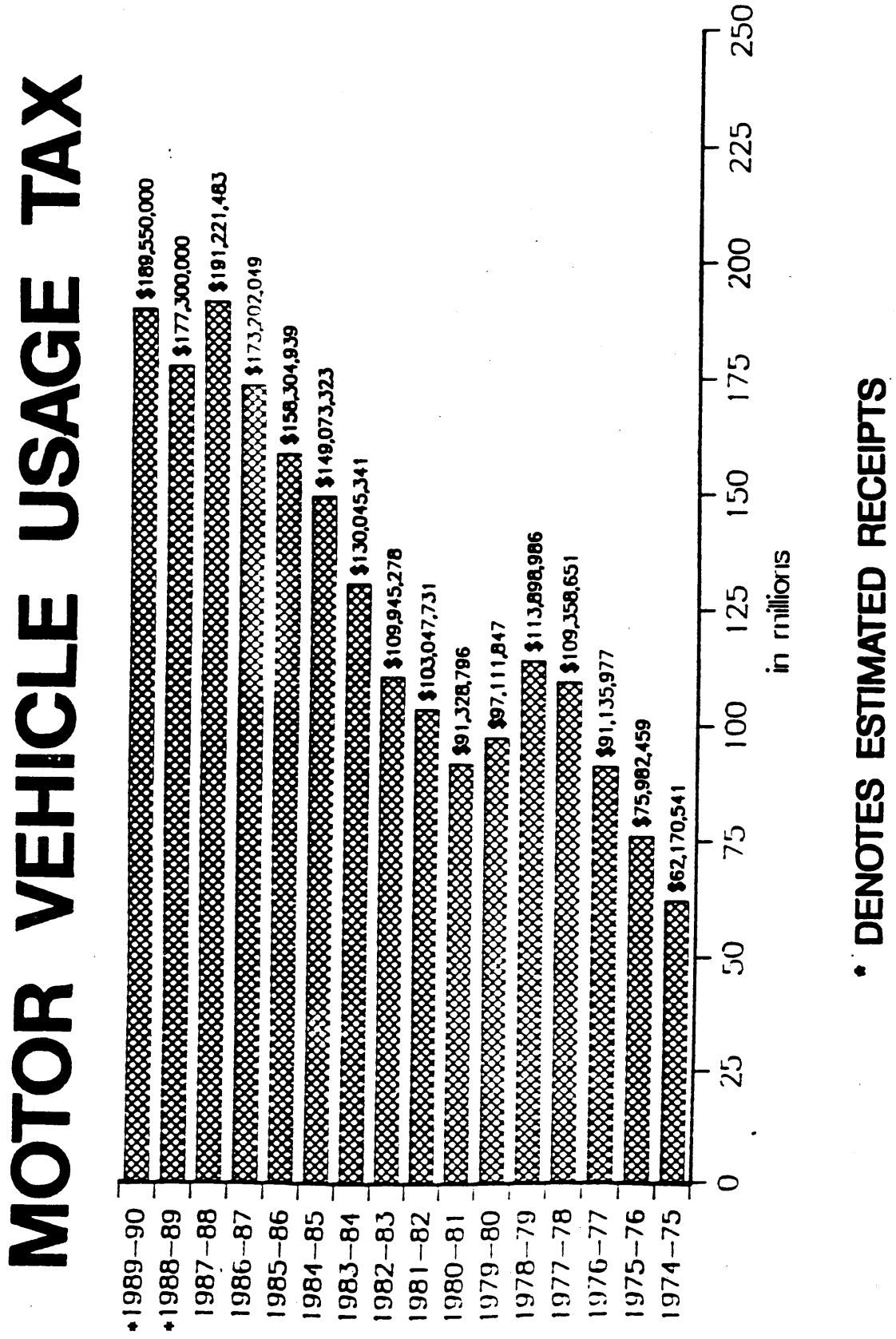


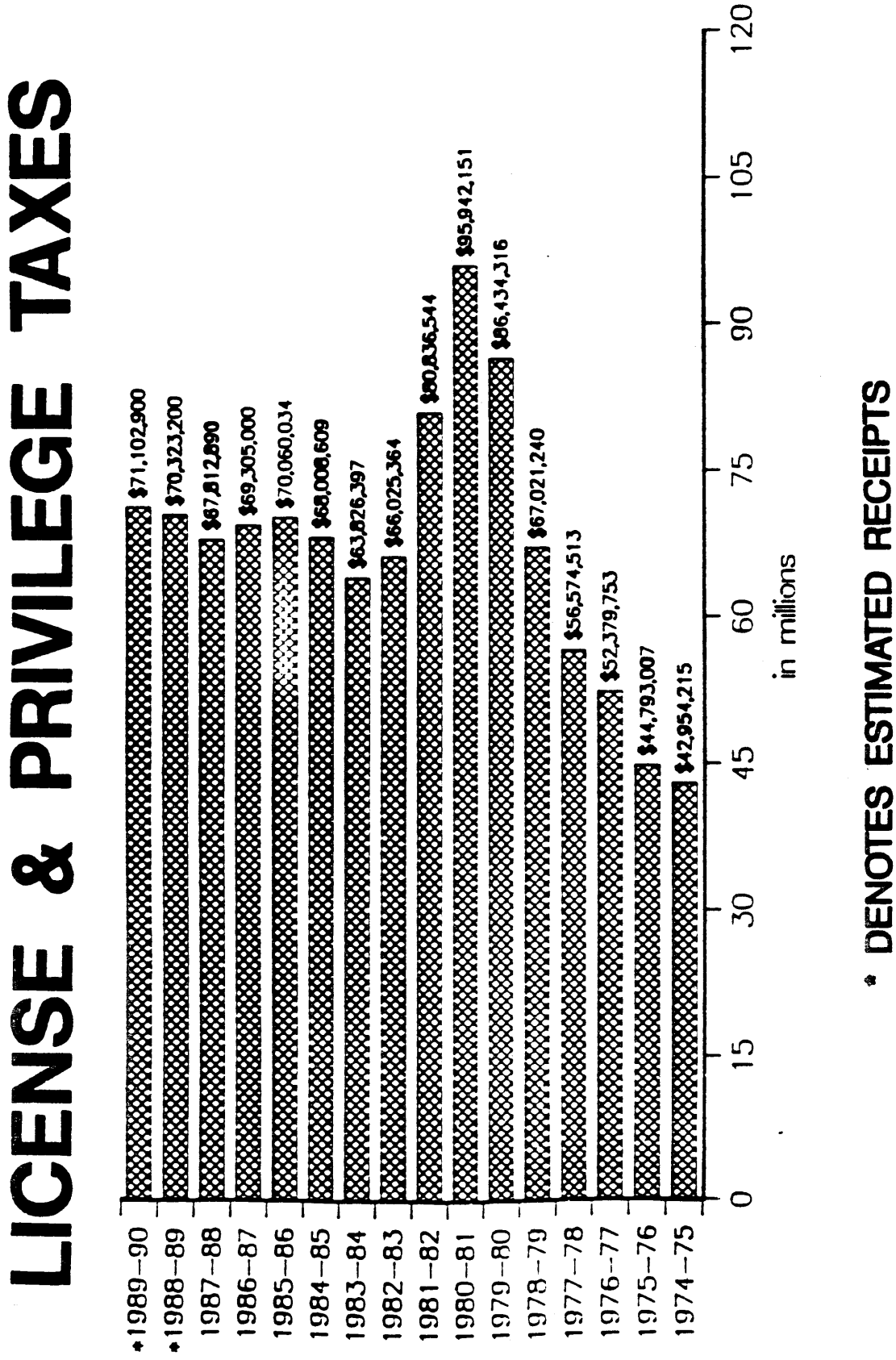
TOTAL ESTIMATED REVENUES $685.2 MILLION

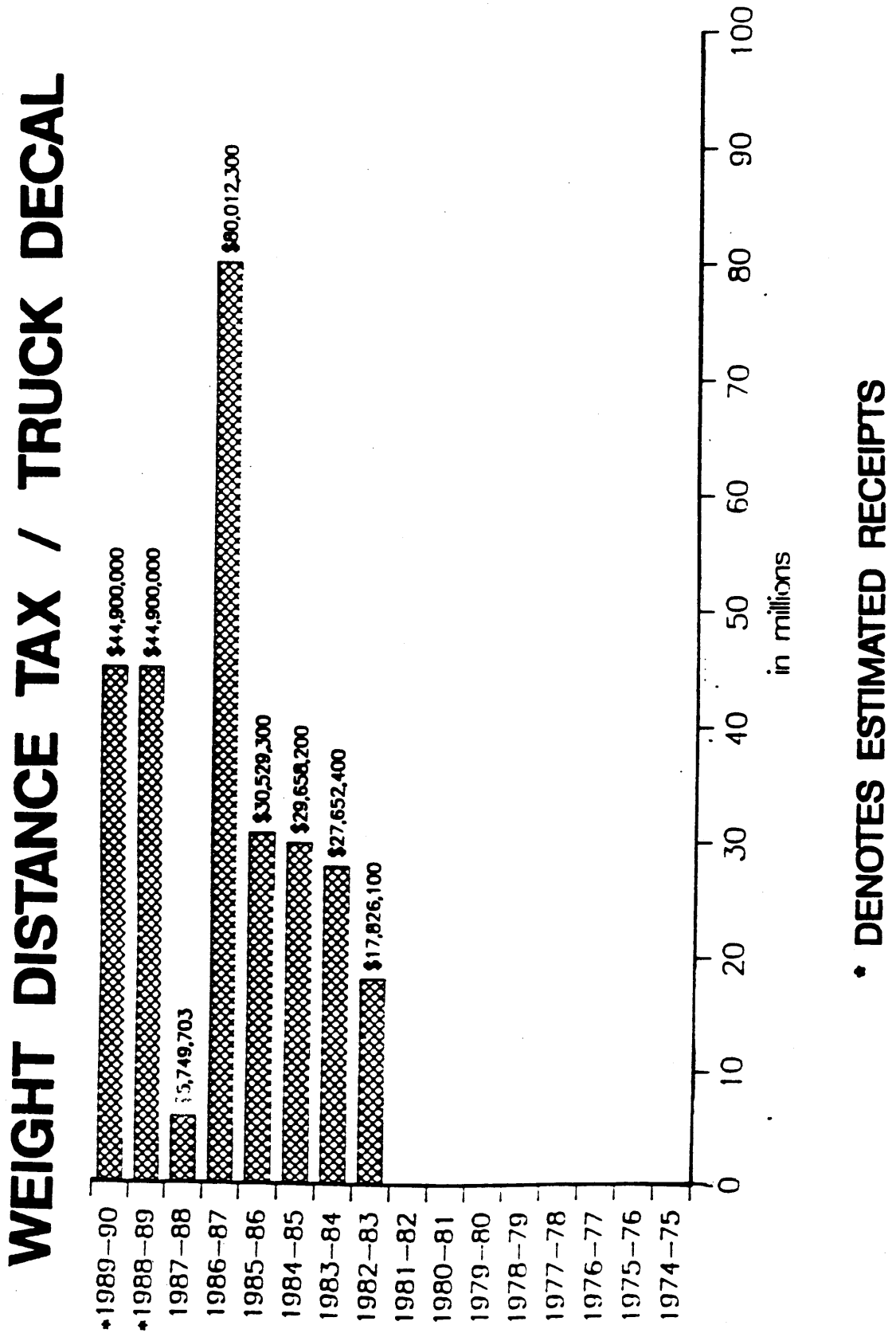

TOTAL ROAD FUND REVENUES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$693,971,400
$685,245,700
$625,853,840
$654,121,187
$489,706,283
$481,908,807
$453,941,827
$427,184,540
$431,941,467
$405,478,842
$413,173,826
$413,375,604
$360,926,784
$350,604,871
$318,439,597
$293,140,938
0
75
150
225
300
375
450
525
600
675
750
in millions
* DENOTES ESTIMATED RECEIPTS

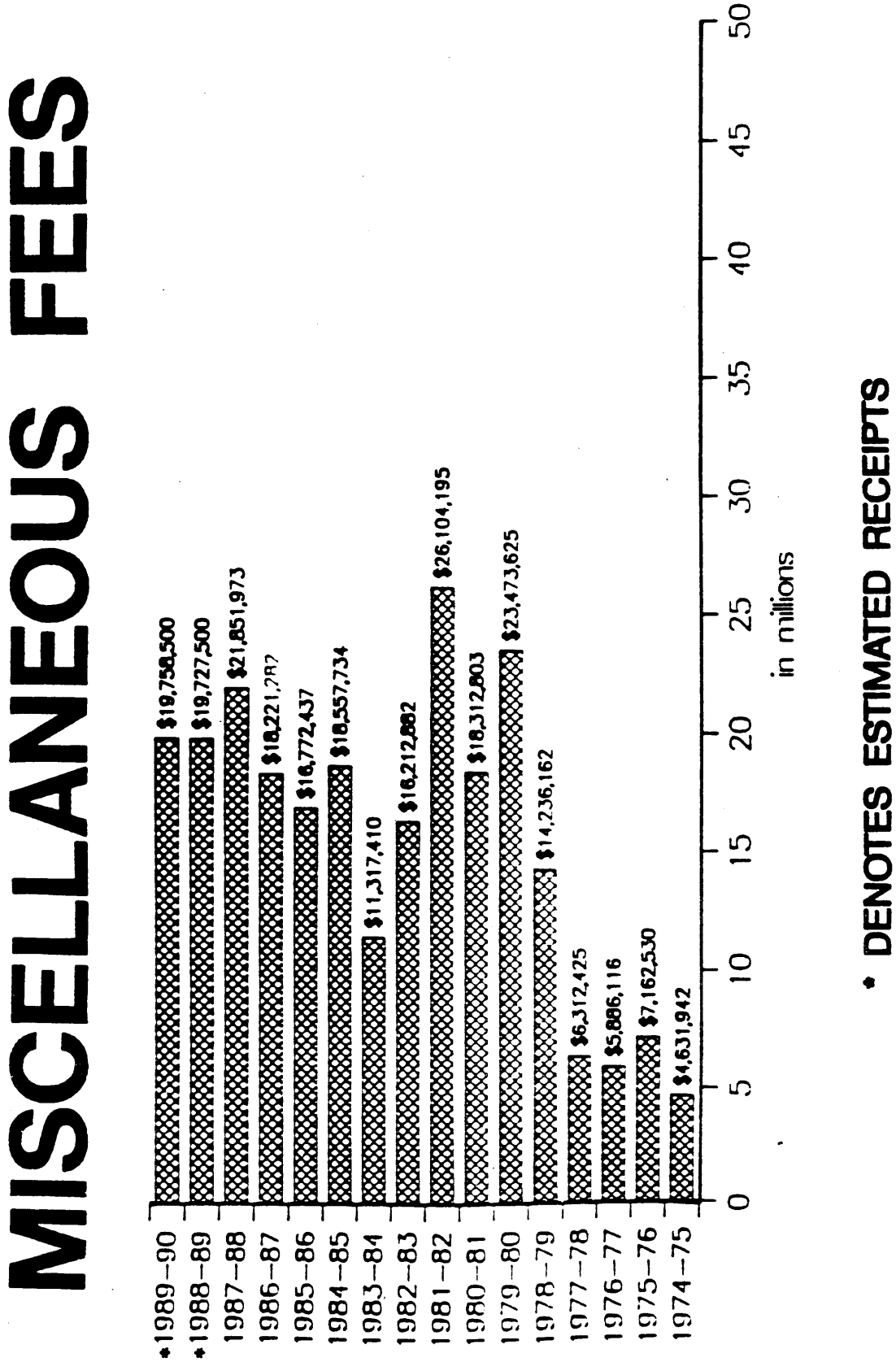


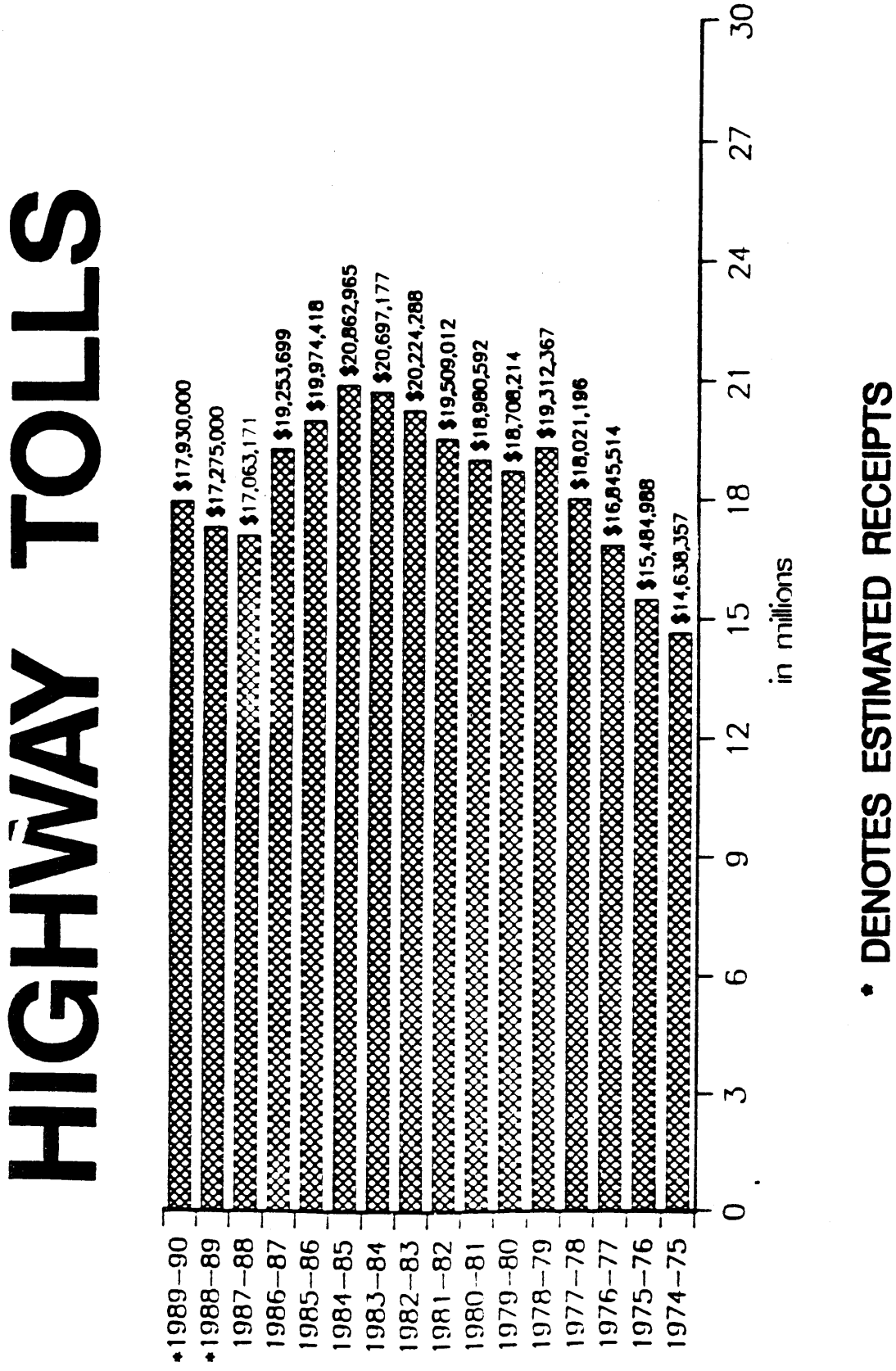
* DENOTES ESTIMATED RECEIPTS


MOTOR VEHICLE USAGE TAX
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$189,550,000
$177,300,000
$191,221,483
$173,202,049
$158,304,939
$149,073,323
$130,045,341
$109,945,278
$103,047,731
$91,328,796
$97,111,847
$113,898,986
$109,358,651
$91,135,977
$75,982,459
$62,170,541
0
25
50
75
100
125
150
175
200
225
250
in millions
* DENOTES ESTIMATED RECEIPTS


LICENSE & PRIVILEGE TAXES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$71,102,900
$70,323,200
$67,812,890
$69,305,000
$70,060,034
$68,008,609
$63,826,397
$66,025,364
$80,836,544
$95,942,151
$86,434,316
$67,021,240
$56,574,513
$52,379,753
$44,793,007
$42,954,215
0
15
30
45
60
75
90
105
120
in millions
* DENOTES ESTIMATED RECEIPTS

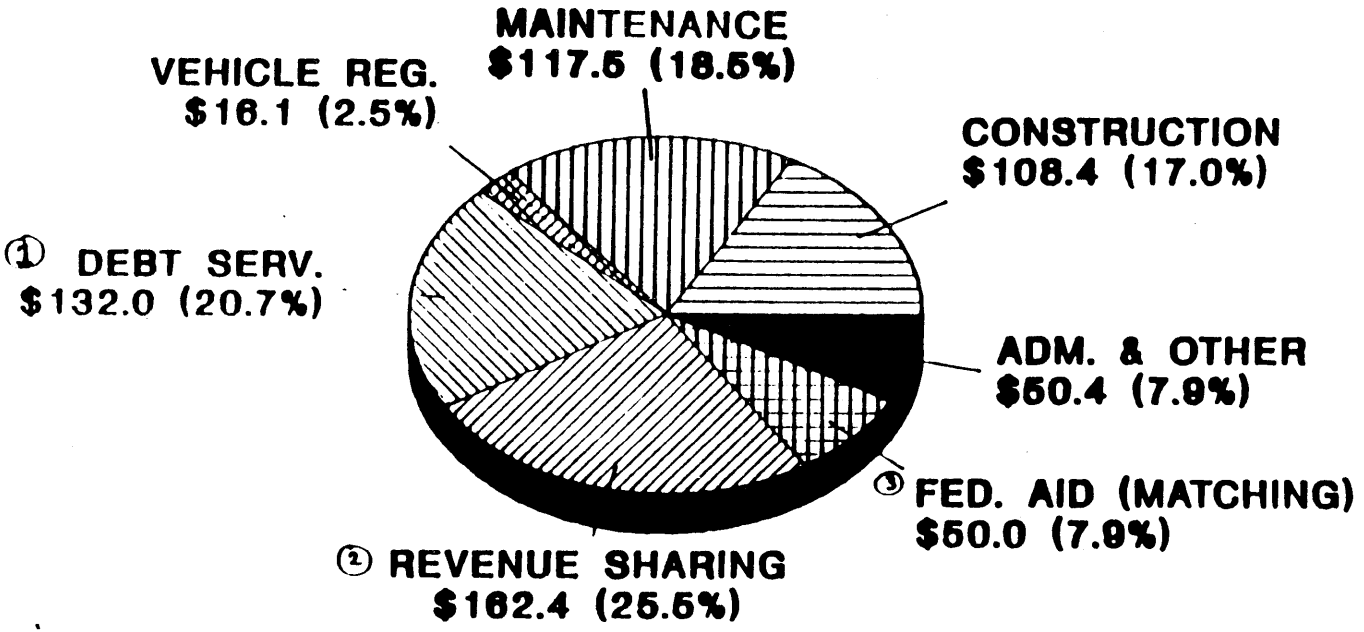

WEIGHT DISTANCE TAX / TRUCK DECAL
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$44,900,000
$44,900,000
$15,749,703
$80,012,300
$30,529,300
$29,658,200
$27,652,400
$17,826,100
0
10
20
30
40
50
60
70
80
90
100
in millions
* DENOTES ESTIMATED RECEIPTS


MISCELLANEOUS FEES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$19,758,500
$19,727,500
$21,851,973
$18,221,287
$16,772,437
$18,557,734
$11,317,410
$16,212,882
$26,104,195
$18,312,803
$23,473,625
$14,236,162
$6,312,425
$5,886,116
$7,162,530
$4,631,942
0
5
10
15
20
25
30
35
40
45
50
in millions
* DENOTES ESTIMATED RECEIPTS

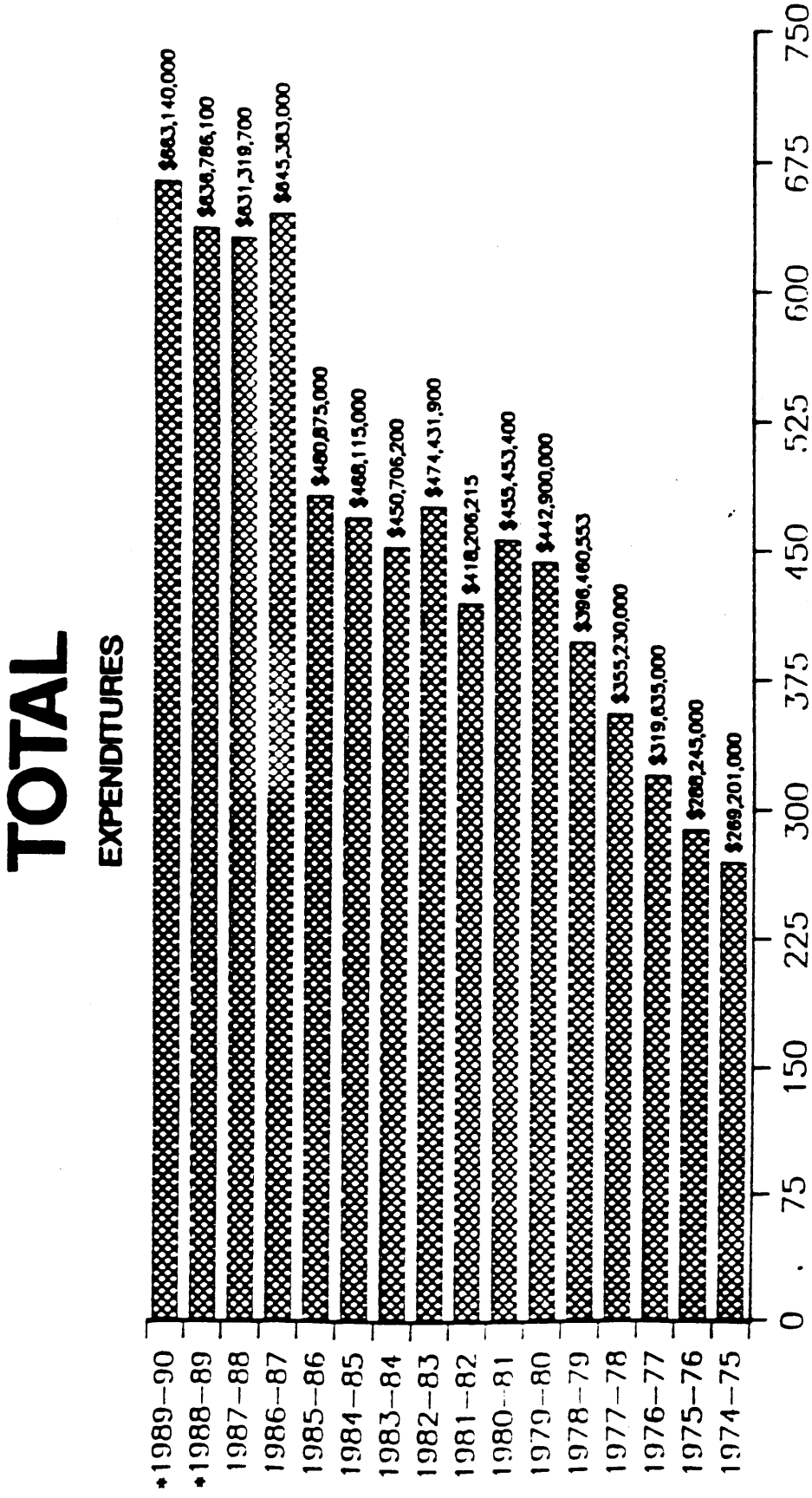

HIGHWAY TOLLS
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$17,930,000
$17,275,000
$17,063,171
$19,253,699
$19,974,418
$20,862,965
$20,697,177
$20,224,288
$19,509,012
$18,980,592
$18,706,214
$19,312,367
$18,021,196
$16,845,514
$15,484,988
$14,638,357
0
3
6
9
12
15
18
21
24
27
30
in millions
* DENOTES ESTIMATED RECEIPTS

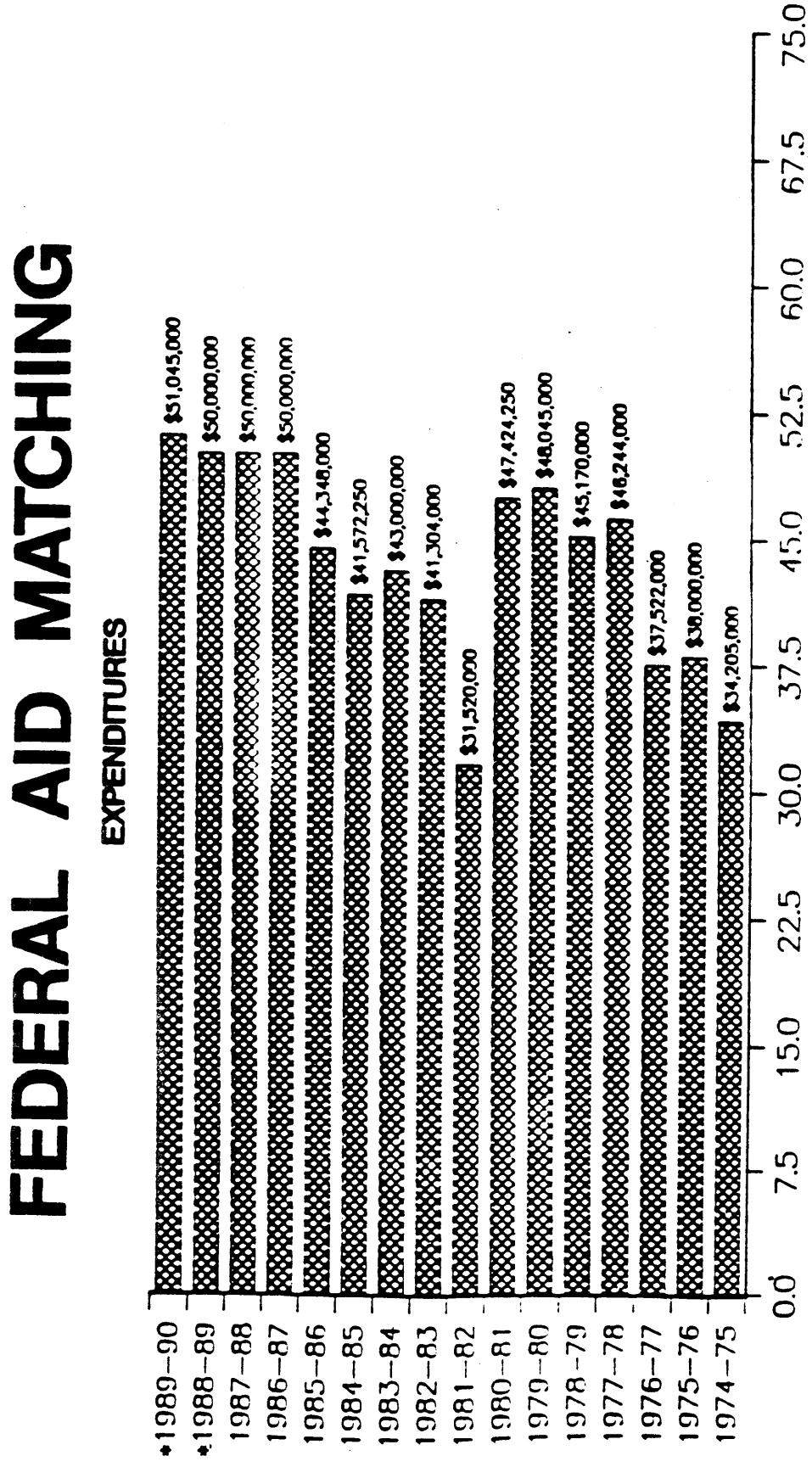
ROAD FUND EXPENDITURES

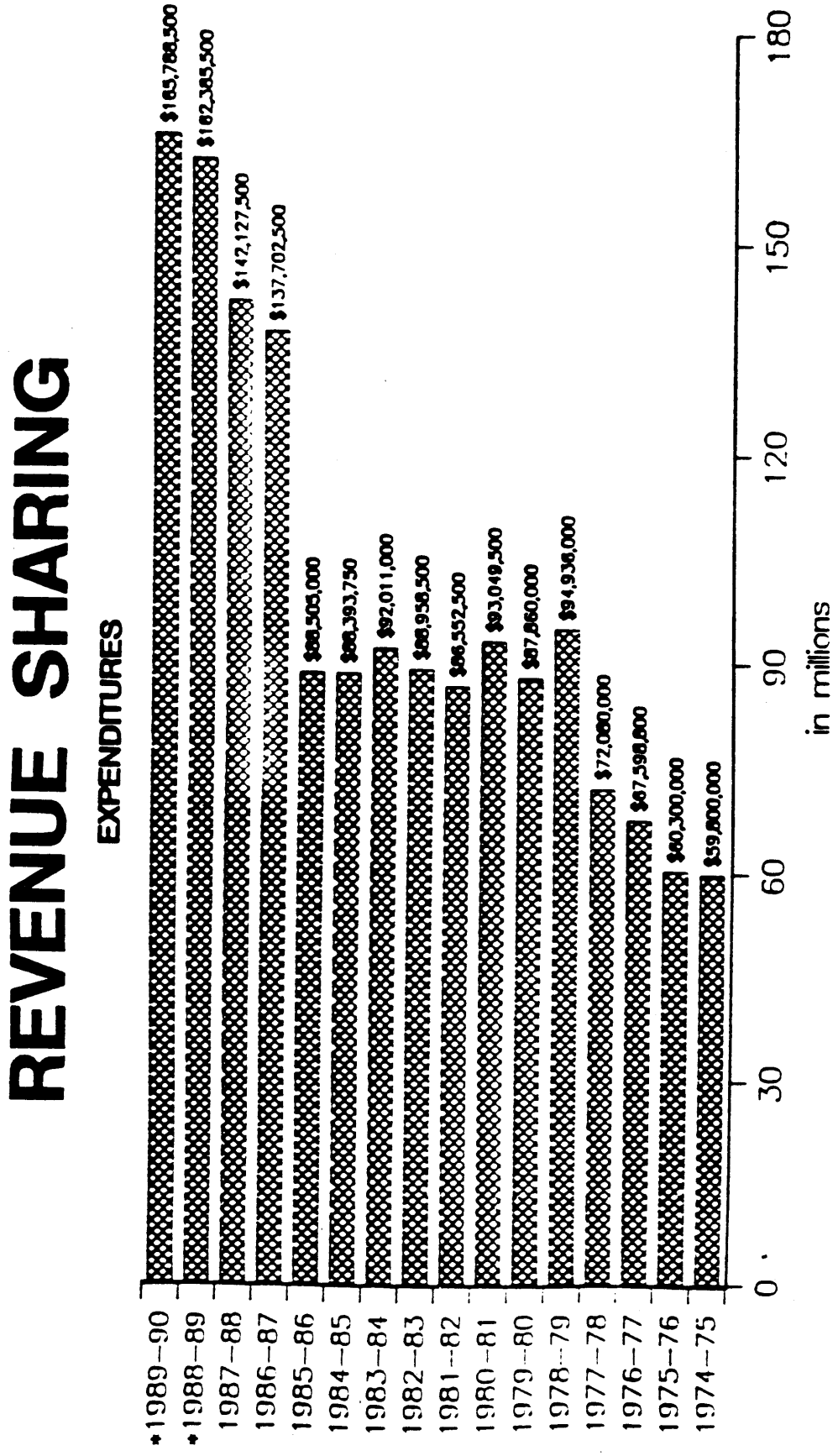
FISCAL YEAR 1988-89 BUDGET (DOLLARS IN MILLIONS)

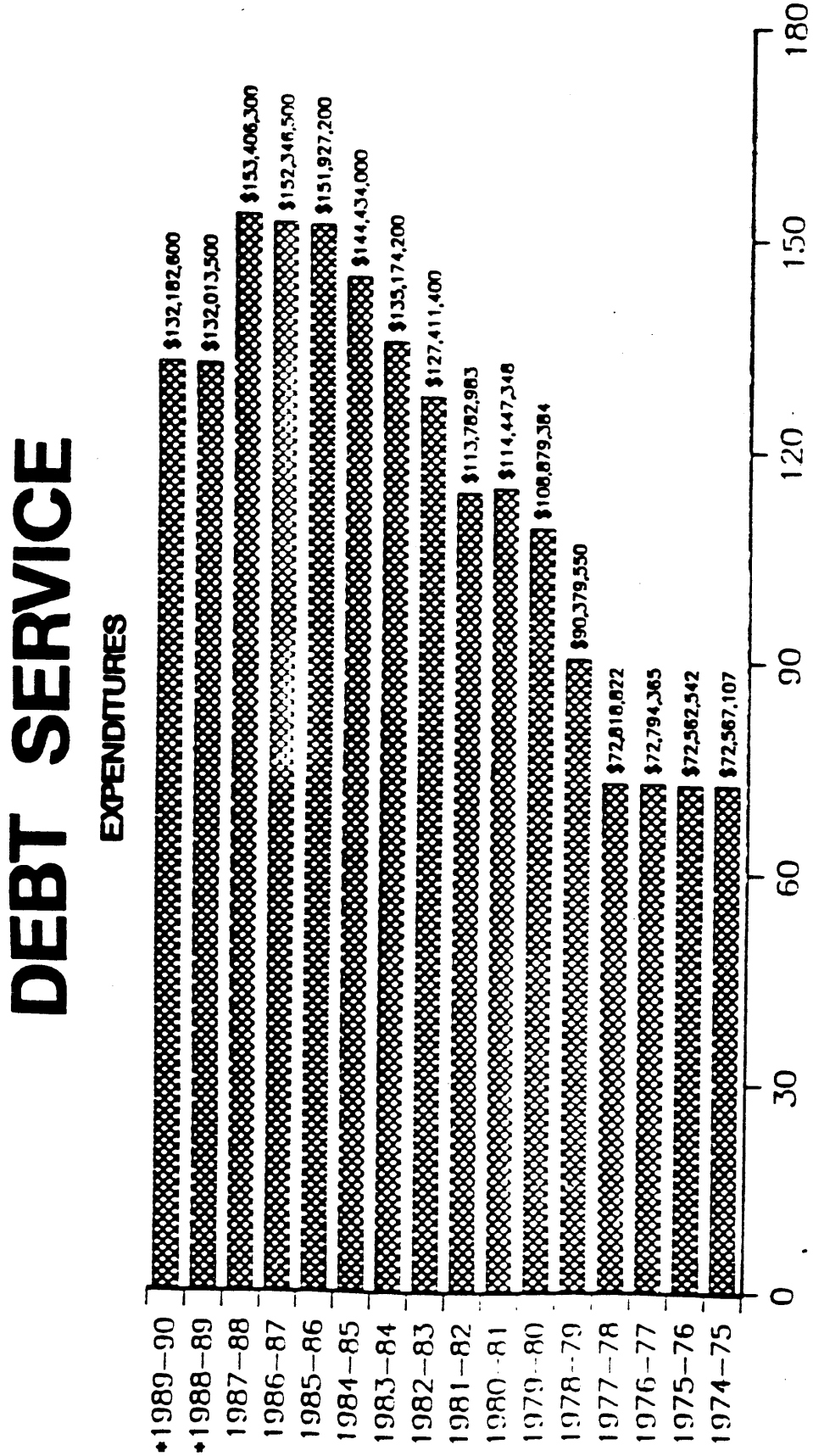


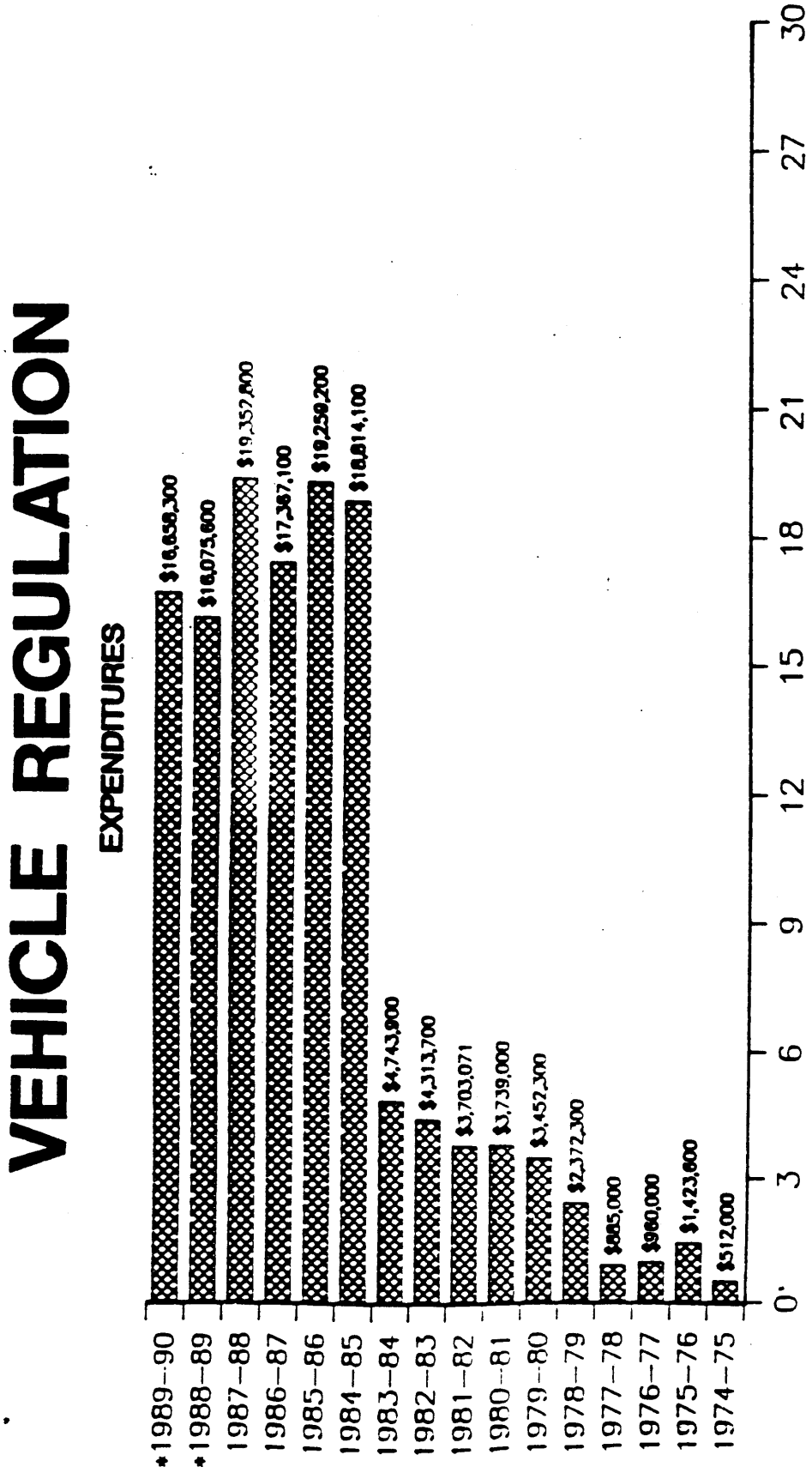
TOTAL BUDGETED EXPENDITURES $636.8 MILLION


TOTAL
EXPENDITURES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$683,140,000
$636,786,100
$631,319,700
$645,383,000
$480,875,000
$468,115,000
$450,706,200
$474,431,900
$418,206,215
$455,453,400
$442,900,000
$396,460,553
$355,230,000
$319,635,000
$289,245,000
$269,201,000
0
75
150
225
300
375
450
525
600
675
750
in millions


FEDERAL AID MATCHING
EXPENDITURES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$51,045,000
$50,000,000
$50,000,000
$50,000,000
$44,348,000
$41,572,250
$43,000,000
$41,304,000
$31,520,000
$47,424,250
$48,045,000
$45,170,000
$48,244,000
$37,522,000
$38,000,000
$34,205,000
0.0
7.5
15.0
22.5
30.0
37.5
45.0
52.5
60.0
67.5
75.0
in millions

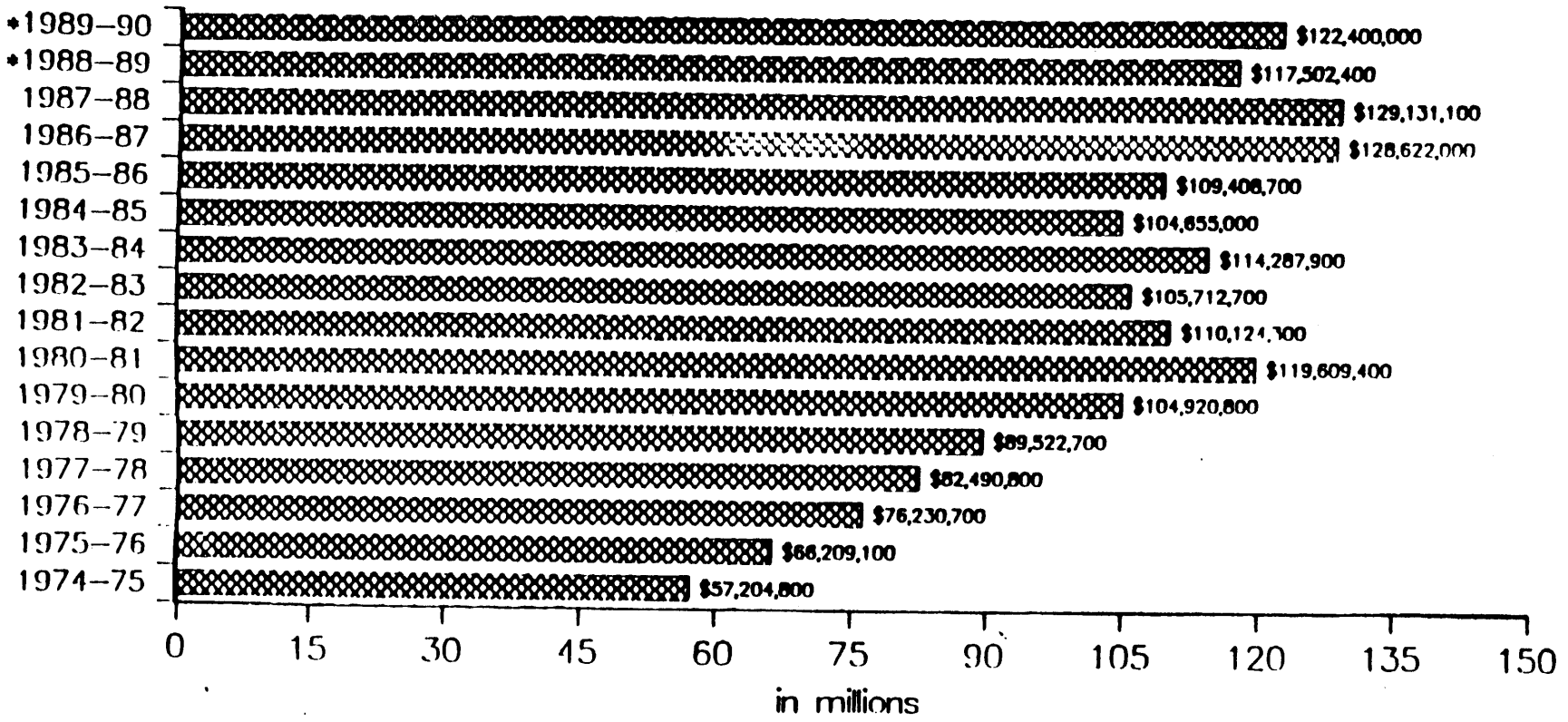

REVENUE SHARING
EXPENDITURES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$165,788,500
$162,385,500
$142,127,500
$137,702,500
$88,505,000
$88,393,750
$92,011,000
$88,958,500
$86,352,500
$93,049,500
$87,860,000
$94,938,000
$72,050,000
$67,598,800
$60,300,000
$59,800,000
0
30
60
90
120
150
180
in millions


DEBT SERVICE
EXPENDITURES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$132,182,600
$132,013,500
$153,406,300
$152,348,500
$151,927,200
$144,434,000
$135,174,200
$127,411,400
$113,782,983
$114,447,348
$108,879,384
$90,379,550
$72,818,822
$72,794,365
$72,562,542
$72,567,107
0
30
60
90
120
150
180
in millions


VEHICLE REGULATION
EXPENDITURES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$18,658,300
$18,075,600
$19,357,800
$17,387,100
$19,259,200
$18,814,100
$4,743,900
$4,313,700
$3,703,071
$3,739,000
$3,452,300
$2,372,300
$985,000
$960,000
$1,423,600
$512,000
0
3
6
9
12
15
18
21
24
27
30
in millions

MAINTENANCE

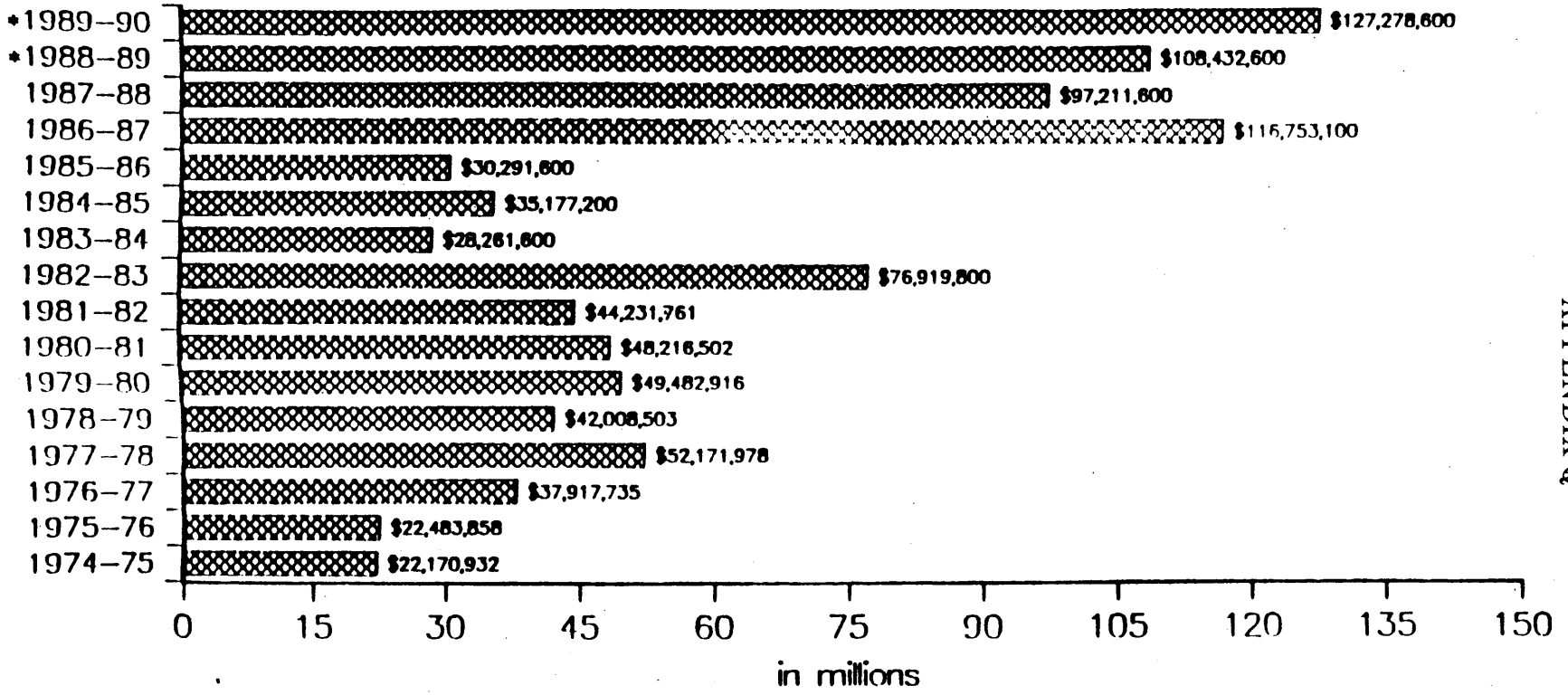
EXPENDITURES



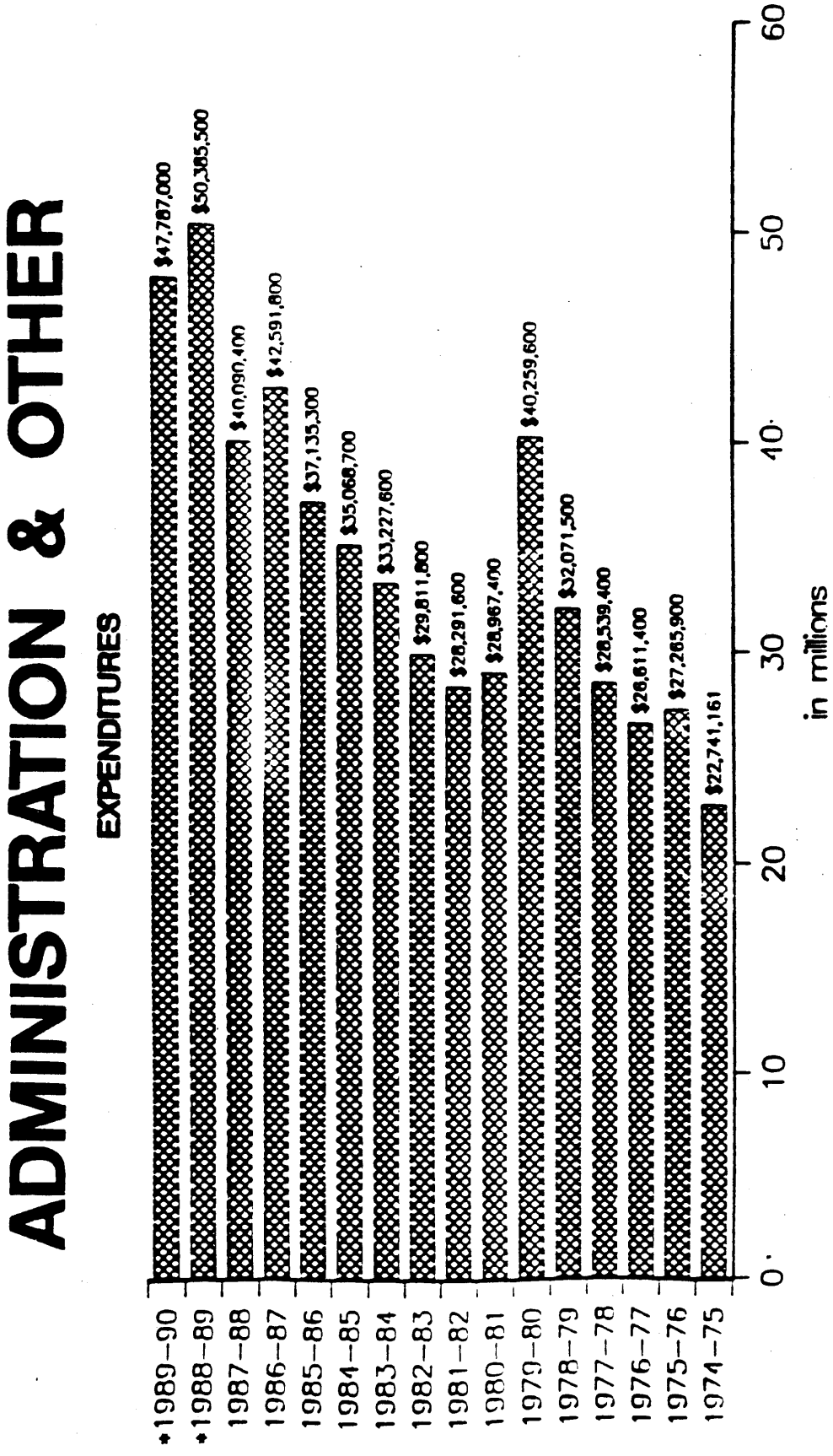
*** INCLUDES ROADWAY, BRIDGE AND TRAFFIC MAINTENANCE, DISTRICT OFFICE OPERATIONS, AND EQUIPMENT SERVICE ACTIVITIES**

CONSTRUCTION

EXPENDITURES



*** INCLUDES STATE CONSTRUCTION, STATE RESURFACING, RESEARCH, PLANNING, AND ENGINEERING ACTIVITIES**


ADMINISTRATION & OTHER
EXPENDITURES
*1989–90
*1988–89
1987–88
1986–87
1985–86
1984–85
1983–84
1982–83
1981–82
1980–81
1979–80
1978–79
1977–78
1976–77
1975–76
1974–75
$47,787,000
$50,385,500
$40,090,400
$42,591,800
$37,135,300
$35,068,700
$33,227,600
$29,811,800
$28,291,600
$28,967,400
$40,259,600
$32,071,500
$28,539,400
$28,611,400
$27,265,900
$22,741,161
0
10
20
30
40
50
60
in millions

CHAPTER VI

FINAL REPORT OF THE COMMITTEE ON HUMAN RESOURCES

SUMMARY OF RECOMMENDATIONS

The Commission on Kentucky's Government was created by the 1988 Kentucky General Assembly for the purpose of determining whether state agencies are functioning efficiently, serving a legitimate public end and effectively serving Kentuckians. At the outset, the Committee on Human Resources wishes to acknowledge the difficult job given to the Cabinet for Human Resources (CHR) in meeting the human service needs of the Commonwealth with the limited resources it receives.

Based on our hearings and deliberations, it is the consensus of the committee that we are not meeting basic needs of the citizens of Kentucky and have no hope of doing so unless fundamental changes are made in CHR and additional financial resources are allocated for this purpose. With this in mind, the committee endorses in principle the human service needs expressed in a March 10, 1989, communication to Senator Benny Ray Bailey from Human Resources Secretary Harry Cowherd. (Available from the staff of the LRC.) This document catalogs numerous pressing needs in human resources, including such areas as funding for community-based services for severely emotionally disturbed children, funding for implementation of the federal Family Support Act, expansion of the Kentucky Medical Assistance Program, funding for additional juvenile residential treatment beds, and funding for additional long-term care beds in the 1990-92 biennium.

Because of the broad array of programs offered by CHR, it was necessary for the committee to focus its attention on several target populations served by the Cabinet. The committee selected AFDC families, children and families at risk (experiencing problems with abuse/neglect, substance abuse, health care, unemployment and mental health), and the elderly as target populations for further study. A number of Cabinet-wide issues were also explored, such as long-range planning, case management, volunteer services, data processing and health care cost containment. The following summarizes the committee's findings and recommendations in each of these areas:

AFDC Families

Kentucky's AFDC benefits are very low (average of $228/month for a family of three) and rank 45th in the nation. Recipients have little incentive to seek employment, in part due to the potential loss of Medicaid benefits if they find a job. CHR does not have personnel to work with recipients to determine their educational or employment needs and arrange for services to help them become self-sufficient. Resources necessary for recipients to support themselves, such as subsidized day care or help in collecting child support, are inadequate.

Recommendations: In order to provide AFDC families with a better chance of attaining economic independence, the committee recommends that CHR: develop a case management system to coordinate services for AFDC families; improve the Child Support Enforcement program by implementing an automated data system, establishing performance standards for the program, and eliminating backlogged cases; and improve the availability and quality of day care services by registering family day care homes, developing standards for relative care paid for by the state, and providing more programmatic support to day care providers. In addition, AFDC benefits should be increased on a regular basis and the number of subsidized day care slots should be increased.

Children and Families at Risk

A substantial number of Kentuckians live in perilous circumstances, as evidenced by our unemployment rate (sixth highest in the U.S.), the large number of citizens without health insurance (700,000), the approximately 117,000 persons in need of mental health services, the estimated 325,000 persons with substance abuse problems, reports of 43,000 children being abused or neglected each year, the teenage birth rate (9,000 births last year), and the 145,000 families owed child support. The committee found little coordination of services provided by CHR to families experiencing one or more of the above problems. Many families and children at risk are not referred for services, those that are enter a system in which the average caseload of social workers is high (29.5), and 80 vacancies for social workers exist in CHR. The performance of the Child Support Enforcement Program was found to be inadequate, with a backlog of 85,000 cases and collections in only 13% of total cases. The cost of the Medicaid program has more than doubled since 1980, while covering about the same number of recipients. Community-based treatment alternatives are a low priority, resulting in high-cost institutional care.

Recommendations: The case manager concept should be implemented for high-risk multiple-problem families; community-based alternatives to institutional services for severely emotionally disturbed children should be developed; the Child Support Enforcement program should be improved by implementing an automated data system, establishing performance standards for the program, and eliminating backlogged cases; the availability and quality of day care services should be improved by registering family day care homes and providing more programmatic support to day care providers. Additionally, CHR should be included in the development of early childhood development programs; the Medicaid program should be expanded to cover groups eligible under the federal law, and the number of Family Service Workers should be increased.

Elderly Population

The elderly population in Kentucky is expected to increase from 12% to 14% of the total population by the year 2000, with the number of persons aged 85+ more than doubling. While one-third of the elderly (140,000) need assistance in the activities of daily living, only 5% of the total elderly population (30,000) are in nursing homes. However,

one-half of the nursing home population is over 85 years old, which represents about 35% of all persons aged 85 and older in Kentucky. Most daily assistance to older persons is provided by friends and family members. For those persons needing professional assistance, a full range of services does not exist statewide and available in-home services primarily serve low-income elderly. (Less than 20% of persons needing in-home care are being served, and nursing homes are experiencing a 95% occupancy rate.) With 70% of skilled nursing and intermediate care facility services paid for by Medicaid ($250 million in FY 1987) and $9 million spent last year in the Homecare program, the growth of the elderly population will increase the demand for funding of these services.

Recommendations: A case management system for elderly persons at risk of institutionalization should be developed; greater supervision of community-based care providers should be provided; caregiver alternatives should be developed that reimburse family or neighbors for providing personal care to older persons; a pilot program to allow older persons to purchase services with vouchers should be developed; and CHR should be given a role in the development of housing policy for older persons.

Case Management

The case management concept involves one caseworker working with a client to assess the needs of the client, design and coordinate a treatment plan, access needed services, and track the progress of the client. Case management offers clients the opportunity to deal with one person who acts as an advocate on behalf of the client, with the authority to make decisions across programs or organizational lines. Case management services are offered on a limited basis in CHR; however, the federal Family Support Act gives states the option of assigning case managers to AFDC recipients.

Recommendations: CHR should establish a Cabinet-wide program of computer-assisted case management for various high-risk, multiple-problem target populations; case managers should be given the authority to access and coordinate services across organizational lines; existing staff should be used as case managers where possible; a single data management system should be developed to permit case managers to access needed information.

Health Care Cost Containment

In FY 1989, health care expenditures were about $2,200 per person, with the overall cost of services increasing by over 100% since 1980. Health care costs are expected to increase by 13% annually. Since 1980, the average cost per hospital day and expenditures under the Medicaid program in Kentucky have more than doubled. Premiums under the state health insurance contract have tripled in this same period. Virtually all payers of health care have implemented cost containment strategies (such as prospective payments, preadmission screening, outpatient procedures and higher deductibles and co-payments). These strategies have reduced hospital occupancy rates and the length of stays in hospitals. There is no specific program in CHR designed to control health care costs.

Recommendations: A coordinating group within the Executive Branch should be established to develop cost containment strategies for all state health expenditures; such a group should encourage the use of cost-effective services; efforts to contain health care costs in Medicaid should be continued; the use of allied health care personnel should be encouraged; and the Department of Insurance should review the role of private insurance carriers who are also health care providers.

Data Processing and Systems Management

CHR spends an average of $18 million per year for data processing, and has spent an average of $4 million per year on private vendors in the last five years. Equipment purchases have averaged over $2.5 million per year since 1984. Despite these expenditures, major data systems in CHR remain incomplete (such as the child support enforcement program, the Medicaid Management and Information System and the food stamp program). The management of data systems in CHR appears to be decentralized, and to reflect orientation to process and fiscal aspects of programs rather than outcomes.

Recommendations: The General Assembly should call for a program review of all data system contracts initiated by CHR for the past six years; a full-time professional should be appointed to manage the Cabinet's data systems; and a summary of key facts about CHR's data systems should be included in the Information Resources Plan.

Long-range Planning

CHR administers over 100 programs, serving 400,000 persons, with an annual budget of over $2 billion. The Cabinet was created in 1974 to better coordinate essential services previously provided by a number of agencies. The committee found no identifiable long-range planning process in CHR that identifies needs or sets priorities. Current planning is oriented to individual programs or departments, with limited inter-departmental coordination. Program goals are not well defined, in terms of the outcomes expected. There is a proliferation of advisory committees in CHR that often do not play a meaningful role in the decision making process.

Recommendations: Legislation should be enacted to require a continuous long-range planning process; CHR should continue to work with the General Assembly to gain concurrence on human service priorities; realistic outcome goals should be developed for programs, and information systems should be designed to collect outcome information; advisory committees should be composed of independent thinkers and their activities reviewed to determine those committees that could be combined or eliminated.

Volunteers

The Office of Volunteer Services has the mission of promoting, publicizing and endorsing volunteer services. No data is maintained as to the effectiveness of this office.

The committee found that volunteers can enhance the quality of services provided by direct service agencies; however, the current office is oriented primarily to recognizing volunteers.

Recommendations: Volunteer services should have Cabinet-wide emphasis; the primary role of the coordinator of volunteer services should be to identify ways in which CHR can use volunteers, develop recruitment and training strategies, develop outcome measures for volunteer service providers, and provide appropriate public recognition of volunteers. The volunteer coordinator should coordinate with other state agencies and the private sector to maximize the use of volunteers.

INTRODUCTION

The 1988 Kentucky General Assembly enacted SCR 83, creating the Commission on Kentucky's Government, to determine whether state agencies and their programs are:

- Serving a legitimate public end;
- Functioning in the most efficient manner; and
- Effectively serving citizens of the Commonwealth.

The mission statement adopted by the Commission suggested the following guidelines be used by the committees created by the Commission to determine whether:

- End results desired by the taxpayers are being accomplished;
- Objectives set by the General Assembly are being met;
- Services are being provided efficiently;
- Agencies are of a manageable size;
- Duplicative programs and agencies are consolidated or eliminated; and
- Agencies are accountable for their actions.

Because of the enormity of the task of reviewing every division and program of the Cabinet for Human Resources, the Human Resources Committee concluded that to concentrate on the major program areas would not be an effective use of the time allotted for the Committee's work. Instead, the Committee adopted the approach of examining the programs serving several target populations, to determine how CHR is using its resources to improve the condition of these populations. In this manner, it was felt that those program and organizational areas needing attention in the Cabinet would emerge.

The Committee examined three major population groups: AFDC families, children and families at risk (experiencing problems with abuse/neglect, substance abuse, health care, unemployment, and mental health), and the elderly. This report profiles each of these populations, states findings of the Committee derived through hearings, and makes recommendations in each area. (In some sections the report contains additional recommendations which relate to the target population discussed but do not specifically

relate to an organizational issue.) In addition, the Committee reviewed a number of Cabinet-wide management issues such as long-range planning, case management services, data processing and systems management, volunteer services, and health care cost containment.

AFDC FAMILIES

- 155,000 adults and children receive AFDC in Kentucky (58,494 cases—51,412 adults and 104,387 children).
- About 35% of cases have received AFDC for more than 36 of the preceding 60 months.
- Approximately 5% of AFDC cases will lose eligibility within two years, due to the age of the child.
- The average case is a white woman between the ages of 25 and 34 with two children but no father in the home.
- 39% of adult recipients are unmarried; 27% are divorced or legally separated.
- 70% of adult AFDC recipients have not completed high school.
- 4,000 AFDC recipients are teenage mothers.
- Average monthly AFDC benefit is $228 per month; average food stamps received is $203 per month; average value of Medicaid benefits is $165 per month per family.
- 5% of recipients have some earned income.

Findings

(1) AFDC benefit levels are very low; Kentucky ranks 45th in the nation.

(2) The AFDC system provides little incentive to recipients to seek employment; the potential loss of Medicaid benefits if recipients become employed is a major barrier to employment.

(3) The Child Support Enforcement program only makes collections in about 12% of AFDC cases.

(4) No specific organizational unit of CHR is responsible for helping AFDC recipients to become self-sufficient; despite the proliferation of programs, recipients must fend for themselves in the system.

(5) CHR does not assign a caseworker to each AFDC recipient to assist in meeting goals such as employment and literacy.

(6) Ratable reduction (HB 381 of the 1988 Session) is expected to cause a short-term increase in the AFDC population. This may seem counterproductive to the goal of promoting self-sufficiency, but is expected to provide the opportunity for long-term self-sufficiency.

(7) The new federal Family Support Act offers states the option of providing case management services to AFDC recipients participating in education and training programs.

(8) The Family Support Act will increase demand for day care by requiring states to provide day care to recipients participating in work and training programs.

(9) There is a shortage of subsidized day care slots for low-income and AFDC working families (there are over 3,000 children on the waiting list for subsidized day care, as of June 1989).

(10) CHR provides little programmatic support to day care providers; licensure regulations focus on physical aspects of facilities instead of program quality.

Recommendations

(1) Develop and implement a case management system for AFDC recipients designed to coordinate services and promote individual self sufficiency. (See the section entitled "Case Management" for a definition of the concept.)

(2) Give priority to the full and effective implementation of child support enforcement statutes. At a minimum this should include:

(a) Development of an operational automated record keeping system to allow easy tracking of cases;

(b) Establishment of performance standards for County Attorneys and contract attorneys for processing child support cases;

(c) Intervention by CHR when performance standards are not met; and

(d) Elimination of backlogged cases as a top priority.

(3) Transfer the legal aspects of the program to the Office of the Attorney General, if the review of the Child Support Enforcement program, as mandated by 88 HB 586, determines progress in the program is not satisfactory.

(4) Implement the concept of family day care registration in order to increase child care resources and strengthen the family unit. Family day care is care provided in the private residence of the provider for six or fewer children who are not the provider's own children, grandchildren, or children of whom the provider has legal custody.

(5) Develop standards for day care provided by relatives of the children when the state is paying for the care, as permitted by the federal Family Support Act.

(6) Provide more programmatic support to regulated day care providers, especially as relates to services and programs; support should come from personnel within CHR who specialize in child development.

(7) Consideration should be given to the development of a more identifiable program focus in CHR towards child day care, including the development of licensure standards, development of early childhood education programs serving at risk children, resource development, program supervision and payment.

Additional Recommendations

(1) Increase the combined value of AFDC and food stamp benefits on a regular basis, with the goal of reaching the federal poverty level as a standard of living by the year 2000.

(2) Fully implement the federal Family Support Act to encourage AFDC recipients to seek employment and become self-sufficient.

CHILDREN AND FAMILIES AT RISK

- 148,000 Kentuckians were unemployed in 1987 (sixth highest rate in nation).
- 340,000 Kentuckians who live below the federal poverty level have no public or private health insurance. An additional 350,000 persons above the poverty level have no health insurance.
- 336,285 persons received Medicaid in Kentucky in 1987-88.
- 11,667 people were in job training programs.
- As many as 324,800 Kentuckians have substance abuse problems.
- 95,000 to 117,000 persons are in need of mental health services.
- As of January 1989, there were 145,119 active cases in the Child Support Enforcement Program (75,107 cases involving AFDC families and 72,012 cases involving families not receiving AFDC).
- 43,351 children were reported to be abused, neglected, or dependent in 1988.
- The drop-out rate for high school students in 1988 was 32.6% (39th nationally for staying in school).
- 28,000 children have a high risk of becoming involved with the legal system as either a status or criminal offender.
- About 9,000 infants were born to teenagers last year.
- Over 50,000 children with working parents need out-of-home day care services.
- 27% of participants in Job Training Partnership Act programs are illiterate.

Findings

(1) There is very limited coordination of services for families with multiple problems.

(2) Only 18% of non-AFDC families owed child support actually receive any through the Child Support Enforcement program. Many families are at risk of becoming dependent on AFDC if they do not receive child support.

(3) The Child Support Enforcement program's performance is inadequate; a substantial backlog of cases exists at the local level (over 85,000 cases as of December, 1988); performance standards are lacking throughout the system; record-keeping is not automated.

(4) Medicaid covers 31 services, at a cost of $800 million per year; since 1980, the number of Medicaid recipients has remained virtually unchanged (with the exception of the addition of a few new groups, such as pregnant women and children and Qualified Medicare Beneficiaries), while the cost of services has more than doubled ($376 million to $800 million).

(5) Community-based treatment alternatives are a low priority, resulting in high cost institutional care; approximately 1,500 children received psychiatric

hospital care under Medicaid in 1988, at a cost of $23 million (average cost of $15,333 per child).

(6) The average social worker salary is $20,143 per year; the average caseload is 29.5. As of July, 1989, there are 80 vacant positions for social workers in CHR.

Recommendations

(1) Develop and implement the case manager concept to coordinate all services needed by high-risk multiple-problem families. (See the section entitled "Case Management" for a definition of the concept.)

(2) Develop additional community alternatives as an extension of institutional services, with priority on care for emotionally disturbed children (highest priority should be given to children committed to the care of the Cabinet).

(3) Give priority to the full and effective implementation of child support enforcement statutes. At a minimum this should include:

(a) Development of an operational automated record- keeping system, to allow easy tracking of cases;

(b) Establishment of performance standards for County Attorneys and contract attorneys for processing child support cases;

(c) Intervention by CHR when performance standards are not met; and

(d) Elimination of backlogged cases as a top priority.

(4) Transfer the legal aspects of the program to the Office of the Attorney General, if the review of the Child Support Enforcement program, as mandated by HB 586 of the 1988 Session, determines progress in the program is not satisfactory.

(5) Implement the concept of family day care registration, in order to increase child care resources and strengthen the family unit. Family day care is care provided in the private residence of the provider for six or fewer children who are not the provider's own children, grandchildren, or children of whom the provider has legal custody.

(6) Provide more programmatic support to regulated day care providers, especially as relates to services and programs; support should come from personnel within CHR who specialize in child development.

(7) Consideration should be given to the development of a more identifiable program focus in CHR towards child day care, including the development of licensure standards, development of early childhood education programs serving at risk children, resource development, program supervision and payment.

(8) Increase regulated day care slots, especially subsidized day care slots for low-income non-AFDC working families, to include those children currently on the waiting list.

Additional Recommendations

(1) The General Assembly should involve CHR in the development of comprehensive early childhood development programs, including publicly funded preschool programs, as many children in need of such programs are at risk or are currently being served by the Cabinet.

(2) Expand Medicaid to groups potentially eligible under federal law—such as pregnant women and children up to age one with incomes up to 185% of the federal poverty level—with the expectation that early diagnosis and treatment will benefit families and children at risk and reduce long-term Medicaid costs.

(3) Increase the number of Family Service Workers; assign caseloads appropriate to the kinds of cases involved; establish goals in the treatment plan for each family and evaluate to determine whether these goals were reached, as a means of interjecting more accountability into the system.

(4) Identify creative approaches to the development of community-based alternatives for severely emotionally disturbed children, such as the use of Medicaid waivers, challenge grants, specialized foster care and group homes.

ELDERLY POPULATION

- By the year 2000, the number of persons over age 60 in Kentucky will grow from 449,069 to 601,496 (from 11.8% to 14% of the total population.
- Also by the year 2000, persons aged 85+ (who have the greatest need for long-term care) will grow from 43,036 to 88,805 (a 105% increase).
- The average nursing home patient in Kentucky is over 81 years old and the 85+ group represents over one-half of all patients.
- The 30,000 elderly persons in long-term care facilities constitutes only 5% of the elderly population in Kentucky; however, one-half of the nursing home population is over 85 years old, which represents about 35% of all persons aged 85 and older in Kentucky.
- One-third of non-institutionalized elderly (140,000 people) need assistance in the activities of daily living.
- 20% to 25% of elderly persons living in the community have moderate to severe mental health problems; over 60% of residents of long-term care facilities suffer from some form of dementia.
- Most daily assistance to elderly is provided by informal caregivers (family, friends, neighbors). About 20% of care is provided by professionals, such as staff of long-term care facilities and home health agencies.

Findings

(1) Case management is not available for most elderly needing care. Professional help is necessary for an elderly person to successfully negotiate the system.

(2) A true continuum of care does not exist statewide; while most areas have long-term care facilities, some facilities have a shortage of beds and most areas still have a shortage of in-home services. Available in-home services tend to serve primarily low-income elderly.

(3) In-home services have been shown to successfully delay the need for institutional care in many cases.

(4) Less than 20% of persons needing in-home care are being served.

(5) In-home service providers are not subject to quality assurance regulation, and supervision by the administering agency is lax or nonexistent in some areas. There is no regular inspection to ensure proper services are delivered to clients.

(6) In-home services have increased dramatically—last year the Homecare program served 9,217 clients, at a cost of $9 million. Only $3.1 million was spent in 1983.

(7) Funding for the Division for Aging Services will have to increase annually by $500,000 just to keep pace with the elderly population growth, at the current level of services.

(8) The typical nursing home patient requires assistance in five out of six activities of daily living (bathing, dressing, going to the toilet, getting in and out of bed, feeding and continence), suffers from several chronic illnesses, and has heavier care needs than most persons receiving in-home services. For this reason, in-home services are not always a feasible alternative to nursing home placement.

(9) Kentucky has had a moratorium on the construction of new skilled nursing and intermediate care beds since 1980. Exceptions and lapses in the moratoriums have allowed 262 new skilled nursing beds, 4252 new intermediate care beds and 297 new personal care beds in this period (most are conversions from one level of care to another).

(10) Occupancy rates of long-term care facilities remain high (95%+), with some Medicaid recipients forced to go outside of their home county for admission to a facility (over 1,000 Kentuckians reside in Indiana nursing homes); the average waiting list for Intermediate Care Facilities exceeds 25 persons.

(11) 70% of all skilled nursing and intermediate care residents depend on Medicaid to pay for or subsidize the cost of their care.

(12) The majority of institutionalized mentally ill and mentally retarded Kentuckians reside in personal care homes, which receive less than $18 per day from the state (in most cases) to provide care for these persons.

(13) Medicaid spent $250 million on skilled nursing and intermediate care in FY 1987 (includes ICF/MR) for fewer than 20,000 recipients (constitutes

about 35% of total Medicaid expenditures for less than 5% of the 340,000 persons eligible for Medicaid).

Recommendations

(1) Develop and implement a case management system for the elderly who are at high risk of being institutionalized. (See the section entitled "Case Management" for a definition of the concept.)
(2) Provide greater supervision of community-based care providers to improve the quality and effectiveness of services funded by CHR.
(3) Develop caregiver alternatives that reimburse family or neighbors for providing personal care services, in order to encourage a continuum of care. This would allow the service to be personalized at a reduced cost but with expanded capacity. Individual caregivers should be trained and paid to provide four or five general types of services to assist persons in remaining in their homes.
(4) Develop a pilot program to allow older persons to purchase services with vouchers, to give the client control in making caregiver selections.

Additional Recommendations

(1) CHR should be given a role in the development of housing policy in Kentucky that encourages the expansion of housing alternatives for older persons, such as congregate living centers, to prevent or delay the need for institutionalization.

CASE MANAGEMENT

- Concept involves one caseworker working with a client to assess the needs of the client, design and coordinate a treatment plan, access needed services, and track progress towards predetermined goals.
- Case manager acts as an advocate or troubleshooter for client, with authority to make decisions across program or organizational lines.
- The need for case management is due in part to the recognition that clients cannot keep track of various programs with different eligibility criteria.
- Case management offers clients the opportunity to deal only with one person who understands their needs, as opposed to numerous program personnel.
- Protection of clients is the first priority of case managers, with the promotion of education and self sufficiency a strong second.

Findings

(1) Case management services are currently offered on a very limited basis in a few CHR programs, such as Homecare and alternative services for the mentally retarded, and by some Community Action Agencies.
(2) The federal Family Support Act allows the states to assign case managers to AFDC recipients to assist in obtaining needed education, training or day care services.

Recommendations

(1) CHR should establish a Cabinet-wide program of computer-assisted case management for various high risk, multiple-problem target populations (such as AFDC families, families with members experiencing abuse/neglect, substance abuse, mental health needs) and elderly persons.
(2) Case managers should have authority to access and coordinate needed services across organizational lines.
(3) Where possible, existing staff should be used as case managers, with an infusion of new staff as necessary.
(4) A single data management system should be developed that would permit the case manager to access information about a client from all pertinent program areas, with appropriate safeguards to protect client confidentiality.

HEALTH CARE COST CONTAINMENT

- In FY 1989, health care expenditures were about $2,200 per person, with a total national expenditure of about $618.4 billion.
- In Kentucky, Medicaid expenditures have increased from $376 million in 1981 to about $800 million in 1989.
- In this same period, the number of Medicaid recipients remained relatively stable (at around 330,000).
- Premiums for the state health insurance contract have increased from $28.86 per month for an individual in 1981 to $89.07 in 1989.
- In 1980, the average cost per hospital day was $220; in 1988 it was $505.
- Overall, the cost of health services has increased from 100% to 200% (depending on the service) since 1980, and it is expected to increase by 13% annually.

Findings

(1) Virtually all payers of health care have implemented cost containment procedures, such as:
(a) prospective payment systems;
(b) preadmission screening and concurrent review;

(c) second opinions for surgery;
(d) requiring certain procedures be performed on an out-patient basis only; and
(e) higher deductibles and co-payments, to discourage utilization.

(2) As a result of these strategies, hospital occupancy rates and the total number of hospital days per year in Kentucky have dropped about 25%.

(3) Managed care plans, such as Health Maintenance Organizations (HMOs), have developed rapidly, because they have demonstrated an ability to cut the number of hospital days per 1,000 enrollees to less than half of the rate of traditional health insurance.

(4) In Kentucky, the number of HMOs has grown from three to 11 since 1983, and the number of enrollees has grown proportionally. For example, the percent of persons enrolled in HMOs in the state health contract (covering 90,000 state employees and employees of local school boards) has grown from 5% in 1984 to better than 35% in 1989.

(5) There is no specific program in state government designed to control health care costs, although the Commission on Health Economics Control in Kentucky (CHECK) has had an effect on costs, in that it has deterred the building and establishment of health care facilities and services.

(6) There is no consensus that health care cost containment is a desirable goal of public policy. For example, some critics argue that:
(a) Quality of care is compromised by limits on utilization and covered services;
(b) Access by consumers to needed health care is limited; and
(c) Patient care management has to a large degree been taken from physicians and placed in the hands of payers.

(7) The emergence of comprehensive health care systems which function both as insurer and service provider is raising concerns over the possible elimination of some service providers and negative effects on cost containment.

Recommendations

(1) A coordinating group should be established within the Executive Branch to implement, revise and monitor cost containment strategies for all state health expenditures, i.e., Medicaid, state employee health contract, services provided through health departments, and any other medical services purchased or provided through state funds.

(2) Such a group should recommend suitable monitoring strategies and utilization review programs employed by private payers of health care, such as quality screens and physician profiles, to ensure quality care by identifying those providers who overutilize or underutilize services.

(3) The coordinating group should also attempt to promote the most cost-effective services in state health programs, such as primary, preventive and community-based care, instead of institutional care.

(4) CHR should continue internal efforts to contain health care costs in Medicaid

(such as audits and increased surveillance and utilization review) and other programs it administers directly.

(5) Health care practitioners should be encouraged to expand the utilization of regulated allied health care personnel.

Additional Recommendations

(1) We encourage the Department of Insurance to continue to review health insurance rate increase requests and the role of private insurance carriers who are also providers of health services.

DATA PROCESSING AND SYSTEMS MANAGEMENT

- CHR spends an average of $18 million each year for data processing. These expenditures include over $10 million in services provided by the Department of Information Systems.
- The Cabinet contracts with private vendors for approximately $8 million in services in the current year, and has spent an average of $4 million per year on private vendors in the last five years. (This does not include the cost of processing Medicaid claims through a private vendor.)
- Data-related equipment purchases have averaged over $2.5 million per year over the past five years.

Findings

(1) A Cabinet-wide data system is a necessary resource for coordinating and managing client services, especially for high risk individuals and families, and for providing managers and policy makers the information needed for program planning, administration and assessment.

(2) Despite large expenditures over a number of years, major data systems of the Cabinet remain incomplete (such as those of the Child Support Enforcement program, the Medicaid Management and Information system and the food stamp program).

(3) Data systems reflect management orientation to process rather than outcome (such as whether applications have been completed).

(4) Data systems are geared towards program fiscal accountability, with minimal consideration of inter-program coordination and client case management.

(5) The management of data systems within the Cabinet appears to be highly decentralized, with little top level guidance.

Recommendations

(1) The General Assembly should call for a program review of all data system contracts initiated by the Cabinet for the past six years, to determine the outcome of such contracts and current or future value of the product to the Cabinet, the clients and the taxpayer.
(2) The Secretary should name a full-time professional to provide policy direction for the Cabinet's data systems, as required by regulations of the Kentucky Information Systems Commission.
(3) The Information Resources Plan, submitted biennially to the Kentucky Information Systems Commission, pursuant to 14 KAR 1:010, should include at a minimum, a readily assessable summary of at least the following information:
  (a) The current status of each major system and any proposed system;
  (b) The cost to complete, maintain or update each system;
  (c) How each system links with other systems within the Cabinet for case management;
  (d) The precise outcome expected for each contract with a private vendor, including time frames, performance standards and accountability; and
  (e) Needs for any new systems.

LONG-RANGE PLANNING

- CHR administers over 100 programs and subprograms, serving in excess of 400,000 persons (over 10% of all Kentuckians), with total annual expenditures in excess of $2 billion.
- These programs are the primary resource for food, clothing, shelter, protection, mental health services and health care for thousands of citizens who have a special claim to these services.
- CHR was created in 1974 to better coordinate and integrate the services of a myriad of agencies that served essentially the same high risk population.
- To achieve this goal, it was originally deemed essential that the Cabinet maintain a strong commitment to a planning process that provides a clear articulation of goals and priorities and yields facts that demonstrate to policy makers, administrators and taxpayers the difference the expenditure of public funds is making.

Findings

(1) There is no identifiable process in place to provide a long-range (six to 10 years) perspective on needs and priorities.
(2) The current planning process does not accurately recognize long-term persistent needs in human services.

(3) Most planning is oriented to individual programs or, at best, departments, with minimal inter-departmental planning and coordination. For example, there is a need for better coordination between Medicaid and Aging Services with respect to payment for institutional long-term care and in-home services. Similarly, Medicaid is paying for record amounts of psychiatric hospital care for children, with limited recognition of available community-based programs offered by Mental Health/Mental Retardation.
(4) The majority of program plans are keyed to the biennial budget cycle.
(5) While product goals are stated for most programs (such as the number of persons to be served or total funds to be spent), administrators seemed preoccupied with managing the process and activities rather than outcomes.
(6) Program goals and objectives are not usually quantified and it is often not clear who is responsible for meeting program goals.
(7) An accurate and concise presentation of facts with regard to the current status of many programs is not readily available.
(8) Favorable federal matching rates are available in a number of programs, such as Medicaid and AFDC (72% federal/28% state funds) and the Child Support Enforcement Program (68% federal/32% state funds).
(9) Long-range planning efforts should recognize that CHR is 65% federally funded and that many long range goals are set for the Cabinet by the federal government.
(10) There is a need for more initiative on the part of CHR to generate concurrence with the General Assembly on human service priorities, program expectations and service outcomes.
(11) There are currently 38 different advisory committees within CHR, with 461 members.
(12) Two key advisory groups—the Institute for Children and the Institute for Aging (which were created to encourage and support planning and service coordination across departmental and program lines), have been largely inactive or left out of organizational decision making.

Recommendations

(1) A strategic long-range planning process which is not tied to leadership and management changes in the Executive Branch is needed.
(2) The Kentucky General Assembly should enact legislation requiring continuous long-range planning and program assessment within CHR.
(3) CHR is encouraged to implement this concept by:
(a) Designating an experienced top level executive as the full time manager of the process;
(b) Allocating adequate professional staff support;
(c) Formally adopting a long-range planning and assessment process, including realistic time frames; and

(d) Requiring the full cooperation and participation of all commissioners and other key managers.

(4) The Cabinet should take into consideration the availability of favorable federal matching funds when developing program proposals, but should also take into consideration documented human service needs when developing program priorities.

(5) CHR should continue to work with the leadership of the General Assembly and appropriate committees to gain concurrence on human service priorities, program expectations and service outcomes, including future revenue requirements. Such goals should be incorporated in statutes where feasible.

(6) CHR should adopt realistic but challenging outcome goals for programs and establish accountability for performance within the administrative structure. Case managers should also set measurable outcome goals for clients.

(7) CHR information and management systems should be designed to collect clear, concise, comprehensible facts and program outcomes on current programs.

(8) CHR should review the number of advisory groups and eliminate those that are not working or whose functions could be combined, and recommend statutory changes where necessary.

(9) CHR and the Governor should solicit persons who are strong and independent thinkers for appointments to remaining citizens advisory bodies, provide these groups with adequate and capable staff support, and regularly seek their advice as part of the planning and assessment process.

(10) It is the impression of the Committee on Human Resources that long-range planning and program assessment are major weaknesses throughout state government. The committee suggests that the Commission on Kentucky's Government consider this issue for possible action on a broad scale basis.

VOLUNTEERS

- The Office of Volunteer Services is currently located within the Department for Social Services.
- The mission of the Office of Volunteer Services is to promote, publicize and endorse volunteer services in Kentucky.
- No statistics are maintained by the Office of Volunteer Services on the number of volunteers recruited, the number of hours of service volunteered, or the total number of volunteers recognized by the Office.

Findings

(1) The current volunteer function of the Cabinet is located within one department.

(2) The role of the existing unit is primarily oriented to recognizing volunteers.

(3) Volunteers can greatly enhance the diversity, intensity and quality of services provided by direct service agencies.

Recommendations

(1) Volunteer services should have Cabinet-wide emphasis, with overall coordination and policy emanating from the Secretary's Office.
(2) The Departments for Social Services, Health Services, Mental Health and Mental Retardation Services and Social Insurance should each have a coordinator of volunteer services.
(3) The primary role of the Cabinet-wide coordinator of volunteer services should be to serve as an enabler for the use of volunteers and to assist Commissioners, Departmental coordinators and program staff in:
  (a) Identifying opportunities for utilization of volunteer services;
  (b) Developing strategies for recruitment and training of volunteers;
  (c) Developing outcome measures for volunteer service providers; and
  (d) Providing appropriate public recognition of volunteer services.
(4) The Cabinet coordinator of volunteer services should coordinate with other agencies in state government and the private sector to maximize the services of volunteers in human services, as well as other areas of state government.

CHAPTER VII

FINAL REPORT OF THE COMMITTEE ON EDUCATION AND HUMANITIES

SUMMARY OF RECOMMENDATIONS

General

1. Amend the Constitution to establish a State Board of Education, comprised of seven members representing the Congressional districts, elected in non-partisan elections, and six members appointed by the Governor; require the Board to appoint the Superintendent of Public Instruction.
2. Establish a bi-partisan panel, appointed by the Governor, to recommend nominees for appointed educational governing boards.

Education and Humanities Cabinet

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Consolidate the Oral History Commission, the Kentucky Historical Society, the Department for Libraries and Archives and the Kentucky Heritage Council.
3. Increase KET's independence, particularly in the areas of personnel and purchasing policies, to allow for a high quality of service but maintaining accountability to the public.
4. Alter the composition of the Commission on the Deaf and Hearing Impaired to allow equal representation of hearing impaired and hearing persons.
5. Increase the level of statewide outreach for blind and hearing impaired persons in Kentucky through more satellite programs.
6. Organize programs for adult basic education into one agency to improve coordination of programs.
7. Provide tax incentives for businesses to establish literacy classes.

Department of Education

1. Eliminate the Division of Surplus Property in the Department of Education.
2. Support legislation to remove the high school athletic appeals process from the State Board of Elementary and Secondary Education, if an appeals process is provided in some fashion.
3. Recommend an external study of the Department of Education to determine the appropriate organizational structure and the level of resources required

for the Department to meet its mission, as established by the General Assembly. Study areas should include, but not be limited to, the following:

a. An analysis of the number of staff and the amount of financial resources needed to be effective.
b. A review of the salary and benefit structure for Department of Education employees, to assure that they are comparable to those of employees with similar training and experience in local school districts and that the structure is equitable for all employees within the Department.
c. Address the concept of a teacher majority standards board as it relates to the increased efficiency within the Division of Teacher Education and Certification and the practice of licensure.
d. Review the need for a unit on elementary education in the Office of Instruction.
e. Review the program approval process for the Colleges of Education, to assure that the effort is coordinated between the State Board for Elementary and Secondary Education and the Council on Higher Education.

4. Recommend a computerized communications system designed to provide teachers with instant access to performance and program information, and link the Department of Education and the local districts for the transference of reports.
5. Recommend that the Department of Education be post-audited on personnel and expenditures rather than receiving prior approval from the Department of Finance and Administration and the Department of Personnel for all transactions.
6. Recommend that a statewide job placement service be made available by the Department of Education for instructional and administrative personnel.
7. Recommend that the state's accreditation process and the Southern Association of Colleges and Schools' accreditation process occur at the same time in districts that belong to the Southern Association.
8. Recommend that the General Assembly set standards for schools and implement a stringent monitoring process which will require in every individual school a level of quality that is acceptable by the Southern Association of Colleges and Schools.
9. Expand opportunities for highly qualified individuals to enter teaching as a career.

Post-Secondary Education

Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.

INTRODUCTION

The Committee on Education and Humanities of the Commission on Kentucky's Government began its work with an organizational meeting October 13, 1988 and adopted a work plan and a meeting schedule. The following agencies were assigned to the Committee for review:

Office of the Secretary, Education and Humanities Cabinet
Commission for the Deaf and Hearing Impaired
Department for the Blind
Department for Libraries and Archives
Governor's Commission on Literacy
Governor's Council on Vocational Education
Kentucky Educational Television
Kentucky Heritage Council
Kentucky Historical Society
Kentucky Oral History Commission
Kentucky Teachers' Retirement System
The State Board for Adult, Vocational Education and Vocational Rehabilitation
The State Board for Elementary and Secondary Education
Department of Education
School Facilities Construction Committee
Council on Higher Education
Kentucky Higher Education Assistance Authority
Kentucky Higher Education Student Loan Corporation

The Bluegrass State Skills Corporation, though not assigned to the Committee, was invited to make a presentation because its responsibilities are so closely related to those conducted by the Office of Vocational Education.

The Committee objective was to develop recommendations to insure the most effective and wisest expenditure of tax dollars by the agencies assigned to the Committee. The following goals helped focus the selection of information for the review of each agency:

GOAL I: Gather and analyze information to determine if the agency is serving a legitimate public end as it is established by the General Assembly.

GOAL II: Gather and analyze information to determine if the agency is effectively serving the citizens of the Commonwealth.

GOAL III: Gather and analyze information to determine if the agency is functioning in the most efficient and effective manner.

A review of each agency was conducted by staff prior to testimony by the agency head or his designee before the Committee. The staff review provided information related to each goal for the Committee members. Fiscal Years 1975-76, 1979-80, 1983-84 and 1987-88 were designated as the points in time to use to show change in appropriations and other types of data.

The Committee met eleven times from October 1988 through August 1989.

The report has a section on each agency and includes the adopted recommendations at the end of each section.

Though the Committee identified many programmatic areas that were underfunded, it decided to abstain from specific funding recommendations, since resource evaluation was not the primary responsibility of the Committee and a systematic evaluation was not conducted. The members agreed that all areas of education are underfunded and it would not be appropriate for this Committee to set funding priorities.

OFFICE OF THE SECRETARY
EDUCATION AND HUMANITIES CABINET

Agency Organization

The Office of the Secretary was established by Executive Order 73-818 and approved by the 1974 General Assembly as part of the 1974 reorganization of state government. The Secretary is appointed by the Governor to serve as a member of the Governor's Cabinet and provide overall direction and coordination of the departments, boards and commissions included in the Cabinet. Other responsibilities of the Secretary, as set out in KRS 12.270, are:

- Recommend to the Governor desired reorganization affecting the Cabinet;
- Advise the Governor on executive actions, legislative matters and other steps that may be desirable for better program service;
- Evaluate and pass upon all budget requests originated by the departments, boards, and commissions within the Cabinet;
- Advise the Governor on the appointment of Commissioners and heads of units included in the Cabinet, except those whose selection is provided for by law;
- Accept and expend funds in support of the activities of the Cabinet; and
- Create such positions and employ the necessary personnel to carry out the functions of the office.

Though KRS 12.270 requires the Secretary to coordinate the Cabinet agencies and gives him several other similar responsibilities, the statutes establishing the individual agencies provide the majority of them with the authority to hire personnel, set policies, and operate independently of other agencies and the Cabinet itself. A review of the statutes revealed that all of the agencies except the Department for Libraries and Archives and the Department for the Blind are managed by boards which have the authority to recommend or hire staff.

When the Education and Arts Cabinet was formed in 1974 it included the Kentucky Heritage Commission, the Kentucky Historical Society, the Department of Libraries and Archives, the Kentucky Authority for Educational Television, the Kentucky Arts Commission and the Department of Education. In 1982, the Kentucky Arts Commission was transferred to the Economic Development Cabinet and the Cabinet was renamed the Education and Humanities Cabinet. There are six additional agencies currently in the

Cabinet that were not in the 1974 organization. Over the years, the School Building Authority, the Human Rights Commission, the Commission on Women and the Career Ladder Commission have been located in the Cabinet but have since been transferred to other organizational units or have expired.

The Office of the Secretary includes only one division, the Division of Client Assistance. Public Law 98-221 requires the Governor to designate an agency to conduct the Client Assistance Program, as authorized by the Rehabilitation Act of 1973 as amended. Executive Order 84-666 moved the program from the Office of Rehabilitation Services in the Department of Education to the Office of the Secretary, to provide clients receiving rehabilitation services an independent appeals process.

The Division of Client Assistance is responsible for pursuing legal, administrative and other appropriate remedies to ensure the protection of the rights of handicapped individuals who are receiving treatment, services, or rehabilitation under the Rehabilitation Act. Clients receive services ranging from receiving telephone responses to inquiries concerning services and legal rights to assistance in formal administrative reviews or hearings.

Committee Findings

The Secretary of the Education and Humanities Cabinet appeared before the Committee twice to give testimony on the role and responsibilities of the Office of the Secretary. The Committee Chairman summarized the presentations as follows:

1. All of the agencies in the Cabinet have a useful function and should be retained;
2. The Cabinet would be served better if it included other related agencies, such as the Council on Higher Education, the Kentucky Higher Education Assistance Authority, the Council on Proprietary Education and the Humanities Council;
3. Each of these agencies should have tighter lines of authority; and
4. The Secretary, in addition to monitoring the agencies, should be viewed as the Governor's policy advisor on education, an advocate for education in the broader sense and a mediator of differences that might arise.

The Secretary agreed with the Chairman's summary.

Committee Recommendation

Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.

COMMISSION FOR THE DEAF AND HEARING IMPAIRED

Agency Organization

The Commission for the Deaf and Hearing Impaired was established in 1982 in accordance with KRS 163.500—163.520. The Commission serves in an advisory capacity to the Governor and the General Assembly concerning policy and programs to enhance the quality and coordination of services for the deaf and hearing impaired in both the public and private sectors. Additionally, the Commission oversees the provision of interpreter services to the deaf and hearing impaired. The Commission also identifies and surveys public and private agencies that provide necessary services.

The Commission consists of eleven members and includes: one audiologist appointed by the Governor from a list of three submitted by the Kentucky Speech and Hearing Association, one representative of the Cabinet for Human Resources appointed by the Cabinet Secretary, the Secretary of the Education and Humanities Cabinet (or his designee), the president of the Kentucky Association of the Deaf, the president of the Kentucky Registry of Interpreters for the Deaf, and three hearing impaired or deaf persons appointed by the Governor from a list of six nominated by the Kentucky Association of the Deaf. These members then appoint one parent of a hearing impaired or deaf child, one representative of a private organization providing consistent services to the deaf and hearing impaired, and one member at large. The Commission meets on a quarterly basis.

The Commission in turn chooses an executive director who is familiar with the problems of the deaf and hearing impaired. The executive director's duties include employing clerical and other staff assistance; preparing an annual report on the status of services to the deaf and hearing impaired; promoting the training of interpreters for the deaf and hearing impaired; identifying public and private agencies that provide services to the deaf and hearing impaired and cooperate in the coordination and development of these services; and surveying the needs of the deaf and hearing impaired and compiling a census of those needs.

Committee Findings

The Commission provides no direct services to citizens other than interpreter referrals. The Commission's main duties are to work with other agencies to advocate the needs of deaf and hearing impaired citizens, to establish needed services, or to increase existing services. The Commission works closely with the Office of Vocational Rehabilitation and the Office of Education for Exceptional Children in the Department of Education, the Cabinet for Human Resources, the Commission on Handicapped Children, and various private agencies.

In 1987, the Commission received $24,000 in federal funds to start a "Beginnings" program in Kentucky, which has a primary goal to work with parents of newly identified hearing impaired children by providing information and resources for the hearing impaired. The "Beginnings" program works in conjunction with the Office of Education for

Exceptional Children to identify the needs of hearing impaired children located through the use of the "High Risk Registry." This registry (which has been in place since September 1986) is maintained on all newborn babies throughout the state who have high risk symptoms, such as low birth weight, jaundice, or a family history of deafness. Last year over 6,000 infants were labeled at risk for having hearing impairments. The "Beginnings" program makes follow-up calls to each child's family, sends information on available services and treatments, and provides parents with emotional support.

During 1987-88, the program provided resource manuals to approximately 183 families, maintained continuous contact with approximately 67 parents of hearing impaired children, and sent follow-up letters to approximately 5,700 parents of at-risk children who have not had their child's hearing tested, reminding them of the need to do so.

The following table shows the General Assembly's appropriations to the Commission for selected years:

Year	Budgeted Amounts
1987-88	$215,300
1984-85	163,800
1983-84	161,800

The Commission is eligible to receive outside funds, but is not receiving any grant money at this time.

The Commission is currently operating with five employees.

Year	Permanent Full-Time	Permanent Full-Time Vacants	Federally Funded Time-Limited	Total
1987-88	4	2	1	5
1983-84	3	1		3

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Alter the composition of the Commission on the Deaf and Hearing Impaired to allow equal representation of hearing impaired and hearing persons.
3. Increase the level of statewide outreach for blind and hearing impaired persons in Kentucky through more satellite programs.

DEPARTMENT FOR THE BLIND

Agency Organization

The Bureau for the Blind was created within the Education and Humanities Cabinet in 1976, as a separate and specialized agency to provide rehabilitation services to the Commonwealth's blind and visually impaired citizens, in order to increase their social and economic well being and the productive capacity of the Commonwealth and the nation (KRS 163.450). Prior to the 1976 legislation, services were provided through the Bureau of Vocational Rehabilitation under the jurisdiction of the Department of Education. The Bureau was renamed the Department for the Blind in 1988.

Pursuant to KRS 163.470, the Department for the Blind is authorized to expend all state and federal funds designated for rehabilitation services for the blind and visually impaired.

There are three divisions within the Department for the Blind: the Division of Business Enterprises; the Division of Industries for the Blind; and the Division of Client Services, plus the Office of Support Services and the Center for Independent Living. All are statutorily created except for the Center for Independent Living. Amendments to the Kentucky Revised Statutes in 1982 changed the Division of Field Services to the Division of Client Services and expanded its responsibilities to include the duties of the former Division of Technical Services, the former Division of Employment Services, and the former Division of the Rehabilitation Center. The Office of the Ombudsman was deleted.

The Division of Business Enterprises

The Division of Business Enterprises provides blind persons training and gainful employment in vending facilities on state, federal and private properties. The program, which is administered in accordance with federal law (Randolph-Sheppard Act of 1974), is designed to:

- Identify blind citizens of employment age in the Commonwealth who have the potential to manage a small business;
- Provide counseling and training necessary to operate a vending facility;
- Provide employment through placement in a vending facility;
- Maintain an on-going program for developing new sites suitable for vending facilities;
- Provide significant consumer input into the program through an elected State Committee to Blind Vendors; and
- Provide procedures for vendor complaints and hearings.

Table 7.1 shows the number of vendors and gross sales in the designated years.

TABLE 7.1

Number of Blind Vendors and Gross Sales

	1979-80	1983-84	1987-88
Number of Vendors	76	68	65
Gross Sales	$4,942,511	$5,286,845	$6,483,547

The bulk of this program is financed from Federal Section 110 funds, with the General Assembly appropriating $10,000 in both 1979-80 and 1983-84; no state funds were provided in 1987-88.

The Kentucky Department for the Blind provides replacement equipment and repair services on a continual basis. The following table shows expenditures for replacement and repair of equipment in the designated years.

TABLE 7.2

Maintenance and Repair Costs for Equipment of Blind Vendors

	1979-80	1983-84	1987-88
Maintenance and Repair Costs	$202,411	$471,792	$581,885

The Department for the Blind also established the Interstate Vending Program in rest areas located on Kentucky's interstate highway system. Currently, a four-year contract, with an option to renew for an additional two years, has been awarded to a commercial vending machine facility. The Department for the Blind will receive a commission based on a percentage of the gross sales from these vending operations. The funds received from this program must be utilized exclusively for Randolph-Sheppard activities. Currently 40 percent of the funds are used for Kentucky Business Enterprises activities, with the remaining 60 percent being set aside for future use of developing a program for training blind persons to operate the interstate vending facilities and to subsequently place them in these facilities.

The Division of Industries for the Blind

The Division of Industries for the Blind prepares blind and visually impaired persons for employment in private industry or sheltered employment setting through work evaluations and on-the-job training. Work adjustment training familiarizes the blind and visually impaired with various work experiences and procedures and assists the counselors in determining client capabilities for employment in the private sector.

The table below indicates the number of workers employed in the workforce and the number of paid hours of work for the designated years.

TABLE 7.3

Number of Blind and Visually Impaired Workers and the Number of Paid Hours

	1979-80	1983-84	1987-88
Direct Labor Hours Paid to the Blind	87,989	80,378	86,784
Direct Labor Hours Paid to the Non-Blind	1,960	5,133	4,152
Number of Blind Workers	66	51	62
Number employed under auspices of the Javits-Wagner O'Day Act (federal procurement items)	6	9	45

The Division of Client Services

The Division of Client Services provides intake and rehabilitation counseling services, distributes or sells educational aids for the blind, conducts research into the development of new technical aids for the blind, provides mobility training, work evaluation, personal adjustment and other services, and promotes employment of the blind in the public and private sectors.

Table 7.4 shows the number of clients served while Table 7.5 shows the number of clients who enter employment because of service received.

TABLE 7.4

Clients Served by the Division of Client Services

	1979-80	1983-84	1987-88
Total All Active Cases	1,076	745	951
KY Rehabilitation Center	N/A	134	226
KY Vocational Services	N/A	131	188
Volunteer Recordings Unit	N/A	194	146
Technical Services	N/A	104	269

TABLE 7.5

Clients Entering Employment

	1979-80	1983-84	1987-88
Total Number of Clients Entering Employment as the result of service	272	233	336
% Severely Disabled		64%	80%
Total Receiving Above Minimum Wage		122	184

The Division of Client Services consists of eleven outreach and counseling offices across the state.

The Office of Support Services

The Office of Support Services provides services and data as needed by the other divisions in executing their assigned responsibilities, including fiscal and personnel management, staff development and training, program planning, evaluation and audit, affirmative action, and client appeal and hearing services.

The Center for Independent Living

The Center for Independent Living (CIL) was established in 1980 and provides rehabilitation services to enable blind persons to live independently. The Center, which is operated from federal grant monies, works primarily with blind persons who, because of age or other disabilities will never work and concentrates on teaching them the skills necessary for daily living. Clients are instructed in such activities of daily living as telling time, administering medication, and developing good organizational skills, in order to keep track of such items as paper money and important documents. Additionally, the staff assists blind persons in marking home appliances so they may be more easily used. The Center also operates a 24-hour, 7-day telephone news line with message recording capability whereby clients are able to register their views about services, proposed programs or changes in existing programs.

The table below shows the number and types of handicaps of the persons served.

TABLE 7.6

Persons Served by the Center for Independent Living

	1979-80	1983-84	1987-88
No. of Persons Served	113	342	577
No. of Persons Contacted	113	405	629
No. of Multiply Disabled	33	102	246

The main services are: instruction/evaluation; counseling, individual and financial; aids and appliances; and information and referral.

Presently CIL serves individuals in 107 of Kentucky's 120 counties. All of the work is done on an outreach basis. Since Kentucky is basically a rural state and most of the Center's clients are isolated from community centers where groups of individuals with common disability can share concerns and solutions, the CIL is needed to work with individuals in instructing them in coping with their blindness-related problems and helping them to avail themselves of those community resources that are available locally.

Committee Findings

The Department for the Blind is headed by a Governor-appointed executive director whose responsibility is to hire needed personnel.

KRS 163.470 establishes a 15-member advisory council on services for the blind and visually impaired. Representation on the advisory council must be statewide and must include leaders of known organizations of the blind, who advise the executive director on matters concerning the delivery of services, the determination of priorities, the formulation of policy, the allocation of resources, the evaluation of programs, and other matters referred to the council by the leaders of known organizations of the blind.

The Department for the Blind, in *Access, A Needs Assessment, 1987*, identified the current and future rehabilitative service needs of the agency's client population and used such to measure the adequacy of the state-owned or rented buildings now in use by the Department in Louisville. The findings indicated that the present facilities and their environments were not adequate to address present or future needs. Specifically, the study found that the facilities were unsafe, unaccessible to those with certain handicaps, and too small to meet present and projected needs. The findings also indicate that some of the facilities are poorly ventilated and heated and that Kentucky does not provide the same quality of services and accommodations as nearby states. Moreover, the findings show that recent federal legislation which has provided expanded program opportunities has not been implemented because of inadequate facilities.

There are two appeal processes in place within the Department for the Blind. The first allows an applicant or recipient of services who is dissatisfied with any action

concerning the furnishing or denial of services the right to appeal that action. Moreover, each applicant or recipient of services shall be informed of the appeal procedure. The second is an administrative review by which the Department gives a vendor an opportunity to express and seek remedy for a grievance in accordance with specific guidelines. If the vendor is dissatisfied with a decision after a full evidentiary hearing, he may request that an arbitration panel be convened, by filing a complaint with the Secretary of the United States Department of Education.

The Kentucky Department for the Blind is funded through a combination of state and federal monies. Under Section 110 of the Rehabilitation Act monies are matched with the state appropriation at a rate of 20/80, with the major portion being provided by federal funds. This funding pattern is used for all Department for the Blind programs except Kentucky Industries for the Blind, which is funded only with state appropriation and the receipts generated by Kentucky Industry for the Blind workers. The Division of Client Services receives the largest portion of the total budget, followed by the Kentucky Industries for the Blind.

Table 7.7 shows the amount of General Funds appropriated to the Department for the designated years.

TABLE 7.7

General Fund Appropriations to the Department for the Blind

*1975-76	$ 213,300
1979-80	755,400
1983-84	1,090,600
1987-88	1,293,700

*Notably, the Department for the Blind did not exist in 1975-76 and services for the blind were provided through Vocational Rehabilitation. The increase in monies appropriated from 1979-80 to 1983-84 and from 1983-84 to 1987-88 is largely attributable to increased funding for client services.

Table 7.8 shows the total number of department employees:

TABLE 7.8

Employees of the Department for the Blind

1979-80	173
1983-84	169
1987-88	173

No marked changes have been made in the number of employees.

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Increase the level of statewide outreach for blind and hearing impaired persons in Kentucky through more satellite programs.

DEPARTMENT FOR LIBRARIES AND ARCHIVES

Agency Organization

The general powers and duties of the Department for Libraries and Archives are primarily outlined in KRS 171.140, 171.420, and 171.450. For library services, 171.140 states, "the department shall give assistance and advice to all school, state institutional, free and public libraries, and to all communities in the state which propose to establish libraries, as to the best means of establishing and administering them, selecting and cataloging books, and other details of library management . . . "

In addition, the statute authorizes the Department to receive gifts, operate bookmobiles, publish informational materials, conduct library courses and "perform such other service in behalf of public libraries it considers for the best interests of the state."

171.450 authorizes the Department to establish records management procedures for the retention and destruction of the public records of all state and local government agencies and enforce records management statutes.

The Department staffs and maintains the records for the State Board for the Certification of Librarians established by KRS 171.240.

The State Librarian is responsible for administering the Library Science Scholarship Fund (KRS 171.303 and 171.306), which has not been funded recently by the General Assembly, and the Urban Libraries Fund (KRS 173.850 to 173.870), which has never been funded.

The 1988 Executive Budget Document defines the following mission of the Department: "to provide leadership and support for the development and maintenance of a system of library services throughout the state, and to provide policy direction and support to the agencies of the Commonwealth of Kentucky in the areas of information and reference services, records management, and archival services."

The Department presently is carrying out its statutory mission. According to the 1988 Executive Budget Document, there are 115 county library systems, serving 1.1 million registered borrowers, with over 3.5 million citizens having access to library services. In addition, more than 4,400 blind or physically handicapped persons are receiving library materials. Materials and technical assistance are provided to 20 state correction and mental residential institutions. The Department provides films, central reference services, books and other informational materials to county public libraries and state agencies; catalogs and prepares materials for county public libraries and the State Library. In addition, the Department has access to data bases and coordinates interlibrary loan services. Another

area of service is technical assistance in archival and records management, which is provided to more than 100 state agencies, boards and commissions, 120 county governments, over 400 cities, and state institutions of higher education. The Department operates the state archives center (the central repository for permanent government records) and micrographics and conservation laboratories.

In 1985, the Department for Libraries and Archives contracted for an outside study of the state's public library needs. A planning council in 1986 reviewed the study and made its recommendations for addressing the identified needs. This activity has resulted in a plan of action for the Department. Currently underway is a survey of state agencies to assess their library and information needs.

In 1983, a study was performed to determine the archival needs of the state. These findings were published in 1983 as "Historical Records Needs Assessment, Final Report," and the Department has been acting on this assessment to plan in the archival area. A survey of state agencies to determine machine readable record activity was performed in 1985. The State Comprehensive Records Management Plan was presented to a legislative subcommittee in 1987; it responds to records management needs in the state.

The Department prepares a five-year needs assessment and plan for its major federal grant and less extensive assessments and plans for other federal grants.

KRS 173.810 establishes a State Advisory Council on Libraries with twenty-one members, of which seven members represent library users. By statute the Council is tied to the Cabinet for administrative purposes, although it acts in an advisory capacity to the Department on federal programs and is required by federal law. The Archives and Records Commission also serves an important advisory function.

There are no formal procedures for citizen complaints as such. The Department does have appeal processes for several of its grant programs and outside individuals are always involved in the competitive grant proposal review.

In 1988, the Department for Libraries and Archives' responsibilities are divided among four divisions: Field Services, State Library Services, Administrative Services, and Public Records, each reporting to the Commissioner's Office.

Field Services

This Division provides support to public libraries in the forms of technical assistance, books, bookmobiles, continuing education, and financial assistance. Consultation is provided in such areas as overall library planning and development, collection development, library programming (such as children, young adult, literacy, adult programming), and facilities construction and maintenance. In addition, reading materials and services are provided to the blind and physically handicapped population and to Kentucky's prisons. This Division operates 14 regional offices throughout the state, to provide general consultation and regional development in library services.

State Library Services

This Division operates the State Library. As such, it selects material (both print and non-print), catalogs and processes it, and provides library services for the clientele of the library: state government agencies, public libraries, other institutions, and individuals. This Division also catalogs and processes books the Department buys for county libraries. Finally, in an effort to equalize library service throughout the state, this Division promotes networking among all types of libraries, pursuant to KRS 171.200, performs an interlibrary loan function for libraries, and supports four information centers for public library reference questions.

Public Records

The Division of Public Records prescribes and maintains standards and procedures for recording, managing, preserving, and reproducing state and local government records. It also provides technical assistance to state and local agencies in the areas of records management, archival management, micrographics, and documents preservation. This Division operates the State Archives, the central repository for permanent state and local records, and provides access to those records. It also operates the State Records Center (a repository for frequently used or short-term state agency records), a major micrographics laboratory and a documents preservation laboratory. In addition, the Division administers a grants program and provides technical assistance to local governments in records management.

Administrative Services

This Division formulates and implements executive direction for policy, procedures, and planning for the Department. It also provides administrative support of the programs of the Department in the following areas: budgeting, fiscal management, personnel management, payroll, grants and contracts, facilities management, systems coordination, shipping, and clerical support.

The 1976 and 1980 Executive Budget Documents list six divisions: Field Services, Technical Services, Public Services, General Administration, Special Services, and Archives and Records. The responsibilities of the former Technical Services Division and Public Services Division have been combined in the present day State Library Services Division; the Special Services Division responsibilities have been transferred to the Field Services Division.

Total expenditures as listed in the Executive Budget Document for the four targeted years are as follows:

1975-1976	$6,499,591
1979-1980	7,423,431
1983-1984	10,506,800
1987-1988	14,605,800

The increase from 1980 to 1984 was due in large part to an $850,000 increase in federal appropriation and a $1.4 million increase to cover debt service on the new building.

The increase from 1984 to 1988 was due to the addition of the local records program ($950,000), and an increase of $1 million in state aid, and a $600,000 increase in federal appropriation.

The personnel allocations, as listed in the Executive Budget Documents for 1976, 1980, 1984, and 1988, as well as the number of employees, as listed in the Finance and Administration *Position Status Summary* for July 1 of each of these years, are listed on the following table.

Year	Personnel Budget	Number of Employees
1975-76	$1,698,427	170
1979-80	2,649,900	170
1983-84	3,210,000	165
1987-88	4,421,400	194

The increase in personnel from 1984 to 1988 is due in part to the following new positions in the Public Records Division:

- 9 positions established with the Local Records program.
- 4 positions established to implement the Machine Readable Records program.
- 11 positions established with Agency Receipts to handle increased activity in the micrographics lab.

The Department for Libraries and Archives has an internal monitoring process in place for oversight of the over $5 million dollars allocated in direct aid through cash grants to libraries and local governments, library books and materials, and bookmobiles. The Division of Public Records oversees the record retention schedules for all tax-supported, record-producing agencies in the state. Finally, the Administrative Services program coordinates personnel and fiscal functions and oversees the management of the other agency divisions.

External monitors of the agency's transactions include the Federal Government, the Cabinet for Finance and Administration and the Governor's Office for Policy and Management.

There is minimal overlap with other state agencies, in that seven agencies have library collections to meet their missions and none of these are staffed with professional librarians. In 1980, approximately 30 state agencies had their own library collections. In addition, the Law Library and the Legislative Research Commission Library, which are staffed with professional librarians, serve the information and research needs of the judiciary and the legislature.

In the 1987 Legislative Research Commission Report, *Space Needs of State Government in Franklin County*, the Capital Construction and Equipment Purchase Oversight Committee recommended that the 1988 General Assembly authorize the construction of a central storage facility for records, to be operated by the Department for Libraries and Archives. The recommendation was based on the fact that the Department

has filled its existing space, including 18,000 square feet in leased space. It is in the process of leasing additional storage space. As a result, state agencies are having to lease additional space or use office space to store records which should be maintained by the Department for Libraries and Archives under cost-effective, secure and environmentally controlled conditions.

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Consolidate the Oral History Commission, the Kentucky Historical Society, the Department for Libraries and Archives, and the Kentucky Heritage Council.

GOVERNOR'S COMMISSION ON LITERACY

Agency Organization

The Kentucky Literacy Commission, the precursor of the Governor's Commission on Literacy, was established in 1985 by executive order of the Governor. The General Assembly in the 1985 Extraordinary Session established the Governor's Commission on Literacy (KRS 158.790) as a statutory agency within the Education and Humanities Cabinet. The Commission, which was to terminate on June 30, 1988, was permanently extended in 1988 by the General Assembly through Senate Bill 49.

The members of the Commission are appointed by the Governor for terms of four years and are representative of the education community, business, industry, private citizens, public officials, and others with an interest in adult literacy. The initial statutory duties of the Commission included formulating a statewide strategy and program plan for adult literacy; reviewing and recommending grants to public and private groups to support literacy programs; reviewing and evaluating literacy programs and reporting findings and recommendations; providing a public information and education program to promote literacy; and enrolling the support of business and industry for literacy programs, and performing such other functions as may be assigned by the governor. The 1988 General Assembly expanded the Commission's duties to include the employment of an executive director and other necessary publication personnel, and the conducting of research projects or studies on the extent of illiteracy in Kentucky. Recently amended legislation also charged the Commission on Literacy to administer a statewide adult literacy program. Prior to this change, the duty of administering a statewide adult literacy program was the responsibility of the Education and Humanities Cabinet, with the Governor's Commission on Literacy giving advice and counsel.

The Commission's *Annual Report of Activities, 1986-87* lists its initiatives as follows:

1. To make adult literacy services available in as many communities as possible;
2. To alert adults who need literacy services that these services are available;

3. To build or strengthen literacy programs by providing technical assistance and resources; and
4. To raise public awareness regarding the magnitude of the adult undereducation problem in Kentucky.

Seemingly, the first initiative is met. During the 1986-87 year, 4,874 of Kentucky's estimated 400,000 functional illiterates were enrolled in literacy programs supported by the Commission, and more than 13,000 individuals contacted the local literacy programs. During the 1987-88 year 2,848 students enrolled.

During 1986-87, 99 counties received grants to provide adult literacy programs, while an additional 13 counties received funding to carry out public awareness programs and to begin planning to provide literacy program services. Of the 99 counties which received funding to provide services, 55 counties provided these services through community-based organizations (literacy councils), 20 provided these services through local boards of education, nine through libraries and 15 through already established community groups. The 1988 report shows that programs now exist in 106 counties. These programs primarily serve adults reading below the fifth grade level and allocate to each local organization a grant of $4,000 to $12,000 based on the county's population and the number of adults with an eighth grade education or less.

A variety of services have been made to alert adults who need literacy services of their availability. In the area of student recruitment, over 225,000 bookmarks designed to recruit students and volunteers were circulated; 100,000 brochures were made available to local programs, along with camera-ready public service announcements for newspapers; Commission members participated in a Kentucky Educational Television Program as part of the National Project Literacy United States (PLUS); cooperative agreements between the Commission and other agencies serving potential students were developed, resulting in a referral system for students; and a toll-free number to provide information and referral services to prospective literacy students and potential volunteers was installed. Over 1,000 potential students and volunteers who called the toll-free line became participants in local programs in 1986-1987. During 1988, well over 1,500 calls were received. This increase over last year's calls can be attributed to increased publicity of the toll-free number and direct mailing to recipients of Aid to Families with Dependent Children in their July and November checks.

The Commission achieves its third initiative of building and strengthening literacy programs by providing technical assistance and resources by developing a system to preview and evaluate material and software evaluation, holding workshops to familiarize local program providers with current recommended software, and training local staff and volunteers in the use of computer-assisted instruction.

The Commission on Literacy has worked toward achieving its fourth initiative of raising public awareness regarding the magnitude of the adult undereducation problem in Kentucky. In the 1986-87 year, the Louisville *Courier Journal* devoted newspaper advertisement to promote services in the state, and South Central Bell included a program availability notice to all of its customers in its May billing. In 1988, the Lexington *Herald-Leader* initiated a campaign of public awareness involving media in Kentucky. In

cooperation with the Commission, the Lexington newspaper designed and produced newspaper advertisement and radio and television public service announcements. Beginning in March, the *Herald-Leader* featured a monthly story concerning literacy, as well as a new advertisement and public service announcement monthly. In June, 84 newspapers around the Commonwealth carried the advertisements.

The Commission is also furthering this goal by contracting with the University of Kentucky's Survey Research Center to perform actual interviews with a random sample of literacy students and by working with the Kentucky Chamber of Commerce to gather information on the education and skill levels of the current business workforce.

Committee Findings

The Commission identified its concerns as follows:

1. A void in tutor training caused by the loss of a federal library grant which provided moneys for the training of tutors; and
2. The lack of money available to provide transportation-related activities.

Funding to provide literacy services to Kentucky's undereducated adults comes from five primary sources: General Fund; private contributions through the Kentucky Foundation for Literacy; local contributions to community programs, including private donations and local governmental appropriations; in-kind donations at both the state and local level; and contractural agreements with other state agencies.

Non-public resources raised by the Commission and by the local programs more than matched the General Fund appropriation.

General Fund Appropriations

1986-87	$800,000
1987-88	825,000

The *Annual Report of Activities, 1988* indicates that total funding, excluding donations to local programs and in-kind services, increased by $425,000 in 1988, due to increases in funding to the Kentucky Foundation for Literacy, Inc. and Government Contracts.

In-kind services, which include volunteer tutoring, in-kind space and utilities to local programs, in-kind advertisement public service announcements and printing, and professional time of lawyers and accountants and donations to local programs amounted to $2,091,250.

According to the *Employee Status Summary* for 7/01/88, the Commission during 1987-88 employed nine people, two of which are permanent full-time employees and six of which are federally funded time-limited employees. The federally funded time-limited employees are paid on a contract basis through Job Training Partnership Act moneys.

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.
3. Organize programs for adult basic education into one agency to improve coordination of programs.

GOVERNOR'S COUNCIL ON VOCATIONAL EDUCATION

Agency Organization

In 1968, with the passage of Public Law 90-576 (the Vocational Education Act of 1968), the federal government required that a state advisory council of not less than twenty-one members be established as a pre-requisite for obtaining federal vocational education funds. The law requires that the members be appointed by the Governor, unless the state has an elected state board of education, in which case the board would elect the council members. The responsibilities of the Council, as identified in the federal law require that each year the Council conduct an independent evaluation of Kentucky's vocational programs and report the evaluation results to the State Board of Education, the U.S. Commissioner of Education, and the National Council. The State Board of Education is to receive input from the Council in the development of annual and long-range plans for vocational education.

KRS 163.086, passed by the 1976 General Assembly, established the council required by the federal law as a statutory agency with specified duties. Members are appointed by the Governor. Over the years the number of members has been reduced to thirteen, and the federal act is now called the "Carl D. Perkins Vocational Education Act" (Public Law 98-524), in honor of the support Congressman Carl Perkins gave to vocational education throughout his long career in Washington.

Committee Findings

The Governor's Council on Vocational Education has held regular meetings throughout the years, in addition to holding hearings at different locations in the state. The Council has worked with regional advisory committees, reviewed reports, worked with or served on various boards and committees, such as the State Planning Group, the Kentucky Occupational Information Coordinating Committee, the Job Training

Coordinating Council, the State Board for Proprietary Education, and the State Board of Education.

The Council has conducted an annual evaluation of vocational education programs, services, and activities, and has developed recommendations concerning areas of needed improvement. The Council has conducted joint studies with other organizations, such as the October 1986 coordination survey, which was a joint project with the Job Training Coordinating Council. The purpose of the survey was to determine the degree of coordination among local agencies as it related to the delivery of services.

Since 1979, the Governor's Council and the Job Training Coordinating Council have had a written memorandum of agreement by which they agreed to appoint an intercouncil coordinating committee of representatives from the membership and staff of both councils to monitor joint projects.

With the requirement that any state receiving federal vocational education funds must have an advisory committee, provisions were made in the federal act for supporting the Council and council staff. In Kentucky, this has ranged from $38,600 in 1969-70 to $129,300 in FY 1988-89 and $134,000 in FY 1989-90. Currently, the Carl D. Perkins Act requires that the amount each year be not less than $120,000 nor more than $225,000.

The Advisory Council in Kentucky has a two-member staff, consisting of an executive director and a secretary, to serve the Council. The Council is totally supported by federal funds.

Committee Recommendation

Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.

KENTUCKY EDUCATIONAL TELEVISION NETWORK

Agency Organization

The 1962 General Assembly established the Kentucky Educational Television Network (KET) through KRS 168.010-168.100. The goal of the network is to provide an institution of learning for all educational levels through telecommunications. KET is separated into two divisions: Education and Operations. The Education Division is responsible for programming and viewer services. The Operations Division includes technical operations and distribution. KRS 168.030 created the Kentucky Authority for Educational Television, to prescribe and enforce regulations governing the use of educational television and television facilities. The Authority consists of nine members: the Superintendent of Public Instruction, ex officio, a member of the staff or personnel of the Department of Education, elected by the State Board of Elementary and Secondary Education, upon the recommendation of the Superintendent of Public Instruction; a representative of the University of Kentucky and a representative of the state universities, to be elected by the Council on Higher Education, and five additional members appointed

by the Governor. The authority has four regularly scheduled meeting dates a year, but may schedule as many meetings as necessary to conduct its affairs.

Committee Findings

The Kentucky Authority for Educational Television holds quarterly meetings each year. Although there is no statutory evaluation required, annual financial audits are conducted by KET, in addition to annual management and employee evaluations.

KET provides the Commonwealth with three types of programming: instructional television, which is used by schools throughout the state; public affairs programs, such as the broadcasting of all legislative sessions; and cultural programs.

Since 1979, KET has had the capacity to provide Kentuckians with the opportunity to obtain their G.E.D. certificate through the "GED on TV" program. Since implementation of this program, over 2,600 Kentuckians have received their GED. In addition, thousands more are estimated to watch these broadcasts without actually being enrolled in the program.

KET is presently in the process of expanding its technological abilities through satellite hookups throughout the state that will greatly expand the program offerings. High school credits will be offered in advanced math, science and foreign language courses.

The 1988 General Assembly appropriated $20,303,900 to KET for the 1988-90 biennium. KET receives no other state or federal funding, but does receive approximately $1.5 million a year through public donations, which are primarily used for programming and production.

Year	Budget Appropriations
1976	$3,889,500
1980	6,543,000
1984	7,444,800
1988	9,321,100

KET currently has a staff of approximately 144 employees, which is a decrease in staff from 1979-80 (182 employees) and 1983-84 (149 employees).

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Increase KET's independence, particularly in the areas of personnel and purchasing policies, to allow for a high quality of service while maintaining accountability to the public.

KENTUCKY HERITAGE COUNCIL

Agency Organization

The Kentucky Heritage Commission was established by the General Assembly in 1966 in order to meet the requirements for receiving federal funds set by the National Historic Preservation Act of 1966. The duties were transferred to the Department for the Arts in the Commerce Cabinet by Executive Order in 1981. In 1982, the General Assembly recreated a separate state agency, naming it the Kentucky Heritage Council, and attached it to the Education and Humanities Cabinet for administrative purposes.

The Council consists of not more that sixteen members, appointed by the Governor, who have an interest in the preservation and protection of Kentucky's heritage.

The Council is charged with administering a comprehensive state historic preservation program. Its duties are carried out by its staff, headed by the State Historic Preservation Officer. There are three subprograms: Site Identification and Registration, Site Protection and Site Development. The Council administers the National Historic Preservation Program in Kentucky, distributes federal funds, and provides technical assistance to local units of government, planning agencies, state and federal agencies and local preservation agencies on all aspects of historic preservation.

KRS 171.381 charges the Council with " . . . the preservation and protection of all meaningful vestiges of Kentucky's heritage" by "the conservation and continuing recognition of buildings, structures, sites and other landmarks associated with the archaeological, cultural, economic, military, natural, political or social aspects of Kentucky's history."

The duties and responsibilities of the Council have essentially remained the same since its inception. KRS 171.381 requires the Council to:

- Review and recommend appropriate projects and programs to insure the proper recognition, preservation, and protection of matters related to Kentucky's heritage, particularly those in the nature of or associated with real property;
- Advise, consult, and cooperate generally with state, local, and national officials and agencies to accomplish the purposes to which the council is dedicated, and specifically with the Kentucky department of parks and historical society in matters of common concern;
- Encourage, promote, and coordinate historic preservation programs being conducted in Kentucky by other agencies or groups, public and private; and
- Prepare and maintain an inventory or survey of Kentucky's resource of historic buildings, sites, structures, and other landmarks, and list in an official roll those such landmarks which possess statewide or national significance.

The director of the Heritage Division also serves as the State Historic Preservation Officer. KRS 171.380 outlines the responsibilities for this position.

In addition, KRS 171.383 requires the Heritage Division to designate all covered wooden bridges as state shrines.

Committee Findings

The Heritage Council sets the goals and priorities of the Heritage Division in accordance with federal and state guidelines. In addition, an annual conference is held to solicit public involvement.

There is no formal complaint process established by the Council or the Division. Grant applications are reviewed by the staff and the Heritage Council makes the actual grant awards based upon the staff's recommendations. KRS 171.382 requires public notice and opportunity to comment prior to the Kentucky Historic Preservation Review Board's nominating a district, site, building or object to the National Register of Historic Places.

According to the 1988 organizational chart, the Heritage Council staff is divided into three program categories: Site Identification and Registration, Site Protection, and Site Development.

The Site Identification and Registration Program is primarily responsible for locating and documenting every site worthy of preservation in Kentucky. Program activities fall in the following areas: survey, National Register evaluation and designation, management and distribution of site data, grants management, and comprehensive historic preservation planning.

The Site Protection Program is primarily responsible for minimizing the loss or degradation of historic properties by projects intended to achieve public or individual goals. Program activities fall in the following areas: section 106 compliance, a review and comment on the impact of federally funded and federally licensed projects, required by federal law; consultation with federal, state and local governments; archaeology; grants management; comprehensive historic preservation planning; and, archaeological survey and National Register.

The Site Development Program is primarily responsible for encouraging the positive use and reuse of cultural resources to make them economically usable in today's society. Program activities fall in the following areas: Tax Act certification, the Kentucky Main Street program, technical preservation assistance, grants management, preservation education, heritage news, landmark and historic district consultancy, and the Certified Local Government program.

The agency provided organizational charts for 1984 and 1978. The organizational structure in 1978 placed a technical services coordinator and an evaluation services coordinator under a Director of Technical and Evaluation Services. A National Register programs coordinator, a historic resource survey coordinator, and an archaeological survey director served under an Assistant Director. The restoration grant coordinator, the Director of Technical and Evaluation Services and the Assistant Director all reported to the Executive Director. The 1984 organizational chart closely resembles the 1988 chart.

Overall, changes in programs are generally indicative of changes in the federal law.

The number of personnel slots for the Kentucky Heritage Council, as indicated by the Position Status Summary sheets for July 1 of 1980, 1984 and 1988 is 30, 16, and 19 respectively.

The Agency Receipts, federal funds, and General Fund appropriation for the Heritage Council for fiscal year 1976, 1980, 1984 and 1988, as listed in the Executive Budget Documents for each of those respective years are listed in Table 7.9

TABLE 7.9

Kentucky Heritage Council Appropriations

Year	Agency Receipts	Federal Fund	General Fund
1976		$ 878,898	$193,300
1980	$ 1,035	1,496,598	856,900
1984	6,800	1,068,200	379,500
1988	30,000	721,300	635,000

The Heritage Council has three levels of monitoring, in terms of the propriety of its transactions. The Council has a fiscal officer and requires three signatures for reimbursement, based on conformity to grant application criteria. Second, the Governor's Office for Policy and Management monitors the Council's expenditures and performance. Finally, the federal government conducts a program audit every three years.

There are clear lines of authority for each unit in the agency, according to the organizational chart. It does appear that close coordination between the different programs is necessary, in order to coordinate comprehensive historic preservation planning, technical assistance, and grants management.

The Executive Director reports cramped working conditions in the Council's location in the Capital Plaza Tower. The Legislative Research Commission report "Space Needs of State Government in Franklin County" listed the Kentucky Heritage Commission as projecting a need for 155 additional square feet of space for 1991, for a total of 4,500 square feet, with the additional space needed for storage files.

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Consolidate the Oral History Commission, the Kentucky Historical Society, the Department for Libraries and Archives and the Kentucky Heritage Council.

KENTUCKY HISTORICAL SOCIETY

Agency Organization

The Kentucky Historical Society was created by Acts 1880, Chapter 244, became a state agency in 1954, and since 1974 has been in the Education and Humanities Cabinet. The goal of the society, as stated in KRS 171.311—171.395, is to collect, maintain, and preserve authentic records, information, facts, and relics connected with the history of the Commonwealth, and to promote a wider appreciation of the American heritage. This private, non-profit corporation has received state support since 1906 because of the public services it provides. The Society has four divisions: (1) Administrative, (2) Collections and Preservation, (3) Museums, and (4) Resource Development.

The Historical Society has approximately 8,000 members. Anyone may join the Society. The officers of the Society are composed of a Chancellor, who is the Governor of the Commonwealth, a president, and first, second, and third vice-presidents, who all serve as ex-officio members of the executive committee. The executive committee consists of sixteen members, including the officers of the Society, and one person designated annually by the State Archives and Records Commission. This committee is required to hold regular meetings in January, April, July and October. The specified duties of the committee are set out in KRS 171.311 and include supervising and directing the financial concerns of the society, approving an annual budget, providing for and fixing the salaries of employees, and appointing a director, who serves as the management officer of the society under the direction of the president and policies established by the executive committee.

Committee Findings

The Historical Society provides service to approximately 150,000 tourists each year through its various programs. The society offers educational programs for its members, students, teachers, and the general public. Some of the services offered by the Society include the Historymobile, a research library, the Kentucky Military History Museum, the Kentucky History Museum, and the Junior Historical Society. The following chart shows the number of visitors to various society programs:

	79-80	83-84	87-88
Historymobile	40,000	44,000	50,000
Research Library	20,000	24,000	36,000
KY Military History Museum	20,000	46,000	44,000
KY History Museum	42,000	45,000	50,000

Although the Society does not publish an annual program status report, it has had recent outside evaluations by several museum assessment program consultants, including the American Association of Museums. The American Association of Museums gave the Society a highly complimentary rating, but observed that it lacks adequate storage

space. A 1987 study conducted by the Capital Construction and Equipment Purchase Oversight Committee agreed that additional space is needed to store and display artifacts.

The 1988 General Assembly appropriated $3,583,200 to the Kentucky Historical Society for the 1988-1990 biennium. The Society also receives approximately $275,000 a year through Society dues and fees.

The Historical Society staff numbers have changed very little over the last thirteen years. There are currently eighty employees.

Year	Number of Historical Staff Employees	Budget Appropriations
1975-76	74	$ 615,100
1979-80	85	1,158,650
1983-84	75	1,397,000
1987-88	80	1,707,700

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Consolidate the Kentucky Oral History Commission, the Kentucky Historical Society, the Department of Libraries and Archives and the Kentucky Heritage Council.

KENTUCKY ORAL HISTORY COMMISSION

Agency Organization

The Kentucky Oral History Commission traces its beginnings to the creation of the Kentucky Bicentennial Oral History Commission by Executive Order in 1976. For bookkeeping purposes, the Commission at that time was attached to the Department of Libraries and Archives. In 1979, bookkeeping and related administrative responsibilities were transferred to the Kentucky Historical Society, an action not officially taken by Executive Order until 1981. In 1982, the General Assembly clarified the independent status of the Commission by creating a separate administrative body of state government.

The Commission has twelve voting members, ten members appointed by the Governor and two ex officio members, the Commissioner of the Department for Libraries and Archives and the Director of the Kentucky Historical Society. The Commission is required to meet a minimum of two times a year.

By statute, the Commission is charged with coordinating, promoting and assisting in the development of oral history programs for the state. In addition, the Commission is responsible for accumulating taped interviews and other supporting data which preserve the history of the Commonwealth.

The Commission has policy approval authority and the authority to hire staff, expend funds, allot grants and conduct the general business activities of the Commission.

The Commission appoints an advisory board of 15 members for two-year terms, to assist the Commission by reviewing grant applications, serving on special committees to consider specific program directions, and helping with conferences and workshops. The members are professional historians, folklorists, librarians and others with expertise in heritage- related activities.

Committee Findings

The Commission has two principal programs to encourage statewide participation in oral history activities. A project grant program provides financial assistance to individuals, organizations and institutions to conduct oral history research on subjects of particular significance to Kentucky. Applications are not limited to specific subjects, but the Commission gives primary consideration to the following areas for grants exceeding $1,500:

- Kentucky's political, business and cultural leaders
- Industrial and economic development
- Subjects related to minority, ethnic and women's history
- Other topics of statewide significance

The technical assistance grant program is designed to provide audio recording equipment, cassettes, and training to applicants. The non-cash grants are designed to support local and community oral history projects undertaken by inexperienced individuals or organizations. This program, partially facilitated through the county library system, has resulted in a central collection of over 3000 interviews.

The Commission has a publication available which sets forth the criteria for the two programs, states the funding priorities and gives other pertinent information for parties interested in securing funds or assistance.

Deadlines for receiving projects are March 1 and October 1. Projects are reviewed by the Application Review Committee. There is not a formal appeal process for those applicants who are not awarded grants, but the Director reports that if a proposed subject has merit, applicants are encouraged to revise their proposals and resubmit. In only one instance has an applicant actually appealed the disapproval of his request, and it was reconsidered within sixty days of the appeal.

The Commission has a director, an oral history coordinator and a part-time secretary. The office is located at the State Library Building.

The General Fund Appropriations for the selected years are as follows:

Year	Appropriations
1988-89	$103,600 ($30,000 for grants)
1984-85	84,700 ($20,000 for grants)
1980-81	50,000
1976-77	50,000

The Commission's goals and objectives are detailed in its bylaws and the agency's Operating Policies and Procedures statement, currently being revised to include recent program changes. There are no published annual reports or audits; however, program-specific annual reports are provided Commission members at the end of each fiscal year.

In an October 29, 1987 memorandum to the Office of the Secretary, Education and Humanities Cabinet, the Commission Director reported the following facts, which indicate a growth in services between 1983 and 1987:

1. Grant applications increased 63% over the previous four years;
2. The bi-annual newsletter goes to 510 interested parties;
3. There was a 250% increase in interviews added to the Kentucky county collection in FY 86-87.

In January, 1987, Dr. Donald A. Ritchie, past-president of the Oral History Association and associate historian in the U. S. Senate Historical Office, conducted an evaluation of the Oral History Commission. The agency provided the Committee with its recommendations and a status report of the agency's progress toward implementing those recommendations.

Committee Recommendations

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Consolidate the Kentucky Oral History Commission, the Kentucky Historical Society, the Department of Libraries and Archives and the Kentucky Heritage Council.

KENTUCKY TEACHERS' RETIREMENT SYSTEM

Agency Organization

Legislation creating the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS) was adopted by the General Assembly during the first Extraordinary Session held in 1938. The implementation date for the program was July 1, 1940. The

original purpose of the agency, as stated in the bill, was to provide "retirement allowances and other benefits" for the teachers of the public schools in the state. The legislation also provided for disability retirement and death and survivor benefits for retirement system members.

The present statute, KRS 161.230, echoes a similar purpose: to provide "retirement allowances for teachers, their beneficiaries and survivors." The program has expanded its benefits since 1940 to include health insurance benefits.

The KTRS serves teachers employed by local boards of education, certain universities, state and area vocational schools, the Kentucky School for the Blind, the Kentucky School for the Deaf, employees of the State Department of Education, other public education agencies created by the General Assembly, certain KTRS employees, and certain full-time and part-time members of the staffs of the Kentucky Association of School Administrators, Kentucky Education Association, Kentucky Vocational Association, Kentucky High School Athletic Association and the Kentucky School Boards Association.

According to the KTRS Comprehensive Annual Report Fiscal Year Ended June 30, 1988, there were 16,874 retirees and beneficiaries of deceased retirees receiving benefits, 982 participants receiving disability benefits, and 743 survivors receiving benefits. At that time there were also 46,636 active members. Benefits are financed through member contributions, corresponding contributions by the state or employer and income accruing from invested reserves of the KTRS.

The KTRS serves a broad constituency of employees within the education arena. The general administration, management and primary representation of the members is the responsibility of the Board of Trustees. At present the Board consists of nine members, including the Superintendent of Public Instruction, the State Treasurer, and seven trustees elected by the membership to serve four-year terms. By statute, four of the elected trustees must be active teachers, two trustees must be non-members of the teaching profession and one trustee must be an annuitant of the retirement system. The Board appoints an Executive Secretary to serve as chief administrative officer for the Board.

The composition of the Board has had few changes in its history. The 1938 Board had seven members, which included the Superintendent of Public Instruction, The Attorney General, and the State Treasurer, ex officio, and four other elected members, of whom three were teacher members of the retirement system and one was not a member of the teaching profession. In 1972 the Board was expanded to nine members, with the addition of another teacher member and a retired teacher trustee. The 1974 General Assembly took the Attorney General off the Board and added another lay member. The composition of the Board has remained the same since that time.

Several education-related associations, such as the Kentucky Education Association and the Kentucky Association of School Administrators, make recommendations for changes in retirement policy and benefits on behalf of their membership.

The KTRS is responsive to member requests and complaints. The 1986 Summary Plan Description for Active Members of the Teachers' Retirement System of the State of Kentucky includes a section describing remedies available for claims denied. Members

are instructed to direct complaints to the Executive Secretary. Members are notified of the Executive Secretary's finding. Members not agreeing with the finding are advised to appeal to the Board of Trustees. The next recourse is Franklin Circuit Court. In addition, the KTRS will seek Attorney General opinions regarding the interpretation of the statutes, as needed.

Committee Findings

Reviewing the annual reports from 1977-78, 1979-80, 1983-84 and 1987-88 reveals that the organization and administration of the agency has changed very little. Up to 1987-88, Member Services and Member Relations were two separate areas. Since 1976 the responsibilities of Finance have been divided into two sections: Comptroller and Administrative Services.

Administrative costs have been provided by KTRS. All administrative costs for the KTRS are paid for by earnings on investments. No General Fund dollars are appropriated for this purpose. The amounts expended for selected years in terms of the members served are listed in Table 7.10

TABLE 7.10

KTRS Administrative Expenses in Terms of Members Served.

Year	Amount	Members Served
1975-76	$ 614,318	60,364
1979-80	972,370	63,339
1983-84	1,615,387	59,269
1987-88	2,763,596	65,900

The 1987-88 administrative costs include approximately $300,000 in non-recurring costs for several items primarily related to moving to the new building and a short-term commitment for the purchase of a new computer. Other factors contributing to increased administrative costs are changes in the federal law, requiring KTRS to assume responsibility for withholding taxes for many of its members, and a general increase in interest and planning for retirement by the active members.

The number of employees working for KTRS in 1975-1976 was twenty-eight, in 1979-80 thirty-two, in 1983-84 thirty-three, and in 1987-88 forty-five. The seventeen new positions created since 1976 have been in the following areas: Investments, four; Comptroller, five; Member Services, four; Data Processing, three; and Administrative Services, one.

The propriety of the transactions of the agency is monitored in several different ways. The Board of Trustees is responsible for overseeing management and administration. In addition, KRS 161.370 requires the Board to annually procure an audit of KTRS. The Board has chosen to hire an independent auditor to fulfill this requirement. Every two years the actuary makes an actuarial valuation of KTRS, subject to KRS 161.400. The

1986-87 Annual Report indicated that the contribution rates at that time were just sufficient to support the benefits of the system.

The organizational chart, description of duties, and discussions with the agency personnel suggest that there are clear lines of authority and responsibilities designated for each organizational unit. It does not appear that there are duplicative programs within the agency or across agencies.

The KTRS moved into a new building earlier in 1988 and does not currently have space needs.

Committee Recommendation

Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.

DEPARTMENT OF EDUCATION

Agency Organization

Pursuant to KRS 156.010, the Department of Education consists of the Superintendent of Public Instruction, a Constitutional officer elected for a four-year term, the State Board for Elementary and Secondary Education, and the State Board for Adult, Vocational Education and Vocational Rehabilitation. The Superintendent is the chief executive officer of the Department and is required to appoint four deputy superintendents to administer programs related to the areas of administration, instruction, research and planning, and adult, vocational education and vocational rehabilitation services. The Committee reviewed the organization of the two boards and the nine offices directed by the four deputy superintendents.

State Board for Elementary and Secondary Education

Organization. The State Board for Elementary and Secondary Education, established within the Department of Education by KRS 156.031, consists of thirteen members. Seven members, one from each Supreme Court district, and six members representing the state at large, are appointed by the Governor to serve for terms of four years. The executive director of the Council on Higher Education serves as an ex officio member.

The primary function of the board, as stated in KRS 156.031 is "to develop and adopt policies and administrative regulations by which the Department of Education shall be governed in planning, coordinating, administering, supervising, operating, and evaluating the educational programs, services and activities within the Department of Education which are within the jurisdiction of the board."

KRS 156.070 goes further to set the general powers and duties of the board as follows:

1. The Board shall have the management and control of the common schools and all programs operated in such schools, including interscholastic athletics, the Kentucky School for the Deaf and the Kentucky School for the Blind.
2. The Board may designate an organization or agency to manage interscholastic athletics in the public schools, provided that the rules, regulations and bylaws of any organization or agency so designated shall be approved by the Board, and provided further that the board shall adopt administrative regulations providing for the appeal to the board of any decisions made by the designated managing organization or agency.
3. The Board may lease properties to be used to establish and further television as an aid or supplement to classroom instruction.
4. The Board may, on the recommendation and with the advice of the Superintendent of Public Instruction prescribe, print, publish and distribute at public expense such administrative regulations, courses of study, curriculums, bulletins, programs, outlines, reports and placards as each deems necessary for the efficient management, control and operation of the schools and programs under its jurisdiction.
5. Upon the recommendation of the Superintendent of Public Instruction or his designee, the Board shall, within its jurisdictional area, establish policy or act on all matters relating to programs, services, publications, capital construction and facility renovation, equipment, litigation, contracts, budgets and all other matters which are the administrative responsibility of the Department of Education.

KRS 156.160 requires the Board to adopt rules and regulations relating to:

1. Minimum courses of study for the different grades and kinds of common schools, and regulations governing educational equipment of the schools;
2. Grading, classifying and accrediting all common schools, and for determining the scope of instruction that may be offered in the different classes of schools, and the minimum requirements for graduation from the courses offered;
3. Taking, and keeping a school census, and the forms and blanks to be used in taking and keeping the census and in compiling the required reports;
4. Sanitary and protective construction of public school buildings, toilets, physical equipment of school grounds, school buildings and classrooms. With respect to physical standards of sanitary and protective construction for school buildings, the Board shall adopt the uniform state building code;
5. Medical inspection, physical education and recreation, and other rules and regulations deemed necessary or advisable for the protection of the physical welfare and safety of the public school children;
6. The transportation of children to and from school;

7. The fixing of holidays on which schools may be closed and special days to be observed, and the pay of teachers during absence because of sickness or quarantine or when the schools are closed because of quarantine;
8. The preparation of budgets and salary schedules for the several school districts under the management and control of the Board;
9. A uniform series of forms and blanks, educational and financial, including forms of contracts, for use in the several school districts; and
10. The disposal of real and personal property owned by local boards of education.

In addition to the duties outlined by these three statutes, there are many other statutory sections that set forth requirements of the Board, usually in the area of promulgating administrative regulations for a specific program.

The Board is required to meet at least once every three months, with special meetings as necessary. It typically meets every other month for approximately two days, part of the time being spent in committee meetings. The Board currently has the following committees: the Instruction Committee; Administration Committee; Liaison Committee; and the Legislative and Legal Committee.

Committee Findings. The State Board for Elementary and Secondary Education has adopted goals and related strategies for meeting the goals "to guide its decisions" over the next two years. In brief, the goals are:

1. To strive to make public education the essential ingredient in continuing the improvement of Kentucky's quality of life and to further strive to make public education the highest priority in Kentucky's civic services.
2. To strive to ensure that students, upon graduation, are qualified to enter college or full time employment without needing additional rememdial training in essential skills.
3. To work to improve the quality of the instructional work force through development of policies to recruit and retain able personnel.
4. To continue to encourage and support a strong, sound, equitable financial base for the Commonwealth's schools that will assure a high quality educational system for each child, regardless of the wealth of the district in which the child happens to live.
5. To work to improve the quality of the school administrative work force through development of policies to recruit and retain able personnel.
6. To facilitate the conditions and climate in the schools in which academic excellence can flourish, students can achieve knowledge, and educators can achieve career satisfaction.
7. To work to improve the quality and delivery of educational programs though initiation of a variety of innovative pilot projects in selected or volunteer school districts, through documentation of the results of such projects for review and recommendations by the state board, and through dissemination to other school districts.

8. To prepare a legislative report of priorities for new legislation deemed needed and appropriate to advance the academic quality of Kentucky's public education system statewide.

Since 1974, the State Board for Elementary and Secondary Education has had three substantial structural changes. In 1977, in response to a recommendation, Governor Julian Carroll's by Executive Order 77-453, reorganized the Department of Education and created the State Board for Occupational Education, to set policies for all educational areas related to occupational education. In 1980, the Occupational Board was abolished and its responsibilities were given to the State Board of Education through Executive Order 80-624, later ratified by the 1982 General Assembly.

The 1985 Extraordinary Session of the General Assembly established a Commission on Vocational/Technical Education to devise a plan of action for the improvement of vocational/technical and adult education. The Commission recommended the creation of a separate board for vocational and adult education. The 1988 General Assembly passed legislation to establish the State Board for Adult, Vocational Education and Vocational Rehabilitation, and transferred all related responsibilities from the State Board for Elementary and Secondary Education.

The Superintendent of Public Instruction is the executive officer of the boards as well as the Department of Education. Currently, a deputy superintendent in the Department of Education serves as the Secretary to the Board for Elementary and Secondary Education. The Board is served by staff of the Department of Education, rather than its own staff, though the need for a separate staff has been discussed and funds were requested in the 1988-90 Biennial Budget Request.

Table 7.11 provides the general fund appropriations for the State Board of Elementary and Secondary Education for the designated years.

TABLE 7.11

Appropriations for the State Board of Elementary and Secondary Education

Year	Amount
1975-76	N/A
1979-80	$ 92,900
1983-84	102,900
1987-88	142,700
1988-89	103,100

Office of School Administration and Finance

Organization. The Office of School Administration and Finance, previously the Office of Local Services, is a statutorily created office within the Department of Education. Divisions within this Office are also statutorily created.

The primary goal of the Office of School Administration and Finance is to provide financial and technical assistance services to local school districts. This Office provides overall direction for a program of planning, technical assistance, and training for local school districts in the areas of school finance, employee insurance, school properties and buildings, pupil attendance, pupil transportation, textbook selection and acquisition, and school food service. In addition, the acquisition and distribution of surplus property is handled through this administrative structure.

This office has responsibility for the distribution of the vast majority of general fund appropriations to local school districts. In 1987-88 this office staff performed necessary calculations and distributed $1.07 billion in School Foundation Program funds, $96.3 million in Power Equalization funds, $3.1 million through the Out-of-District program, and $.4 million as a part of the school audit reimbursement program. Budgets, salary schedules, and annual financial reports from 178 school districts were reviewed and approved and forty-three bond sales, totaling $122.1 million, were processed.

The Management Assistance Program provided in-depth technical assistance to ten local school districts identified as deficient under the provisions of KRS 158.785.

This office has oversight responsibilities for the school transportation system throughout the state. During the past year extensive guidelines related to school bus safety have been developed and personnel have worked with school bus manufacturers to insure the construction of safer buses.

Oversight of the program for health and life insurance for local school district employees is provided by this office. More than 66,000 local school employees are eligible for health and life insurance coverage and this office works with the Department of Personnel in preparing and securing the benefit package for employees.

Staff processed 338 construction applications for approval, reviewed almost 300 plans and specifications for approval of construction, and reviewed and approved 915 construction contracts.

This office operates with a personnel complement of 132. In 1980 there were 99 employees in this office, with the difference primarily due to the reorganization that has placed additional divisions in this office.

Oversight for this office is provided by several sources. Programatic oversight is provided primarily by the Superintendent of Public Instruction and the State Board for Elementary and Secondary Education. Financially, the office is reviewed by external auditors on a regular basis. As significant as these is the oversight by local boards of education and local school superintendents. Since the bulk of funds received by this office passes directly to local school districts, the accuracy, efficiency, and effectiveness of this office is monitored daily.

Committee Findings. The Office of School Administration and Finance is supervised by the deputy superintendent for administration and consists of eight divisions.

The Division of Insurance Services provides technical and consultative assistance to local school districts in planning, developing and administering health and life insurance programs for local school district personnel. It is the primary goal of this division to provide whatever assistance is necessary to ensure that local school district personnel are afforded the opportunity to secure health and life insurance coverage.

The Division of Surplus Property receives, warehouses, and distributes surplus property under the provisions of the Federal Property and Administrative Services Act of 1949 and other federal laws relating to surplus property. The Division screens available property at federal installations in Kentucky and elsewhere and purchases state surplus and other distressed merchandise needed by its recipients. A handling charge is assessed. The division operates a carpenter shop, upholstery shop, office machine repair station and part-time garage.

The School Food Services Division provides the consultative and technical assistance necessary for the provision, development, and maintenance of reimbursable child nutrition programs and serves as a conduit for U.S. Department of Agriculture funds to local school districts, child care centers, and other program sponsors. Annually the school food services program provides:

- 82 million lunches;
- 20 million breakfasts;
- 45 million cartons of milk
- 10 million meals/snacks in the Child Care Food Component; and
- .8 million meals in the Summer Food Service Component.

The Pupil Transportation Division provides statewide coordination for the local school district transportation program, which is responsible for transporting 450,000 pupils safely to and from school. This division coordinates training and certification of school bus drivers, bus maintenance personnel and supervisory personnel. It coordinates the State Bid Plan for purchasing school buses and determines each school district's transportation costs, in order to identify the district's allotment under the School Foundation Program.

The Division of Pupil Attendance is responsible for administrative direction and monitoring of pupil accounting practices in each of the local school districts. The division ensures the accuracy of recordkeeping practices for both census and attendance. The division provides computerized attendances services for local school districts.

The Division of Building and Grounds manages school building properties throughout the state. Local school districts may not acquire, modify, dispose of, construct, or in any way transfer any real property without the approval of the Superintendent of Public Instruction. Central planning and administration is achieved through the division's consultative services with architects, superintendents, and boards of education; its system of property records; preparation of facility surveys; and participation in the accreditation process. Additional assistance in the areas of maintenance and operations is also provided by this division.

The Division of Textbook Services oversees an organized adoption program for basic textbooks in grades K-12. The division purchases and distributes textbooks and supplementary materials to all public school pupils in grades K-8. Free textbooks are not provided to students in grades 9-12, but the local school district may establish a rental fee system to provide for upkeep and replacement of textbooks for these students. Leadership in the areas of selection, adoption, evaluation, purchase and distribution of textbooks is provided.

The Division of School District Finance is the administrative arm of the School Foundation Program. The division has the day-to-day responsibility of collecting, analyzing, editing, calculating, and distributing funds to local school districts. It provides technical assistance to local district central office personnel and school principals on matters of budgeting,accounting, reporting, and composing salary schedules. It collects data for the calculation of the Foundation Program and the related salary schedule. The division provides additional assistance in the areas of maintenance of records for the uniform accounting system.

The Division of Local District Finance also operates, in conjunction with the Cabinet for Human Resources, the Out-of-District Children program. Through this program reimbursement is made to local school districts serving children assigned to Cabinet for Human Resources facilities for the treatment of mental illness, emotional disturbance, mental retardation or behavior disorders. The Management Assistance Program is attached to this division for administrative purposes.

Programs are funded with general fund appropriations, federal funds and agency funds. The following table shows revenue receipts for selected years.

TABLE 7.12

Revenue Receipts for the Office of School Administration and Finance

Year	General Fund	Federal Fund	Agency Fund	Total
1975-76	Not available in meaningful form			
1979-80	$46,073,900	$44,763,000	$ 581,300	$ 91,418,000
1983-84	54,678,300	69,310,600	1,079,900	125,068,800
1987-88	86,474,900	90,394,600	878,900	177,748,400

It must be noted that the vast majority of funds received by this office pass directly or indirectly to local school districts. For example, in 1987-88 $66.3 million was appropriated for health and life insurance. Less than $250,000 was used for administration of the program, with the remainder going for insurance premiums. In 1987-88, $10.6 million was appropriated for textbook services. Almost $10.2 million of this appropriation was used for textbook purchases. For the same year, $90.4 million in federal funds were received

for the school lunch programs. Of this amount, almost $90 million passed to local school districts.

The 1987-88 Annual Program Status Report identifies the following problem areas:

1. Inadequate personnel to conduct on-site attendance audits and/or visit local school districts to ascertain causes of local attendance problems and assist with solutions.
2. A professional engineer is needed to assist in the review of construction plans and provide additional consultative services in regard to facilities.
3. Additional assistance is needed in order to maintain a computerized facility inventory system.
4. Erroneous reporting by local school districts when submitting health and life insurance billings and updates is a persistent problem.
5. Late submission of health insurance billings by the local school districts is a persistent problem.

Office of Internal Administration

Organization. The Office of Internal Administration was created by the most recent Department of Education reorganization. The office was formed by combining the Office of Administrative Services and the Office of Budget Management and adding three divisions from other offices.

This office has responsibility for budget preparation, budget execution, and expenditure analysis for the Department of Education. It is the responsibility of this office to provide data processing coordination between the Department of Education and the Department of Information Systems, provide word processing services to the various offices of the Department, disseminate statistical data to local school districts, provide test scoring for local school districts, and make available computerized pupil accounting to those local school districts which desire to participate.

Necessary coordination and control for centralized accounting, reporting, payroll and purchasing functions within the Department of Education are the responsibility of this office. All accounting of federal funds which flow to local school districts and the maintenance and processing of personnel actions for over 4,800 employees are maintained by the staff. Leadership to local staff in managing facilities owned or operated by the Department of Education and assuring quality maintenance, efficient utilization, and accountability of these facilities and accompanying equipment is provided by staff of this office.

In an effort to meet goals established by this office, staff in 1987-88 coordinated the maintenance and programming requirements for 80 computerized systems, consisting of more than 3000 programs, provided attendance accounting for more than 180,000 students, and continued its program of coordination and upgrading of the computer systems within the Department. The biennial budget request, consisting of more than 2,000 pages, was prepared in accordance with KRS Chapter 48. To provide the appropriate direction

and assistance in maintaining the $147 million in state-owned education facilities, the staff reviewed over 225 plant maintenance projects. Inventory of more than 147,000 items with a value over $75 million was maintained.

This office has the responsibility for insuring that equal educational opportunities exist, both in program availability and in the employment of personnel. One sub-goal is to increase to 5% the number of minority personnel employed in local school districts.

The office currently operates with a complement of 113 personnel.

Committee Findings. The Office of Internal Administration is supervised by the Deputy Superintendent for Administration and consists of seven divisions.

The Division of Computer Services provides data processing services to the Department of Education and local school districts. Services include the maintenance and operation of computerized data systems which support the data needs of Department managers. The division processes the answer sheets for the statewide pupil testing program and generates appropriate reports for this program. The division also maintains the automated pupil attendance accounting system.

The Division of Accounting maintains the accounting records for the federal funds which flow through the Department to local school districts. It provides the necessary coordination and controls for centralized budgeting, accounting, reporting, payroll,and purchasing functions within the Department. Assistance with the Statewide Accounting and Reporting System (STARS) is provided to vocational education regional sites, the Kentucky School for the Blind and the Kentucky School for the Deaf.

The Division of Budget Analysis coordinates the preparation and submission of the Department of Education's Biennial Budget Request and establishes quarterly and annual allotments to various administrative units following adoption of the budget. Staff of this division work closely with the Office of Policy and Management in the management of the budget. There is a daily review of operating budgets for potential problem areas.

The Division of Facilities Management staff provides leadership to local staff in managing facilities owned and operated by the Department of Education. Specific functions include budgeting for and overseeing a major plant maintenance program for all facilities owned by the Department, processing documents relative to leasing and managing leased property, and managing and accounting for all equipment owned or leased. Division staff assists staff in all facilities owned and operated by the Department to maintain safe and healthful conditions and provides oversight during the planning and construction of new facilities.

The Division of Purchasing coordinates the methods of purchase and payment of all goods and services and travel-related expenses for the Department, insuring that policies and procedures established by the Finance and Administration Cabinet are followed. Technical assistance in purchasing is provided to the vocational education regions, Kentucky School for the Blind and Kentucky School for the Deaf. Files on personal service contracts, memorandums of agreement, and all state price contracts are maintained by this division.

The Division of Personnel provides the personnel management system for the Department of Education and also provides technical assistance, materials, and information, as requested by local school districts, to effectively identify and/or resolve problems created

by school desegregation. Other activities include employee counseling, interviews, classifications, compensation, equal employment opportunity, employee grievance, employee benefits, training, and in-service programs for personnel administration and management. It is the goal of this division that personnel actions related to the department, including payment of wages, are handled in a proper and efficient manner.

The Division of Equal Educational Opportunities provides monitoring and technical assistance to the Kentucky Department of Education, local educational agencies and private concerns in the support of Title IV, VI, and IX of the Educational Amendments and Section 504 of the Rehabilitation Act. The division also administers the Department's Affirmative Action Plan and the employee Grievance Procedures.

Programs in this office are funded with general fund appropriations, federal funds and agency funds. The following table shows revenue receipts for selected years.

TABLE 7.13

Revenue Receipts for the Office of Internal Administration

Year	General Fund	Federal Fund	Agency Fund	Total
1975-76	Not available in meaningful form			
1979-80	$2,129,800	$1,732,600	$182,200	**$ 4,044,600**
1983-84	5,814,700	2,627,600	353,600	**8,795,900**
1987-88	7,946,200	2,480,300	362,200	**10,788,700**

In recent years, the majority of general fund appropriations are in Accounting, Facilities Management, and Computer Services. For example, in 1987-88, $7,144,000 was appropriated to these divisions.

Office of Instruction

Organization. The Deputy Superintendent for Instruction is responsible for the Office of Education for Exceptional Children and the Office of Instruction. The Office of Instruction, headed by an Associate Superintendent, consists of five divisions: Compensatory Education; Curriculum and Staff Development; Student Services; Support Services and Teacher Education and Certification. KRS 156.010 also includes the Division of Accreditation, which was transferred by Executive Order 88 DOE-01 to the Office of Research and Planning.

The Office of Instruction is responsible for offering technical and consultative services to local school districts in planning, implementing and evaluating all instructional programs. According to the *Deputy Superintendent for Instruction 1988-90 Plan*, the Office and each division have objectives, program activities, and evaluation and reporting procedures to meet the following mission statements:

1). Increased accountability, responsibility, and responsiveness;
2). Documented planning for educational futures and the use of technology;
3). Program improvement and improved service management;
4). Promotion and creation of a student assistance initiative to comprehensively integrate student support and at-risk children programs;
5). Increased inter-agency and inter-office cooperation; network communication and information sharing; and
6). Professional development staff training and improved conditions of employment in support of the above themes and goals.

The following descriptions of each division's responsibilities have been summarized from the Deputy Superintendent's plan.

The Division of Compensatory Education is responsible for administering the remediation program; the Chapter 1, Migrant Education and Homeless Children Education federal programs; and state agency programs. Subprograms administered through this division are teachers' aides training and qualification; Even Start; programs for institutionalized, neglected, delinquent or handicapped children; and certification of schools eligible to permit cancellation benefits for National Defense/Perkins Student Loan programs.

The Curriculum and Staff Development Division is responsible for providing assistance to local districts in all areas of curriculum development and instructional improvement. Direct assistance to the public schools is provided through a variety of means, such as training workshops, consultations, materials development, and information dissemination activities. There are eight units in the division: arts and humanities; certified personnel evaluation; gifted and talented; language arts; mathematics and technology; science and human development; and social studies.

These eight units are responsible for six major programs: certified personnel evaluation, gifted education, in-service improvement, program development, testing of students and the writing program. There are forty-four sub-programs listed in the plan.

The Division of Student Services is primarily responsible for assisting elementary, secondary, and vocational schools in student services program development and improvement. The division staff consult with counselors, social workers, psychometrists, school psychologists, nurses, health coordinators, career education coordinators, and dropout prevention coordinators. The division works to develop school climate improvement programs, dropout intervention strategies, substance abuse prevention programs and to improve career guidance.

Included in the division are five units: guidance and school social work; health and psychological services; dropout prevention; substance abuse education and school age child care. Major program areas are student services programs, state and federal dropout prevention efforts, the drug free program, the experimental counselor grant, the experimental school psychology grant, family life grant, and school age child care grant. In addition, there are eight subprograms.

The Division of Support Services is primarily responsible for administering certain federal programs. The innovations and education branch administers Chapter 2 local

education agency programs, while the grants and financial management branch administers the Chapter 2 exemplary state education agency programs. The teacher training program branch administers Title II programs to strengthen teaching and instruction in mathematics, science, computer, learning and foreign languages in public and private elementary and secondary programs.

The Division of Instructional Services provides technical and administrative services to the Office of Instruction in the areas of personnel budgets and technical computer assistance. In addition, the division is responsible for administering substance abuse programs funded through Title V, Alcohol and Drug Abuse Education and Prevention programs; the National Diffusion Network; the Byrd scholarship; and the student scholarship partnership.

The Division of Teacher Education and Certification is primarily responsible for processing certification applications and changes, providing information, approving and accrediting teacher preparation programs, as well as providing staff support for the Council on Teacher Education and Certification. The division is also responsible for administering the teacher testing and internship program and the principal testing and internship program.

Committee Findings. The Office of Instruction is advised by and responsive to the State Board for Elementary and Secondary Education and the Council on Teacher Education and Certification, which have members not employed by the Department of Education. The Office frequently appoints task forces to help guide the decision-making process when new policy or programs are being developed. Representatives from professional organizations often serve as members of these task forces. In terms of federal programs, lay people have representation on most advisory committees and public hearings are sometimes required.

The Office meets bi-monthly with several professional organizations to discuss problems, concerns and current issues. In addition, the Department of Education has an ombudsman office and a Teacher Hot-Line, often used by the public to voice problems and complaints.

Executive budget documents for 1976, 1980, 1984, and 1988 were reviewed for organizational changes within the Office of Instruction. In 1976, program units included administrative support services; supervision, accreditation and organization; teacher education and certification; instructional media; innovation and exemplary education; program development; and compensatory education. The 1980 listing of program units excluded innovation and exemplary education. The 1984 budget listed the following categories of programs: management services; accreditation and certification; program development; student services; compensatory education and innovation and support. The 1988 budget document, which does not accurately portray the present organizational structure, also includes curriculum, school improvement, adult basic education, and recognition. Adult basic education, accreditation and recognition have been transferred to other offices. Curriculum, program development and school improvement activities are in the Division of Curriculum and Staff Development.

According to the Governor's Office for Policy and Management, the budget for the Office of Instruction under its present organization is $110,501,600 for FY 1989. This total includes $65,200 in agency funds, $81,417,100 in federal funds, and $29,019,300 in general funds. Comparisons with previous budget years are not meaningful, as the organizational structures are different.

According to the Associate Superintendent of Instruction, financial transactions are monitored by the Deputy Superintendent, the Office of Internal Administration, and the Governor's Office for Policy and Management. In addition, all federal programs are required to submit regular reports and are annually audited by the Department. The Department complies with all federal reporting requirements and is periodically audited by the United States Department of Education.

The Office of Instruction program activities are monitored by the Deputy Superintendent for Instruction and the State Board for Elementary and Secondary Education.

Clear lines of authority and responsibilities are outlined for each division in the Office.

No actual duplication of services may be occurring, but more than one division within the Office sometimes has responsibility for similar areas. For example, substance abuse programs are listed in both the Division of Curriculum and Staff Development and the Division of Support Services. The Division of Compensatory Education is responsible for several programs serving at-risk students, as is the Division of Student Services. Early childhood programs are administered in the Office of Adult and Community Education, the Office of Education for Exceptional Children, and two divisions within the Office of Instruction.

Another area that overlaps somewhat is accreditation. Accreditation is administered by the Office of Research and Planning, but is primarily staffed by personnel from the Office of Instruction. At the same time, the Office of Instruction is charged with providing technical assistance to improve the quality of instruction. Close coordination would seem to be necessary in order to maximize the value of both services. The Associate Superintendent reports that the Office is looking at different ways to incorporate a curriculum audit which is more qualitative in terms of the review of instruction than the accreditation site visit.

Office of Education for Exceptional Children

Organization. KRS 157.221 requires the State Board of Elementary and Secondary Education to create the Office of Education for Exceptional Children in the Department of Education, separate from any other existing office, to supervise and direct a state program for exceptional children. Exceptional children are defined as "persons under twenty-one (21) years of age who differ in one or more aspects from average or normal children in physical, mental, learning, emotional or social characteristics and abilities to such a degree that they need special educational programs or services for them to benefit maximally

from the regular or usual facilities or educational programs of the public schools in the districts in which they reside."

The Office operates its programs under the requirements of the Kentucky Revised Statutes, federal laws and regulations, and a consent agreement of the United States District Court.

In September 1973, a coalition of six groups concerned about the education of exceptional children filed suit in the United States District Court for the Eastern District of Kentucky against the Kentucky State Board of Education, et al. The suit, on behalf of all of Kentucky's exceptional children, charged that Kentucky had failed to establish "a comprehensive system of public education for the classes of children" named in the complaint.

The suit was settled under a consent agreement which provided that:

1. All Kentucky children of compulsory school age have the right to a public education.
2. Exceptional children, as defined in KRS 157.200, who are of compulsory school age, have the right to education and related training suitable to their needs, capacities, and capabilities.
3. The absence of a special education program in a local school district suitable to the needs, capacities, and capabilities of an exceptional child, or a determination that an exceptional child may not benefit from the regular program of education in that district is not, in itself and without consideration of any other factor, a ground for exclusion of such a child from the public school systems of the Commonwealth.
4. Where there is probable cause to believe that an exceptional child may benefit from an established and existing educational program within a local school district, that child must be provided an opportunity to participate in such a program. Exclusion of an exceptional child from the local school district by referring that child to a regional or statewide residential facility should occur only where it is neither reasonable nor practical to educate him at the local level.
5. Inclusion in the public education system is of such fundamental importance to exceptional children as to require that certain basic safeguards be invoked when a child is excluded from the public education system.
6. The defendants should insure that all exceptional children of compulsory school age be provided a public education.

In 1975, Public Law 94-142, known as the Education for All Handicapped Children Act, was passed. The Act, which closely correlates with the Consent Agreement, is basically funding legislation to assist the states in providing a free appropriate public education. To receive funding the states are required to establish policies and procedures in their state program plan which will insure compliance with the requirements of PL 94-142.

Public Law 94-142 was amended by Public Law 99-457 in September 1986 to provide special education services for children five and under who have disabilities or are suspected of being at risk for having a disability.

The law is divided into two parts. Title I (Part H) provides funding to the states for handicapped children ages birth to two years of age. In Kentucky, this section is administered by the Cabinet for Human Resources. States that participate must plan for services and within five years deliver services to any handicapped infant or toddler who is in need.

Title II provides funding for programs for children ages 3-5 and is administered by the Department of Education. States have until 1990-91 to establish services for handicapped children of this age group or lose federal funds for this age group.

According to the Department of Education's Annual Program Status Report, July 1987—June 1988, the Office administers various federally funded programs; provides training to local school district personnel regarding policies, procedures, and regulations relative to the identification, evaluation and placement of exceptional children; provides technical assistance to local school districts and other agencies; and monitors programs to assure compliance with applicable state and federal laws and regulations. In addition, direct services are provided to pupils at the Kentucky School for the Blind and the Kentucky School for the Deaf. Services which are provided exceptional children through non-public school programs (e.g., Cabinet for Human Resources programs, private schools and agencies) are also monitored and approved for compliance.

Committee Findings. The Office of Education for Exceptional Children, under the direction of the Deputy Superintendent for Instruction and the Associate Superintendent of Education for Exceptional Children, is organized into four divisions, plus the Kentucky School for the Blind and the Kentucky School for the Deaf. The Superintendent of Public Instruction, through Executive Reorganization Order 89-DOE-01, recently established a Division of Early Childhood Services in the Office.

The focus of the Division of Categorical Programs is to provide statewide leadership in planning, developing and disseminating quality educational programs for children and youth with disabilities, ages 3-21. The Division promotes the development of state and local educational programs and policies which ensure the:

1. development of academic, vocational and social competencies for each individual with disabilities, in integrated settings with non-handicapped peers; and
2. preparation for life experiences, including maintenance of employment, attainment of living situations, and attainment of independence and integration into the community.

In 1987-88, the Division provided in-district services to approximately one-third of the local school districts and conducted forty-six in-service training sessions for local districts and other agencies.

The Division of Local District Services' primary function is to monitor local school districts and other organizations to assure their compliance with state and federal laws and regulations in the operation of educational programs for handicapped pupils. The

Division has three program branches: Accreditation and Monitoring, Procedural Safeguards and Transition.

The Division of Supporting Services is responsible for administering all federal funds which are designated for the education of handicapped children in Kentucky.

Eighty-five percent of the federal EHA-B grant flows through to local districts serving exceptional children. In 1987-88, 173 approved projects received funding.

Discretionary funds were used to continue funding for three area diagnostic centers in rural areas. One project is located in Eastern Kentucky, one in Central Kentucky and one in Western Kentucky. Through these centers, evaluation, consultation and related services are being provided to school age handicapped children.

Continuation funding was provided to 17 area cooperative projects for programs consisting of five or more local school districts serving handicapped children on an area/ interagency basis.

These 20 discretionary projects represent 175 Kentucky local school districts. Consultative services, training and technical assistance were provided to the directors and staff to assure sound decision-making, and quality educational programs.

The Division's Comprehensive System of Personnel Development Branch assesses statewide needs for qualified personnel for providing special education and related services to handicapped children. The CSPD Branch also addresses priority needs for qualified personnel by coordinating with institutions of higher education, disseminating significant information and providing inservice training to service providers.

The Kentucky School for the Deaf and the Kentucky School for the Blind are each supervised by a Superintendent. Each Superintendent is responsible for directing the program activities of the school on behalf of the Deputy Superintendent for Instruction and the Associate Superintendent for Instruction and the Associate Superintendent of the Office of Education for Exceptional Children. Each school superintendent is assisted by an advisory committee.

The schools provide for the education of deaf and blind children when they cannot be served by local school districts. The educational program consists of providing classroom instruction resulting in granting an official diploma to high school graduates. In addition to classroom instruction, services provided include supervision and life skills programs for students seven days a week, lodging and meals, and medical needs of handicapped students.

KSD served 342 pupils and KSB served 135 pupils during the 1987-88 school year.

Approximately 35 hearing impaired children and their families attended preschool satellite classes in the following locations: Paducah, Pikeville, Covington, Danville, Bowling Green and Hazard.

The Office for the Education for Exceptional Children responds to the needs of the public in several ways. The State Advisory Panel is made up of a broad-based group of citizens interested in the education of exceptional children. It meets quarterly to consider issues and make recommendations.

The Assistant Superintendent has recently appointed an Advisory Council of School Superintendents and an Advisory Council of Special Education Coordinators to meet regularly with her to offer advice on improving services to programs for exceptional children.

Public hearings are held each time the Annual Program Plan is amended and the public has the opportunity to respond to regulation amendments through the Kentucky Administrative Regulation Review Process.

Programs are funded with state general fund appropriations and federal funds for the handicapped. Table 7.14 shows the appropriations for the designated years. These figures do not include funds appropriated under the Foundation Program.

TABLE 7.14

Appropriations for the Office of Education for Exceptional Children

	OFFICE		KSB	KSD
Year	General Funds	Federal Funds	All Funds	All Funds
1975-76	Not available in this format.			
1979-80	$1,522,200	$ 7,486,800	$1,652,400	$3,390,500
1983-84	1,522,800	10,134,600	2,772,100	4,745,800
1987-88	1,904,700	31,190,200	3,627,200	5,997,000

State funding for programs for exceptional children in local school districts is provided through the Foundation Program. Classroom units are appropriated in the Biennial Budget of the General Assembly and allotted to local districts by the Office of Education for Exceptional Children. There are 4,360 classroom units for exceptional children available for the 1988-89 and the 1989-90 school years.

In 1986, the General Assembly amended the Foundation Program Law to provide classroom units for exceptional children on a need basis, rather than as a line-item appropriation. The provision was to have been implemented during this current school year but funds were not appropriated. Local school districts, based on identified children, requested 4,648 units for this year, 288 more than the number available.

In 1988, the Office requested the Mid-South Regional Resource Center to conduct a series of meetings and mailings to assess the priorities of the special education community, as the Office could do more effective planning to meet the needs of exceptional children.

Office of Research and Planning

Organization. The Office of Research and Planning is headed by an Associate Superintendent, who serves under the Deputy Superintendent for Research and Planning.

The Office consists of four divisions: Division of Planning, Division of Research, Division of Evaluation and Division of Accreditation.

KRS 156.010 provides for the appointment of "a deputy superintendent for research who shall directly supervise an office of research and planning headed by an office head and composed of divisions of planning, research, evaluation, and computer services." This was later changed by Executive Order 88 DOE-01, which converted the Deputy Superintendent of Research to the Deputy Superintendent of Research and Planning. The same Executive Order transferred the Division of Accreditation from the Office of Instruction to the Office of Research and Planning and the Division of Computer Services from the Office of Research and Planning to the Office of Internal Administration.

According to Department of Education materials, the mission of the Office of Research and Planning includes the following:

1. To conduct applied research and evaluation of programs;
2. To develop statistical reports;
3. To design new programs to create a higher level of academic excellence throughout Kentucky's public schools;
4. To provide technical assistance to districts;
5. To manage a statewide academic assessment program; and
6. To recommend policies and programs.

The following division descriptions have been adapted from Department of Education materials and information about division activities has been obtained from the Associate Superintendent for the Office of Research and Planning.

The Division of Planning is responsible for developing comprehensive long-term plans that take into consideration changes or needs in society and their probable impact on Kentucky's schools. The division identifies economic, social, political, and educational trends and their implications for schools. Specifically, these activities include:

a. Developing a formal planning document which includes both short-term and long-range goals, objectives and priorities, as well as implementation timelines;
b. Developing a monitoring plan for the Department to guarantee timely implementation and conduct of recent legislation impacting Kentucky's schools;
c. Providing technical assistance to Department staff and local school districts in planning activities; and
d. Developing new programs to create a higher level of academic excellence throughout Kentucky's schools.

The Division of Planning prepares the Department's Biannual Report and Annual Program Status Report. In addition, the division is currently preparing a school district planning document and is offering planning grants to local districts, including technical assistance in areas such as facilities, staffing, programs, and intervention activities.

The purpose of the Division of Research is to provide information for making policy decisions and establishing priorities. Specifically, these activities include:

a. Conducting research studies to assist department staff in establishing program priorities and to influence teaching learning strategies;
b. Computerizing a student accounting and tracking system for attendance and dropout data;
c. Establishing a uniform data base for use in generating reports and performance analysis;
d. Monitoring school district compliance with the educationally deficient district statute to include the identification of deficiencies, development of corrective strategies and the coordination of special task forces organized for the purpose of providing specialized assistance to districts; and
e. Staffing of various committees, commissions and boards.

Currently, the Division of Research is re-validating at least four Educational Testing Service tests for teacher certification. Other research activities include preparing a research design for evaluating the effectiveness of the Parent and Child Education program; evaluating the cost-effectiveness of different delivery models for providing pre-school special education services; and assisting vocational education in developing post-secondary vocational teacher certification tests and competency tests for students.

The Division has also created a data base of district data for all academic and program standards established by the State Board for Elementary and Secondary Education. This enables the Department to conduct a desk audit of school district problem areas. In addition, the division calculates and publishes a report listing each district's holding power, or the percent of ninth graders completing high school.

The Division of Evaluation is responsible for providing technical assistance to local districts and offices within the Department of Education. In addition, the role of this division includes:

a. Coordinating the evaluation of special projects;
b. Coordinating the development of a system of evaluation for all department management and program activities;
c. Designing, implementing, and monitoring evaluation procedures for local district innovative projects;
d. Implementing the statewide assessment program mandated by the 1984 amendments to the Educational Improvement Act.

The Division of Evaluation is currently building an evaluation design for the delivery of services to districts designated as Phase III, using the Department of Education's educationally deficient school district categories. The Division has also been involved in test development activities for the Division of Teacher Certification. In addition, the Division is continuing to provide evaluation services to school districts completing activities funded under the former Educational Innovation Incentive Fund and the Educational Excellence Incentive Fund.

Finally, the Division is responsible for implementing the statewide student testing program authorized under the 1978 Educational Improvement Act. According to the latest Annual Program Status Report for July 1, 1987 to June 30, 1988, the Division scored 609,494 mandatory tests; 16,183 voluntary; 1,981 General Aptitude Test Battery forms;

and 49,364 tests for private and parochial schools. This division also prepares summary reports of test results.

The Division of Accreditation is responsible for assisting local district administrators in organizing, implementing, evaluating, and monitoring all instructional programs; and secondary schools and non-public schools that voluntarily request accreditation using the standards in *The Standards for Grading, Classifying, and Accrediting Elementary, Middle, and Secondary Schools.*

KRS 157.360 and 157.580 require the Superintendent of Public Instruction to enforce maximum class sizes in kindergarten and grades one through eight, except in vocal and instrumental music, art, physical education, and special education classes. Updates from the districts are requested three times a year: September 15, January 30, and March 15. Exemptions may be requested and granted according to guidelines developed by the State Board of Elementary and Secondary Education. This division is responsible for monitoring district compliance with these guidelines.

According to staff review of previous budget documents for 1976, 1980, 1984, and 1988, the activities of Research and Planning have generally included research activities, data compilation, preparation and dissemination of reports, technical assistance, testing, and implementing different state and federal initiatives. Major changes since 1976 include the transfer of the Division of Computer Services to the Office of Internal Administration and the transfer of the Division of Accreditation to the Office of Research and Planning. The Office has periodically been responsible for the duties of the current Office of Communication Services.

The Division of Accreditation conducted accreditation visits in 47 school districts and 25 non-public schools in 1988-89. In addition, the Division conducted approximately 50 site visits to review requests for class size exemptions.

Committee Findings. The Office of Research and Planning is advised by and responsive to the Educational Improvement Act Advisory Committee, the State Board for Elementary and Secondary Education, the State Board for Adult, Vocational Education and Vocational Rehabilitation and the Council on Teacher Education and Certification, all of which have citizen members. In addition, the Department of Education has established an Ombudsman office and a Teacher Hot-Line to handle problems and complaints.

The 1976 Budget Document lists two subprograms under Planning and Research planning: research dissemination and career education. The 1980 Budget Document included four subprograms: special services and testing, innovation and support, guidance services and alternative education. In 1984, the Budget Document lists administration and planning and research and evaluation subprograms. The current organization has been discussed in Goal I, and an organizational chart has been attached.

The 1988 Budget Document shows an appropriation of $897,000 in FY 89 and $910,700 in FY 90, but this does not include the Division of Accreditation budget. The appropriation for this program was $734,300 in FY 89 and $748,500 in FY 90.

Monitoring of the Office of Research and Planning financial transactions is the responsibility of the Deputy Superintendent for Research and Planning, the Office of

Internal Administration, the Governor's Office for Policy and Management and independent auditors.

The Office of Research and Planning activities are monitored by the Deputy Superintendent for Research and Planning, the Superintendent of Public Instruction and the State Board for Elementary and Secondary Education.

There are clear lines of authority and responsibilities outlined for each division within the Office. It should be noted that the Office must coordinate its activities with many other divisions within the Department in order to carry out its responsibilities. There does not appear to be a duplication of services. The Deputy Superintendent indicated that there are currently no space needs for the Office.

Office of Communication Services

Organization. Pursuant to an amendment to KRS 156.010, the Office of Communication Services was established as a separate office in July 1988. Previously, the services now provided by this office were handled by the Office of Research and Planning or other Department of Education offices. The Office of Communication Services is responsible for providing support services to the Department of Education and local school districts through the efforts of its four divisions.

The four divisions within the Office of Communication Services are: the Division of Media Services; the Division of Recognition and Special Events; the Division of Public Information and the Division of Printing Services.

The Division of Media Services is responsible for:

1. Communicating information about education to the public through an on-going media program;
2. Assisting departmental staff with curriculum development, program development and dissemination of information;
3. Providing relevant, current educational information to departmental staff, teachers, administrators and others;
4. Providing technical assistance to department offices in the areas of graphic arts, publications, video and audio presentations.

The Division of Media Services has produced several videotapes on subjects such as dropout prevention, school-age child care, Kentucky's participation in the constitution bicentennial and the video package and graphics for the Project Second Chance Awareness Campaign, which won a national award. The Division of Media Services also produces "Education Notebook," a weekly magazine-format show which focuses on educators and programs around the state. It is currently being used by eleven broadcast and cable outlets and the Kentucky Educational Television network. A weekly radio show focusing on educators and programs around the state is also produced. It is currently used by fifteen stations. Other duties of the Division of Media Services include producing the Kentucky Department of Education annual performance report, the Kentucky School Directory and the Vocational Education Statewide Directory.

The Division of Recognition and Special Events has three main objectives. These objectives are:

1. To recognize the accomplishments of students, teachers, and administrators within education;
2. To coordinate and implement programs that enrich elementary and secondary education in Kentucky; and
3. To serve as staff support for the Kentucky Educational Foundation.

The Division of Recognition and Special Events is responsible for the distribution and presentation of certificates, letters and plaques for various educational achievements by educators throughout the state. This Division also coordinates such programs as the Flags of Excellence, the Commonwealth Institute for Teachers, the Teacher of the Year program and the Student Senate Youth program.

The main goal of the Division of Public Information is to disseminate information about the department, local schools and Kentucky education in general to teachers, news media and citizens. This Division is responsible for writing and distributing news releases, as well as assisting with the writing and editing of brochures, reports and newsletters prepared by other divisions and offices within the department. The Division's main project, however, is the production of the publication "Ed News," which is published five times a year. This newspaper/magazine is circulated to all teachers and administrators in Kentucky and has a circulation of approximately 46,000.

The Division of Printing Services is responsible for providing printing and graphic services to the Department of Education. This Division prints all Department graphics and publications within its capability. Prior to July 1988 this Division was placed within the Office of Resource Management. During the recent departmental reorganization, the Division of Printing was placed in the Office of Communication Services, in order to place all similar services together.

Committee Findings. The Office of Communication Services was established in July 1988 as part of the reorganization of the Department of Education. The Office currently has 63 employees.

1988-89 budget appropriations for each division include the following:

Division	General Fund	Federal Fund	Agency Receipts
Media Services	$250,800	$ 58,900	
Recognition & Special Events	339,500	53,100	
Public Information	170,000	126,500	
Printing	59,500		$1,360,900

The State Board for Adult, Vocational Education and Vocational Rehabilitation

Organization. In 1988 the General Assembly adopted HB 716, establishing a nine-member State Board for Vocational-Technical, Adult Education and Vocational Rehabilitation Services within the Department of Education. The members are appointed by the Governor, one from each Supreme Court district and two from the state at large. By Executive Order 88 DOE-01 the Superintendent of Public Instruction changed the Board's name to the State Board for Adult, Vocational Education and Vocational Rehabilitation.

KRS 156.032 lists the Board's duties as follows:

> . . . to develop and adopt policies and administrative regulations by which the Department of Education shall be governed in planning, coordinating, administering, supervising, operating, and evaluating the vocational-technical, adult and community education and vocational rehabilitation programs, services and activities . . . .

In addition, the Board is responsible for administering the state-operated vocational schools and vocational rehabilitation centers. The Board is also authorized to make recommendations to the State Board for Elementary and Secondary Education regarding standards for secondary vocational curriculum, accreditation, equipment, and facilities.

Committee Findings. Though the new Board has not been in operation long enough to evaluate, it is interesting to note that Kentucky has had a similar Board in recent times. In 1977, Governor Julian Carroll, by Executive Order 77-453, reorganized the Kentucky State Department of Education to include the State Board for Elementary and Secondary Education, the Department for Elementary and Secondary Education, the State Board for Occupational Education, the Department for Occupational Education and the Superintendent of Public Instruction. The Board consisted of nine lay members, of which seven were appointed by the Governor, one from each Supreme Court district; one was a lay member selected by the Council on Public Higher Education and one was a lay member selected by the State Board for Elementary and Secondary Education.

Funding for the State Board for Occupational Education, as indicated by the Executive Budget Documents, is listed in Table 7.15. These figures also include the Deputy Superintendent for Occupational Education and a liaison with institutions for higher education.

TABLE 7.15

Administrative Costs of the State Board for Occupational Education

Year	Amount
1977-78	$124,580
1978-79	123,500
1979-80	127,400

The 1980 Governor's Executive Management Commission study recommended the merger of the two Boards in order to decrease the administrative support necessary for Board activities.

Governor John Y. Brown merged the State Board for Elementary and Secondary Education and the State Board for Occupational Education by Executive Order 80-528, issued on July 3, 1980.

In 1986, the Commission on Vocational/Technical Education, created by the General Assembly in 1985, recommended the creation of a State Board for Adult and Vocational/ Technical Education, responsible for post-secondary programs. The Commission also recommended that a separate agency be created to carry out the responsibilities of the new Board. The recommendation did not receive sufficient legislative support in 1986 for adoption.

The State Board of Education, in its legislative recommendations to the 1988 General Assembly, called for a separate governance structure to direct, manage and administer the adult basic and vocational/technical education programs, in order to bring focus to the problem of uneducated and under-educated adults and to facilitate solutions.

No funds were allocated for the new board in the 1988 biennial budget.

Office of Vocational Education

Organization. The Office of Vocational Education, formerly the Bureau of Vocational Education, is a statutorily created office within the Department of Education.

KRS 156.010 authorizes the Superintendent of Public Instruction to exercise all the administrative functions of the state in relation to the management and control of vocational education and to exercise the general powers and functions relating to state vocational schools and area vocational education centers. Additionally, this statute designates the Department of Education the sole state agency authorized to approve state plans required by state or federal laws, and approve regulations as prerequisites to receiving federal funds for vocational education.

Other statutes specifically relating to vocational education:

declare that the state accepts and agrees to comply with all federal acts relating to vocational education (KRS 163.020)

list the purpose of vocational education—to provide training, develop skills, abilities, understandings, attitudes, work habits, and appreciation, and to impart knowledge and information needed by workers to enter into and make progress in their chosen vocations for young people who are enrolled in the regular day schools and for employed and unemployed out-of-school youth and adults (KRS 163.020); and

authorize the state board for vocational-technical, adult education and vocational rehabilitation services to purchase, lease, or erect buildings to be used as state vocational schools (KRS 163.085) and to assess fees and tuition for post secondary pupils enrolled in the state operated vocational-technical schools and area vocational education centers (KRS 163.087).

The goal for vocational education, as listed in the Department's 1987-88 status report, is to provide administrative, consultative and support services in the planning, management and development of vocational programs operated by local boards of education, other local educational agencies, and colleges and universities.

During 1987-88, the Office of Vocational Education provided exploratory, preparatory, and supplemental vocational education to more than 300,000 Kentuckians. Programs were offered in 173 of the 178 local school districts, in 82 facilities operated by the Office of Vocational Education, and 20 community colleges and universities. An Advanced Technology Center offers programs focusing on robotics and related electromechanical technologies. During 1987-88, eleven area vocational education centers were operated by local boards of education in a contractual relationship with the Department of Education. Program offerings are determined by the need for skilled workers and by student interest.

The Office implemented a new postsecondary instruction plan in the fourteen regions. The plan, which is designed to more effectively meet the needs of employees and of industry, raises academic standards for entering students and graduates, requires occupational competency testing at the end of the program and includes computer literacy, economics, employability skills and study skills as core component requirements. Additionally, an automated student data system is being developed to assist state vocational technical schools in implementing and standardizing the new postsecondary instruction plan, as well as to enhance the day-to-day instructional and managerial operations.

The Office, through a planning and evaluation process, coordinates operations and promotes cooperation among local institutions, and regional and state education, manpower and economic development agencies, to insure effective and efficient use of resources

available for vocational educational programs. Citizens representative of all segments of Kentucky's society, including the disadvantaged and handicapped, are currently being served at the junior, and senior high and postsecondary and adult levels.

The Office of Vocational Education is supervised by the deputy superintendent for vocational-technical, adult education and vocational rehabilitation services and consists of four divisions: the division of program services; the division of support services; the division of staff services and the division of school services.

The Division of Program Services provides direct services to state schools in program review and accreditation and assists local schools in evaluating the efficacy of their programs and curricula.

The Division of Support Services provides occupational and informational services to the vocational schools. The Division gathers enrollment and other student data; develops and revises curriculum; conducts research to identify exemplary and innovative practices; and develops and revises tests for teacher and student competencies.

The Division of Staff Development manages a comprehensive statewide personnel training system to support vocational education programs, services, and activities. The Division provides opportunities for new and experienced teachers to strengthen their teaching or instructional management skills and addresses staff needs and deficiencies through regional or local in-service programs in which teachers may enhance or upgrade their skills. Often these efforts require coordination with state universities, industries, and other agencies in educating and training vocational teachers.

The Division of School Services works with state school operations in the area of budgetary and fiscal accounting. The Division administers the Veteran Administration's program, Student Financial Assistance and contracts with JTPA and with the Bluegrass Skills Corporation. Moreover, the Division analyzes school operating policies and provides administrative and consultative services for vocational school guidance programs for secondary and adult students and for the handicapped and disadvantaged.

The Office of Vocational Education administers programs via its three major delivery systems: Office of Vocational Education-operated facilities; local school districts; and community colleges and universities.

The Office of Vocational Education operated facilities include 17 state vocational-technical schools, aimed at serving post-high-school students; 55 area vocational education centers, targeted to secondary students; five health facilities and six vocational centers in correctional facilities.

Committee Findings. Consultative and program services are provided to secondary vocational programs in 173 local school districts, including 242 comprehensive high schools and 19 locally operated area vocational centers. In addition, consultative and program services are provided to students in less than baccalaureate vocational programs in 20 community colleges and universities.

Secondary vocational programs are available in 173 school districts (grades 9-12). Students in these programs explore careers, apply and enhance their academic skills in realistic settings, develop basic vocational skills applicable to a variety of work settings, and develop skills for entry into work or continuing education.

Some students get additional hands-on experience through cooperative education, an arrangement between a school and an employer which combines instruction in the vocational program with a job related to that occupational area. Moreover, students are afforded the opportunity to gain leadership skills through participation in vocational student organizations.

Adults are offered a comprehensive selection of occupational programs in the state vocational-technical schools and health occupations schools. These long-term programs, which are designed to meet student needs and interest and to provide employees with highly skilled and motivated workers, link the academics with skill training and vary from one to two years in length. Although students can exit with employable competencies in less time, they must successfully complete courses in computer literacy, economics, employability and study skills, as well as meet math and English levels and achieve an acceptable score in an occupational competency test, in order to graduate. The schools are located in the 14 geographic regions, where Regional Advisory Committees, composed of business and industry representatives, make recommendations for program needs.

In addition, the Office of Vocational Education in 1987-88 conducted short-term upgrade/retraining programs that served approximately 4,100 in Agribusiness Education; 10,000 in Distributive Education; 3,800 in Health and Personal Services Education; 1,000 in Economic Education; 5,600 in Business and Office Education; and 17,000 in Technical and Industrial Education, for a total of 41,500. There were 48, 815 enrolled in Public Service Training and 1,668 in Emergency Medical Technician training.

These short-term, quickstart training programs include: specific training programs requested by existing, new, or expanding industries; apprenticeship training for major skill areas; training programs for displaced workers wishing to re-enter the workplace, or the underemployed; and training programs for community and public service organizations.

In addition to technical training, the 17 state vocational-technical schools are open to all adults desiring to improve their reading and math skills and to prepare for their GED examination.

The Office of Vocational Education assists the service delivery areas in providing training needs for participants in both the secondary and long-term categories through JTPA contracts. The JTPA contracts, which are locally developed or multi-regional, provide training programs for youth and unskilled adults, the economically disadvantaged and others who are in special need of such training in order to obtain productive employment. Fifty-seven such contracts were entered into by the Office of Vocational Education during 1987-88.

Programs are funded with state general fund appropriations, federal vocational funds and agency receipts.

TABLE 7.16

Funds for the Office of Vocational Education

Year	General Fund	Federal Funds	Agency Receipts	Total
1975-76	$15,799,000	$14,193,200	$ 1,538,400	$31,530,600
1979-80	33,759,100	14,426,400	13,330,300	61,515,800
1983-84	42,744,900	14,362,300	18,169,600	75,276,800
1987-88	53,677,000	17,413,400	20,479,700	91,570,100

TABLE 7.17

Vocational Education Enrollment

Year	Secondary	Adult Long-Term	Post* Secondary	Adult Short-Term	Totals
1975-76	156,616	11,572	4,402	64,559	237,149
1979-80	185,037	16,291	5,967	87,256	294,551
1983-84	203,758	17,658	8,652	89,432	319,500
1987-88	191,866	16,545	9,215	90,907	308,533

*This program level contains enrollment in vocational programs in the community colleges and universities that are receiving vocational funds. Programs are funded on a project basis, as determined by recipient; therefore, variations in enrollment can change abruptly from one year to the next.

From Fiscal Year 76 to Fiscal Year '80, total enrollment increased by 57,402, or 24%. Major areas of growth were health, practical arts, and public service occupations. This increase can also be attributed to the establishment of a new program area, industrial education levels I and II.

From Fiscal Year '80 to Fiscal Year '84, total enrollment increased by approximately 25,000, with major growth in the secondary level in areas of business and office and industrial education levels I and II.

From Fiscal Year '84 to '88, total enrollment decreased by approximately 11,000. The major reason for the decline is the lack of funding for the practical arts exploration program in middle schools. This program was near a peak enrollment in FY 84, with 47,937, while there was no enrollment in FY 88. The loss of enrollment attributed to the lack of funding for practical arts exploration has been offset some by increased enrollment in business and office, consumer and homemaking, and industrial education levels I and II.

The 1987-88 status report identified the following problem areas:

1. Inadequate salaries for instructors.
2. Inadequate security at vocational institutions during non-school hours.

3. Inadequate funding for education reform. For example, teacher testing required that tests be developed or acquired for each vocational subject area, but since there were insufficient implementation funds for the Office of Vocational Education, federal funds have had to be used for this purpose.
4. Inability to begin new programs at the postsecondary level, since no new program dollars were appropriated for vocational programs in 1987-88. The department suggests that the problem can be alleviated by phasing out ineffective programs and adding new program dollars.
5. Equipment replacement funded at present level is inadequate, due to inflationary increases of and the wear and tear on equipment. A minimum of 5 percent of the shop's equipment needs to be replaced annually.
6. No new funds were appropriated for adult short-term and industry upgrade training, even though instructional costs have risen and this area has been identified as high priority by the Office of Vocational Education.
7. No funds were appropriated to provide incentives to local schools to implement joint academic/vocational programs. Although there is a trend toward linkage of academic and vocational programs, and although the linkage of academic and vocational course content in secondary schools is a priority, the realization of this priority has been delayed by the lack of funding for in-service and curriculum development.
8. The Carl D. Perkins Vocational Education Act of 1984 reduced the amount of federal funds available for regular ongoing vocational programs by earmarking a higher percentage for special populations and purposes. The effect is that formerly federally funded vocational programs, especially those in correctional facilities, are in need of state subsidies.
9. The elimination of all Foundation Program units for seventh and eighth grade practical arts programs has resulted in a substantial drop in vocational enrollments. Recent state board action will make it permissible for a local school district to use units for seventh and eighth grade vocational education programs listed in the Program of Studies; however, additional units need to be appropriated.
10. The new/expanding industry program was removed from the Department of Education to the Bluegrass State Skills Corporation, thus creating another administrative entity dealing with services already being provided through Vocational Education.

Office of Vocational Rehabilitation

Organization. The Federal Vocational Rehabilitation Program began in 1918 to provide services to veterans returning from World War I. In 1920, the Smith-Fess Act authorized expenditures for citizens with physical disabilities on a State-Federal 50:50 matching basis. The services to be provided were guidance, training, the purchase of prostheses, and placement.

In 1922 Kentucky created a State Vocational Rehabilitation program in the Department of Education. The Randolph-Sheppard Act initiated the vending stand program for eligible individuals diagnosed as legally blind in 1936. The Amendments of 1943 extended services to persons with mental disabilities.

In 1954 the law provided for the establishment of rehabilitation facilities. Grants to states were awarded for the first time on the basis of population and per capita income.

The federal match ratio was changed to three federal dollars for each state dollar up to the appropriations allocation for the respective states in 1965. Extended evaluation to assess rehabilitation potential first appeared in law and regulations.

In 1968 the federal ratio was increased to 80:20. Follow-up services and a new program to serve the disadvantaged were created. "State-wideness" was waived.

Landmark legislation, the Rehabilitation Act of 1973, mandated an order of selection, with highest priority for serving persons with severe disabilities, when all eligible applicants could not be served due to lack of funds. An annual state plan as a legal basis for operating the state program, the Invididualized Written Rehabilitation Program (IWRP), an Affirmative Action plan for the hiring and advancement of individuals with handicaps, stricter enforcement of existing federal laws to eliminate architectural barriers and the establishment of program evaluation to enhance accountability were also included in the Act. Sections 501, 502, 503, and 504 prohibited discrimination on the basis of handicap in employment and program accessibility in federal programs and programs receiving federal funds.

The Division of Services for the Blind separated from the Office of Vocational Rehabilitation in 1976 and became what is now known as the Department for the Blind. The purpose of the new Agency was to serve those persons with a primary disability of blindness and/or a visual impairment.

The 1978 Amendments brought the Rehabilitation Services Administration (RSA) under a new federal Department of Education. Other changes included the conversion of the State Plan from an annual plan to a three-year plan, the revision of procedures to review any decision with which an individual is dissatisfied under an IWRP, and addition of an extensive new State/Federal formula grant program for providing independent living services to individuals with severe handicaps.

The 1984 Amendments required the establishment of a Client Assistance Program in states that did not have this program in operation; however, Kentucky had established a Client Assistance Program in 1980 under an Innovation and Expansion Grant. In 1985, the Client Assistance Program was transferred to the Office of the Secretary of the Education and Humanities Cabinet. In 1985, Congress finally authorized and appropriated funds for Title VII, Part A, Independent Living Rehabilitation Services. Independent Living Centers had been funded in the early 1980's; however, OVR did not participate in this initiative.

The 1986 Amendments to the Rehabilitation Act of 1973 provided in Title VI, Part C, the authority and requirement for a Supported Employment Program in vocational rehabilitation agencies; required rehabilitation engineering needs to be considered during an evaluation of rehabilitation potential; required rehabilitation engineering as a vocational

rehabilitation service; specified that an impartial hearing officer would conduct agency fair hearings; and discontinued appeal to the Commissioner of the RSA.

The Office is presently operated under the policies adopted by the State Board for Adult, Vocational Education and Vocational Rehabilitation and provides its services through the Division of Field Services, the Division of Program Development, the Division of Support Services, and the Carl D. Perkins Comprehensive Rehabilitation Center.

Committee Findings. The Division of Field Services is responsible for the actual delivery of services to eligible individuals with handicaps. Structurally, the Division is divided into four geographic regions: Western Kentucky; Louisville and Elizabethtown; Central Kentucky, including Lexington, Danville, and Florence; and Eastern Kentucky. These four regions are further subdivided into branches. The Western Kentucky region has branch offices in Paducah, Owensboro, Madisonville and Bowling Green. The Louisville region is composed of three branches in Louisville and one branch in Elizabethtown. The Central Kentucky region has branch offices in Florence and Danville, and two branch offices in Lexington. The Eastern Kentucky region has branch offices in Harlan, Salyersville, Somerset and Morehead. The Branch Managers have responsibility for supervising seven to thirteen counseling staff and five to twelve clerical staff. Some managers supervise other support staff.

The regional administrators, branch managers, counselors, clerical staff, and other support staff are housed in 56 locations statewide. The Division has 140 counselors, who serve clients in all 120 counties of the state. Many of the smaller counties are served on an itinerant basis—biweekly, weekly, or bimonthly.

The average rehabilitation counselor serves a caseload of approximately 125 active cases per year. To maintain this level of clients, the counselor receives about 100 new referrals per year and accepts about 47 new cases for services. Approximately thirty clients per counselor will be rehabilitated each year, with sixty percent of the rehabilitated clients classified as severely disabled. The counselor is assigned a territory of 30,000 to 35,000 population and has an average budget of approximately $80,000.

The counselors have access to sixteen private, not-for-profit rehabilitation facilities that provide vocational evaluations and work-adjustment services. Additionally, the agency, through the Carl D. Perkins Comprehensive Rehabilitation Center, provides a comprehensive range of evaluation, adjustment and training services. The agency has staff assigned to the three state mental hospitals to provide coordinated services to individuals with psychiatric disabilities. Agency work training centers at these facilities provide needed work evaluation/work adjustment services to the applicants/clients in these institutions.

In response to the specific needs of individuals with certain disabilities, specialty counselors are trained and practice in the areas of deafness, traumatic brain injury, traumatic spinal cord injury, drug and alcohol abuse, and mental illness. They also work with local school districts. The agency established and has maintained an attendant care program at the University of Kentucky in a coordinated effort with the UK administration. This program provides attendant care services for clients with severe disabilities who are students at the University, at a cost of $67,000 per year.

As the demand for more intensive placement assistance has grown, the agency has responded with the assignment of employment specialists in strategic areas across the stte. It currently has eleven employment specialists, who provide a wide array of services for staff and clients of the agency. Primary responsibilities include job placement and employer services that provide incentives for hiring job qualified applicants of the vocational rehabilitation agency.

To be eligible for Vocational Rehabilitation Services, an individual must have a physical or mental disability which for the individual constitutes or results in a substantial handicap to employment. Additionally, there must be a reasonable expectation that services will enable the individual to begin or return to employment.

Beyond basic eligibility requirements, the agency is mandated to give priority consideration to applicants with the most severe disabilities. To carry out this mandate, an order of selection insures an organized, equitable method of selecting individuals to be served when, due to financial constraints, not all eligible applicants can be served.

Additionally, an economic needs test is applied as a condition for certain services provided by the agency. This policy requires that individuals participate financially in their programs based on their ability to pay, although certain services are excluded from the economic needs test by federal mandate and by state polciy.

Table 7.18 shows the client information for the designated years between 1974 and 1989.

TABLE 7.18

Clients Served and Rehabilitated by the Office of Vocational Rehabilitation

	FY 75-76	FY 79-80	FY 83-84	FY 87-88
Clients Served	34,485	29,568	28,976	31,669
Severely Disabled	10,346	13,242	13,172	13,267
Clients Rehabilitated	9,276	4,248	3,602	3,311
Severely Disabled	2,133	1,479	2,272	2,180

The total number of clients rehabilitated has declined, as the eligibility requirements have been designed to include the most severely handicapped persons.

In an effort to determine the statewide need, the agency has contracted with the Urban Studies Center of the University of Louisville to conduct a study to estimate the number of people with disabilities in various parts of Kentucky and their need for rehabilitation services. The preliminary report estimates 569,000 noninstitutionalized Kentuckians, 15% of the population, have disabilities.

Citizens are represented in the agency by the Superintendent's Advisory Council on Vocational Rehabilitation. The Council is composed of eighteen members, representing the following categories of people: persons who are current/former clients or who are

representatives of clients of vocational rehabilitation; persons who are providers of services or who are respresentatives of organizations or agencies who provide services to vocational rehabilitation clients; persons who are employers of individuals with handicaps or who are actively engaged in developing employment opportunities for persons with handicaps; and persons who are knowledgeable of the needs of persons with handicaps and who are in a position to influence public opinion on a variety of issues relating to services for individuals who are handicapped.

The Client Assistance Office in the Office of the Secretary of the Education and Humanities Cabinet is responsibile for providing an impartial review of complaints from clients and applicants for services.

The Office of Vocational Rehabilitation operates with federal and state appropriations under a 80-20 percent match for the primary program. To date, the Kentucky General Assembly has never appropriated enough to match the total amount of federal money available. Therefore, Kentucky loses federal funds each year, which eventually go to other states.

	State	Federal
1975-76	$1,630,500	$17,525,052
1979-80	3,384,900	15,098,000
1983-84	4,229,400	16,737,600
1987-88	4,818,400	22,016,200

An additional $2,313,375 in state dollars for the '88-90 biennium would have generated an additional $9,253,500 in federal money.

Over time the federal law has been amended to require that the most severely disabled persons be served first. That requirement, and the rate of inflation in health-related costs have caused the cost of rehabilitation to increase by 390% since 1975-76.

COST OF REHABILITATION PER PERSON

1975-76	$2,364
1979-80	$4,981
1983-84	$6,460
1987-88	$9,233

Office of Adult and Community Education

Organization. In 1962 the Division of General Adult Education in the State Department of Education was established to provide Kentucky adults with a foundation for vocational skills and higher education. Expansion of this program occurred when Congress enacted the Adult Education Act of 1966, Public Law 91-230, as amended. The purpose of this act was to initiate national programs to expand educational opportunities

and to encourage the establishment of programs of adult public education. This enabled adults to continue their education to a minimum of the completion of the secondary school level and made available the means to become more employable, productive, and responsible citizens. Since 1966, when the current ABE (Adult Basic Education) program was begun in Kentucky with federal funding, the number of enrolled adults has increased from 9,142 to 29,000 (in 1987-88). This number includes more than 20,000 who received basic literacy instruction last year. The state-administered program has expanded to include programs in all of Kentucky's 120 counties.

The adult education program in Kentucky provides instruction for adults 16 years of age or older who have not completed high school and/or who are not enrolled in a regular school program or functioning at the level of the high school graduate. The adult student engages in an individualized program of study designed to meet his or her needs and goals. Subjects range from basic reading and arithmetic to advanced preparation for the General Educational Development Test (GED). The local programs offer a variety of instructional options: 1) adult classes, 2) adult learning centers, 3) home instruction, and 4) volunteer tutorial literacy programs.

The four types of instruction provide the adult student an opportunity for the improvement of basic skills and attainment of the Eighth Grade Equivalency Certificate and/or the High School Equivalency Certificate. The instruction also enhances benefits of occupational training and increases opportunities for more productive, profitable employment.

The Office of Adult and Community Education contains three divisions.

The Division of Adult Basic Education allocates funds for the statewide operation of instructional programs in literacy, adult basic education and GED preparation, for teacher training, statewide recruitment, 45 Testing Centers, 29 Learning Centers and local programs for every county in Kentucky.

The Division of Support Services provides techincal assistance for the management of the federal programs within the other divisions. The Unit for Special Projects provides technical assistance to departmental staff and local district personnel who are assigned the responsibilites of implementation and evaluation of federally-funded projects. This unit also provides consultation and technical assistance for the following programs: Job Training Partnership Act (JTPA), Corrections Program, National Diffusion Network, JCARP Programs and the Gannett Literacy Challenge Program.

The Division of Community Education provides technical assistance and training to local school districts to implement community education programs. It monitors and provides management assistance to the Parent and Child Education Program (PACE) and local district school/community partnerships. It focuses on the development and implementation of school/business partnerships and partnerships with non-profit organizations and groups. Technical assistance and information regarding successful partnerships program development can be provided to local districts.

Committee Findings. The Office of Adult and Community Education actively seeks the cooperation and support of other agencies, organizations, and the private sector

to solve the problems of undereducation. The following cooperative efforts have developed since 1984, greatly expanding the service to adult students:

1. **JTPA Adult Literacy Programs**: Since 1984, basic literacy services have been supplemented and expanded through a cooperative effort of the Kentucky Department of Education and the Kentucky Department of Employment Services with federal Job Training Partnership Act (JTPA) funds. The JTPA-funded adult literacy program was developed to serve the economically disadvantaged student functioning at 8.9 grade level and below in the basic skill areas. The Division of Adult Education administers 30 JTPA-funded literacy programs in Kentucky, serving 41 counties. The 1,000 students enrolled in FY 1987-88 attended programs located in schools, libraries, churches, housing projects, jails and vocational schools. The accomplishments demonstrated by these partnerships have brought national recognition to the Kentucky Department of Education by a special commendation from the U.S. Department of Labor. The partnership that developed to utilize JTPA funds for literacy was featured in a national documentary in September, 1986.

The Kentucky Corrections Cabinet joined the literacy effort as a third partner in another JTPA-funded program this year. Volunteer inmate tutors are assisting other inmates to improve their reading, as well as their chances for later success in the world outside the institution. The tutoring programs are underway in seven of nine male state correctional facilities, providing continuity of educational opportunities to incarcerated adults as they transfer within the correctional system. Over 300 inmates have voluntarily participated in this program since its inception in November 1985. This program was limited to inmates reading below a 5th grade level, and many learned to read for the first time. Contributions from the private sector were used for banquets and special recognition of successful tutors and students.

2. **Project Second Chance**: Project Second Chance is a statewide awareness and recruitment effort to improve the educational level of Kentucky's undereducated adults. The target population is 47% of adults over 25, who lack high school credentials, or over 1.2 million citizens. This three year program, initiated in 1987, promotes awareness of literacy, adult basic education and GED level education.

One component of this effort is the partnership with the food stamp offices. During 1987-88, food stamp recipients in five counties were mandated to enroll in job search or education programs, for which they receive a $25.00 stipend per month for attending 6-9 hours of class per week. As a result, 1,642 adults enrolled in adult education classes, with 174 receiving GED's.

3. **Homeless Education Grant**: In August, 1988, a federal grant was awarded to the Kentucky Department of Education to design and implement a statewide outreach adult education program for the homeless, utilizing non-traditional methods to reach this particular population. Most of Kentucky's homeless population is concentrated in the following three areas: Northern Kentucky, the Bluegrass and Louisville. The target population in these three areas will be served by local agencies, which will be invited to apply for funding through this grant to educate the homeless. The Kentucky Department

of Education will assign one coordinator and four regional consultants, who will monitor the instructional sites during the funding period.

4. **G.E.D. Testing Program**: Kentucky's General Educational Development Testing Program provides a valid means of measuring the educational achievement of adults who are non-high school graduates. Residents of Kentucky who are 17 years of age or older and who have been out of a formal classroom situation for a period of one year, or whose high school class has graduated, are eligible to take the GED Test. Approximately one-fifth of all high school credentials issued in Kentucky each year are issued through the GED Testing Program.

The GED Tests are normed, or standardized, by the administration to a sample of graduating high school seniors—most recently in Spring, 1988. There are 43 civilian testing centers statewide. In 1987, 23,029 persons took all parts of the test. From those individuals taking or retaking all test batteries during 1987, 15,535 achieved scores high enough to qualify for a High School Equivalency Certificate. This is a passing rate of 69.5%, which compares favorably with the national rate of 74.1%. Additional information about the total group taking all or parts of the test during 1987 includes the following data: approximately 46% of this group had completed a 9th grade level or less in the public or private schools prior to taking the test, and 54% had completed the 10th grade or above; the average age for those taking the test was 29; 12,875 individuals (about 56% of this group) expressed an interest in taking education or training beyond the high school level. Statistical reports for the first two quarters of 1988 demonstrate the results of an aggressive campaign to encourage adults to return to study for the GED test. Comparison of the first two quarters of 1988 to the same time period in 1987 shows an increase of 20% more adults taking the GED test. In 1987, 11,514 took the GED test, compared with 13,862 for the first six months of 1988.

5. **Volunteer Literacy Partnerships**: A special federal grant awarded to the Kentucky Department of Education for excellence in adult literacy has enabled Kentucky to form cooperative efforts nationwide. The JCARP Program became the first instructional program in Kentucky to be validated by the Joint Dissemination and Review Panel of the U.S. Department of Education. Staff from the Unit of Special Projects of the Division of Adult Education form the national partnerships through training, follow-up, in-service and technical assistance.

The Kentucky Department for Libraries and Archives has also joined the literacy effort, committing federal monies to the adult literacy effort by providing regional coordination for literacy programs. Library coordinators provide training and assistance to local volunteer programs in many areas of the state and work cooperatively with adult basic education programs statewide.

The Kentucky Literacy Commission, the newest component of the adult education effort, is providing statewide coordination and promotion, as well as assistance to local programs. New funds allocated to the Commission by the General Assembly were available for implementation of volunteer tutoring programs in all counties in 1986-87. These funds will enhance existing literacy efforts and will establish new literacy programs and local literacy councils.

6. **Kentucky Educational Television**: The KET Study-At-Home Project is a cooperative effort between KET and the Kentucky Department of Education, with support from the Ashland Oil Foundation. The Study-At-Home Project offers GED instruction, via TV broadcast, as an alternate instructional option for those adults above 8th grade level who are not enrolled in an adult basic education program. Student support and encouragement is offered through a toll-free phone line.

The Office of Adult and Community Education initiated another cooperative effort with KET through the production of a five-part series designed to prepare volunteers to tutor adult students. This series, with an accompanying manual, is broadcast statewide.

7. **Business and Industry Partnerships**: Businesses in Kentucky have become active partners in offering adults a second chance at basic education. Kentucky's business leaders are increasingly aware of the linkage between an educated work force and private and public economic growth. Business/education partnerships take a variety of forms at both state and local levels.

At the state level, the G.E.D. Task Force, comprised of adult educators and business leaders, has devised a long-term, multi-faceted plan to recruit students for adult basic education programs and facilitate cooperative efforts between employers and educators to provide basic skills training for employees. All of the recommendations of the Task Force have been implemented by the G.E.D Foundation, a private, non-profit, tax exempt foundation established by the General Assembly in 1985. The implementation of these recommendations will enable both large and small businesses to offer basic education to employees, as well as benefiting from tax-free contributions.

Kentucky's State Plan for Adult Education established eleven goals for the four-year period covered by the plan. These goals and a progress report were provided to the Committee.

The Office of Adult and Community Education served 30,635 individuals, at an approximate cost of $161.60 per student. The average student-teacher contact time was 48.4 hours. The average cost per contact hour was $3.34.

The 1988 General Assembly appropriated $1,801,300 to the Office of Adult and Community Education for the 1988-89 biennium. This office also received approximately $2.3 million in federal funds for 1988-89. Appropriations to the Office of Adult and Community Education for 1987-88 were $1,820,000 in state dollars and an additional $2,150,217 in federal funding.

Committee Recommendations

1. Amend the Constitution to establish a State Board of Education comprised of seven members representing the Congressional districts, elected in non-partisan elections, and six members appointed by the Governor; require the Board to appoint the Superintendent of Public Instruction.
2. Establish a bi-partisan panel appointed by the Governor to recommend nominees for appointed educational governing boards.

3. Organize programs for adult basic education into one agency to improve coordination of programs.
4. Provide tax incentives for businesses to establish literacy classes.
5. Eliminate the Division of Surplus Property in the Department of Education.
6. Support legislation to remove the high school athletic appeals process from the State Board of Elementary and Secondary Education, providing an appeals process is provided in some fashion.
7. Recommend an external study of the Department of Education to determine the appropriate organizational structure and the level of resources required for the Department to meet its mission, as established by the General Assembly. Study areas should include, but not be limited to, the following:
   a. An analysis of the number of staff and the amount of financial resources needed to be effective.
   b. A review of the salary and benefit structure for Department of Education employees to assure that they are comparable to those of employees with similar training and experience in local school districts and that the structure is equitable for all employees within the Department.
   c. Address the concept of a teacher majority standards board as it relates to the increased efficiency within the Division of Teacher Education and Certification and the practice of licensure.
   d. Review the need for a unit on elementary education in the Office of Instruction.
   e. Review the program approval process for the Colleges of Education to assure that the effort is coordinated between the State Board for Elementary and Secondary Education and the Council on Higher Education.
8. Recommend that a statewide job placement service be made available by the Department of Education for instructional and administrative personnel.
9. Recommend a computerized communications system designed to provide teachers with instant access to performance and program information, and link the Department of Education and the local districts for the transference of reports.
10. Recommend that the Department of Education be post-audited on personnel and expenditures, rather than receiving prior approval from the Department of Finance and Administration and the Department of Personnel for all transactions.
11. Recommend that the state's accreditation process and the Southern Association of Colleges and Schools' accreditation process occur at the same time in districts that belong to the Southern Association.
12. Recommend that the General Assembly set standards for schools and implement a stringent monitoring process which will require a level of quality in every individual school that is acceptable by the Southern Association of Colleges and Schools.
13. Expand opportunities for highly qualified individuals to enter teaching as a career.

14. Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.

SCHOOL FACILITIES CONSTRUCTION COMMISSION

Agency Organization

The School Facilities Construction Commission was established as a part of House Bill 6 in the 1985 Extraordinary Session, to provide assistance to school districts in meeting the school construction needs of the state. The General Assembly recognized that many children were attending classes in old, dilapidated buildings, overcrowded classrooms, and temporary classrooms. The requirements for smaller class size and class caps have added to the continuing need for more classrooms.

Although its predecessor, the School Building Authority, was subject to political pressures and manipulation by outside forces, it did provide the framework on which the Commission was built. Experience with the School Building Authority indicated a need to separate the identification of eligible districts and the allocation of funds.

Committee Findings

Since its establishment, the Commission has assisted districts in $450 million in new construction and major renovation, which has provided 35,000 new instructional spaces and other facilities. From 1985 to 1990, the Commission has received appropriations of slightly over $93 million. Of that amount, approximately $26.5 million was for debt service on bonds issued by the School Building Authority. As the cost of construction continues to rise, the Commission urges school districts to move as rapidly as possible, once they are approved for assistance. One point that should be kept in mind is that once a bond issue is sold, the appropriation for debt service on that issue must be provided in each budget period.

The legislation creating the School Facilities Construction Commission was drafted in a manner to insure that the problems encountered by its predecessor, the School Building Authority, would be minimized. The School Building Authority was located in the Department of Education and it not only allocated the money, but also determined which districts received funding for which projects. In addition, staff for the School Building Authority was provided by the Department of Education. In contrast, the School Facilities Construction Commission appoints its staff, consisting of an executive director and a secretary.

Current legislation requires the Department of Education to identify priorities within each district through the facility surveys and to determine the required contribution

of the district. The Commission, which is attached to the Finance and Administration Cabinet, provides funds to the districts for bond debt service, based on the district's ability to pay, as identified by the Department of Education, and the amount of funds appropriated by the General Assembly.

Committee Recommendation

Establish a bi-partisan panel, appointed by the Governor, to recommend nominees for appointed educational governing boards.

COUNCIL ON HIGHER EDUCATION

Agency Organization

The Council on Higher Education was created in 1934, making it one of the country's oldest state higher education coordinating agencies. The Council has had broad coordinating authority; however, only since 1966, when it was empowered to determine overall needs of higher education, develop comprehensive plans, review the public institutions' funding requests, and approve professional schools.

Until that time, the Council's primary functions were to coordinate and determine the curricular offerings of the state colleges and universities and set tuition and fees. In the area of curriculum coordination and determination, the Council focused primarily on the area of teacher education.

The membership was largely made up of university and college presidents and representatives of the institutions' boards. In 1966, the complexion of the Council changed radically, when voting responsibility was removed from the university presidents and assigned to an increased number of lay members.

Legislative action in 1972 and 1978 added citizen-members to the Council and gave it approval authority for campus capital construction, for all degree programs, including teacher education, at the public institutions, allowing the Council to better anticipate and plan for Kentucky's higher education needs. The legislation also allowed the Council to begin evolving a coordinated system of autonomous institutions that could meet those needs.

In 1982, KRS 164.010 was amended to require that each state institution be represented on the Council by at least one undergraduate degree recipient of each university. The Council, in cooperation with the university presidents, was also given the responsibility to " . . . devise, establish, and periodically review and revise formulas for use in making recommendations to provide to the governor and the legislature for use in making appropriations for the institutions of higher learning."

The current structure of the Council includes the Superintendent of Public Instruction (non-voting, ex-officio) and seventeen lay members appointed by the Governor. The lay members include one from each Congressional district, a holder of an undergraduate

degree from each public university, and a student member. The lay members, except for the student member, serve for terms of four years.

According to KRS 164.020, the Council has the following responsibilities and shall:

(1) Engage in analyses and research to determine the overall needs of higher education in the Commonwealth;
(2) Develop and transmit to the Governor comprehensive plans for public higher education which meet the needs of the Commonwealth;
(3) Determine tuition and approve the minimum qualifications for admission to the public institutions of higher education;
(4) Develop the funding formula and review the institutions' budget requests;
(5) Review and approve all capital construction projects the cost of which exceeds two hundred thousand dollars;
(6) Require reports from the executive officer of each institution it deems necessary for the effectual performance of its duties;
(7) Publish annually a report of the educational and financial affairs of the institutions and disseminate other information relating to higher education;
(8) Define and approve the offering of all higher education associate, baccalaureate, graduate, and professional degree or certificate programs in the state-supported higher education institutions; review proposals and make recommendations to the governor regarding the establishment of new state-supported colleges and new four-year colleges;
(9) Approve the teacher education programs in the public institutions;
(10) Elect a chairman annually from the voting membership and appoint an executive director and such staff as may be needed;
(11) Constitute the representative agency of the Commonwealth in all matters of higher education of a general and statewide nature which are not otherwise delegated to one or more institutions of higher learning; and
(12) Develop procedures for the approval of a designated receiver, to provide for the maintenance of student records of the public institutions of higher education and the colleges, as defined in KRS 164.945, and institutions operating pursuant to KRS 165A.310 which offer collegiate level courses for academic credit, which cease to operate after July 15, 1980.

In 1982, legislation established an Advisory Conference for the Council, consisting of the presidents of each of the state institutions. The Advisory Conference may meet with the Council and its Executive Committee to present the institutions' viewpoints. The Council must meet with the Advisory Conference at least once annually.

The Council meets at least quarterly. Much of the Council's work is done in the Executive, Programs and Finance Committees.

Committee Findings

The statutory authority of the Council on Higher Education includes the responsibility to develop and transmit to the Governor comprehensive plans for public higher education which meet the needs of the Commonwealth.

Historically, as the state system grew in size and complexity, the Council's planning efforts focused on specific, discipline-based problems or areas of concern that were limited to certain kinds of institutions or levels of educational effort. Examples of this kind of planning include studies of the community college system, health-careers education, university research and professional education.

The 1981 report of the Prichard Committee on Higher Education in Kentucky's Future, *In Pursuit of Excellence*, was the first exception to this approach. That committee, established by the Council, was charged to identify issues and trends that would affect the future of higher education, rather than to develop a comprehensive plan. The report contains 100 recommendations aimed at improving the overall quality of higher education, many of which have been implemented.

Following the General Assembly session in the spring of 1984, Council on Higher Education members expressed concern about the range of problems facing higher education and the absence of a suitable framework for understanding and addressing them in a coordinated fashion. The Council gathered in Shakertown in October 1984 to formulate a list of issues and concerns. At its November 1984 meeting, the Council, responding to a request from Governor Martha Layne Collins, directed the executive director to initiate staff efforts to support the preparation of a strategic plan for higher education. The Council held numerous meetings from January to July 1985 to develop the draft Strategic Plan. This draft was then presented to the people of Kentucky in 13 public hearings held throughout the state in August and September. The university governing boards and presidents endorsed the final version of the Plan in September. And in November 1985, the Council adopted the Plan and presented it to Governor Collins.

The Council staff prepared a systemwide status report based on institutional self-assessments and other initiatives undertaken since the Strategic Plan was adopted in Fall 1985. This Report of Activities was presented to the Council in September 1987, along with a report entitled "A Look to the Future," which the Council adopted to set priorities for the 1988-90 biennium.

Overview of Higher Education

A number of state agencies and organizations play a role in the delivery of educational programs at the post high school-adult level. The Council attempts to work cooperatively with them and to represent the needs and expectations of higher education.

The Council on Higher Education serves as the coordinating agency for public community colleges and universities in the Commonwealth. In addition, there are a number of independent colleges and postsecondary schools that offer programs at the high school graduate, adult level.

The independent colleges are organized into a 21-member group known as the Council of Independent Kentucky Colleges and Universities. The Council on Higher Education is charged with licensing these schools, with recognizing the importance of independent colleges, and with working closely with them in setting higher education policy.

The Council has a close working relationship with the Kentucky Higher Education Assistance Authority and the Higher Education Student Loan Corporation, which provide services in the area of student financial assistance.

Postsecondary vocational schools and adult programs are operated by the State Department of Education under policies established by the State Board of Education, the State Board for Adult, Vocational Education and Vocational Rehabilitation, and the Superintendent of Public Instruction. Certificate programs are offered at this level and various attempts are made to coordinate and cooperate at the associate degree and certificate levels.

A number of "for-profit" educational entities are statutorily organized under the Board for Proprietary Education. Most of these schools are not considered collegiate in the usual sense of the word. However, they do offer educational programs to adults and the Council has occasional contact with the Board and a few member schools.

Governance and Coordination of Public Higher Education

Kentucky Revised Statutes mandate a shared responsibility for the governance and coordination of public higher education between the individual institutional boards of trustees/ regents and the Council on Higher Education.

Among the 50 states, Kentucky's higher education system generally is classified as a coordinated system, as opposed to a governance system. States with a governance system vest statutory authority for all higher education duties and responsibilities in one board of regents or trustees. In a coordinated system, such as Kentucky's, higher education duties and responsibilities are shared, as defined by state law, between institutional governing boards and a statewide coordinating agency.

In Kentucky, management and operational responsibilities and authority are vested in the governing board of each institution. The boards are bodies corporate and politic and are agencies and instrumentalities of the Commonwealth. They are able to sue and be sued, and within current statutory provisions and limitations, have sole and exclusive authority over certain matters relating to the institutions.

Kentucky Revised Statutes vest specific regulatory coordination powers, duties and responsibilities within the Council on Higher Education. The Council is a policy-making body for the system of higher education in Kentucky. In the fulfillment of its statutory charges, the Council's decisions and policies may influence and affect institutional management and operations. However, the Council does not actually manage or operate any college or university. Thus, the responsibilities to define and deliver a rational system of higher education in the Commonwealth are shared among the individual institutional governing boards and the Council on Higher Education.

University Mission Statements

Each of the public universities has a distinct mission based upon criteria of geographic location, instruction, research and public service. Likewise, the public community colleges have the mission of serving the general education, occupational, and continuing educational needs of the immediate community. The classification of Kentucky's system of higher education is comprised of five categories.

The statements were most recently revised in January 1983, when Kentucky State University's mission was changed to a residential liberal studies institution, with focus on applied research and service needs of state government.

Committee Structure

In order to operate more effectively, the Council divides its duties between two standing committees.

The Council also has an Executive Committee, composed of the Council's Chairman, Vice-Chairman and immediate past Chairman, as well as the Chairmen and Vice-Chairmen of the other two standing committees. The Executive Committee can meet whenever necessary and is authorized to act on behalf of the full Council.

The Programs Committee is composed of seven members, including a Chairman and Vice-Chairman. Its responsibilities include:

- New degree program approval
- Review of existing degree programs
- Admissions policy and Pre-College Curriculum
- Academic consortia oversight
- Professional Education Preparation Program and the Area Health Education Program

The Finance Committee is composed of seven members, including a Chairman and Vice-Chairman. Its responsibilities include:

- Financial management and accountability
- Formula for university funding
- Institutional operating problems
- Capital construction projects
- Student aid and tuition

Appropriations

The Council on Higher Education is funded primarily with general fund appropriations. Table 7.19 shows the appropriations for the designated years.

Table 7.19

Council on Higher Education Appropriations

Year	General Funds	Federal Funds
1975-76	$4,970,800	N/A
1979-80	7,598,700	$821,648
1983-84	4,733,600	-0-
1987-88	7,152,300	356,000

Committee Recommendations

1. Establish a bi-partisan panel, appointed by the Governor, to recommend nominees for appointed educational governing boards.
2. Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.

KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

Agency Organization

In 1966, the Kentucky Higher Education Assistance Authority (KHEAA) was created by the Kentucky General Assembly to improve and promote the public welfare and prosperity of the people of the Commonwealth by promoting the availability of higher educational opportunities. The Authority administers statewide student loans, grants, scholarships and work-study programs and provides application, admission and cost information to Kentuckians who need financial assistance to attend college.

KHEAA is under the direction and control of a nine-member Board of Directors. The Board consists of seven voting members appointed by the Governor, and two non-voting ex-officio members, the Executive Director of the Council on Higher Education and the Secretary of the Finance and Administration Cabinet.

The Kentucky Higher Education Student Loan Corporation was established in 1978 to finance, make and purchase insured student loans. KHEAA provides technical, clerical and administrative assistance to the Corporation, manages the Corporation's issuance of bonds and notes, and services and collects all student loans owned by the Corporation.

Both agencies were originally attached to the Governor's Office but were moved to the Finance and Administrative Cabinet by Executive Order 82-993, effective December 1, 1982.

Committee Findings

The following history provides an overview of the agency's response to the financial needs of college, university and vocational-technical school students.

1966 KHEAA created (KRS 164.740 through KRS 164.785).

1972 Kentucky Tuition Grant (KTG) Program created.

1974 State Student Incentive Grant (SSIG) Program implemented.

1975 Commonwealth Work-Study Program implemented.
KTG awards made after successful litigation.
First Edition of "Getting In" published.

1976 Federal Higher Education Act amended to encourage states to establish loan insurance programs.

1978 The Kentucky Higher Education Student Loan Corporation created (KRS 164A).
KHEAA implemented new Guaranteed Student Loan (GSL) insurance program, began meeting all personnel, operating and capital expenses from earned income.

1979 The Corporation issued bonds and began making and purchasing insured loans.

1982 Federal legislation created PLUS program, which KHEAA insured and the Corporation financed.

1983 Commonwealth Work-Study Program revised to require private sector employment.

1985 Math/Science Incentive Loan Program transferred from Department of Education to KHEAA during Special Session of the Legislature.
Teacher Scholarship Program enacted and assigned to KHEAA.

1986 Kentucky Distinguished Student Recognition and Scholarship Award Program enacted and assigned to KHEAA.
Federal legislation restructured Guaranteed Student Loans and PLUS loans, created Supplemental Loans for Students (SLS) and Consolidation Loans.

1987 KHEAA implemented restructured federal loan programs, including new SLS and Consolidation programs, which KHEAA insured and the Corporation financed.
Federal Funds Information for States (FFIS), a joint project of the National Conference of State Legislatures and the National Governors' Association Center for Policy and Research, completes "A Study to Establish Reasonable Reserve Level Criteria for the Loan Guarantee Fund" for KHEAA.

1988 KHEAA contracted with third-party collection agencies in an effort to

increase collections on its defaulted portfolio. In addition, an IBM system-38 computer and collection software were acquired to enhance the agency's internal collection efforts.

Legislature did not approve funding for the Commonwealth Work-Study and the Kentucky Distinguished Scholars Programs.

1987-88 Program Structure and Beneficiaries

		1987-88 Volume	
		Students	**Value**
I.	Loan Insurance*	25,966	$ 58,831,540
II.	Loan Servicing	73,990	271,164,393
III.	Student Aid Programs		
	State Student Incentive Grants (SSIG)	13,224	5,967,609
	Kentucky Tuition Grants (KTG)	5,619	6,159,010
	Commonwealth Work-Study (CWS)**	1,145	792,175
	Math/Science Incentive Loans (M/S)	221	480,827
	Kentucky Distinguished Student Recognition and Scholarship Award Program (KDSAP)	158	234,823
	Teacher Scholarships	242	972,698
	Paul Douglas Teacher Scholarships	58	250,692

* Four separate types of loans are insured under this program: Guaranteed Student Loans, PLUS loans, Supplemental Loans for Students and Consolidation Loans.

** KHEAA expenditures, which provided the capability for students to earn gross wages of $2,231,495.

The Authority currently manages $370 million of assets and has, since 1978, paid all personnel, operating and capital costs from agency earnings. Both managed financial resources and personnel have grown rapidly since 1978. In 1987-88, approximately 47,000 Kentucky college students received funds through agency administered programs. The agency maintains reserve funds for loan insurance payments and administration. However, due to expenditures to support student aid programs since 1983, state budget deficits and reduced earnings due to market interest rates, the loan reserve funds are now below Federal Funds Information for States recommended levels.

The agency has experienced substantial growth since the late 1970's in both personnel and financial resources. The growth occurred in the number of programs administered, annual award transactions related to cash flows through grant, scholarship and other programs, loan servicing transactions related to the Corporation's $271.2 million portfolio, and loan insurance transactions related to $358.8 million of outstanding insurance commitments.

The growth of personnel has been related to financial resource growth sufficient

to maintain margins of income over expenses to cover all personnel, operating and capital costs since 1978, and to help fund student aid programs and budget deficits.

Table 7.20 shows the appropriations to the agency for the selected years.

TABLE 7.20

Kentucky Higher Education Assistance Authority Appropriations

Year	General Fund	Restricted Agency Fund	Federal Funds
1975-76	$1,850,200	$1,048,269	$2,235,995
1979-80	3,900,000	2,606,771	1,136,466
1983-84	7,218,300	9,544,700	1,237,400
1987-88	8,817,100	10,017,300	1,179,000

Committee Recommendation

Establish a bi-partisan panel appointed by the Governor to recommend nominees for appointed educational governing boards.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION

Agency Organization

The Kentucky Higher Education Student Loan Corporation is an independent de jure municipal corporation and political subdivision of the Commonwealth of Kentucky. It was established by the 1978 General Assembly in response to the 1976 Amendments to the Higher Education Act of 1965. This change in the federal loan program provided significant inducements for states to establish loan insurance programs and the Corporation was established to provide capital for the Guaranteed Student Loan Program in Kentucky. The mission of the Corporation since inception has been to promote higher education opportunities in the Commonwealth through a program of financing, making and purchasing insured student loans. The Corporation finances, originates and purchases Guaranteed Student Loans with funds raised in the tax exempt bond market.

The Corporation is administered by a Board of Directors composed of seven individuals. Four members are appointed by the Governor and serve four-year terms. Three members serve by virtue of office: Secretary, Finance and Administration Cabinet; Chairman, Kentucky Higher Education Assistance Authority; and Chairman, Council on Higher Education. The Executive Director of the Kentucky Higher Education Assistance Authority also serves as Executive Director of the Corporation.

The Corporation is attached to the Cabinet for Administration and Finance for administrative purposes.

Committee Findings

The student loan finance program of the corporation has historically been funded through the sale of tax exempt bonds. The program began in 1979 with a $30 million issue, which was the initial debt authorization. The Corporation debt limit has been increased three times since then. Changes were made by the Legislature in 1980 ($150 million), 1982 ($400 million), and 1984, to the current authorization level of $553 million. No additional increase is anticipated at this time. The secondary market program expanded rapidly during the first six years, requiring the following issues of Insured Student Loan Revenue Bonds:

1979	Series A	$ 30,000,000	
1981	Series A & B	140,000,000	
1983	Series A	300,615,000	
1984	Series A	41,000,000	(refunding only)
1985	Series A	190,700,000	($77.4 million in refunding)
1986	Series A & B	75,820,000	($40.82 million in efunding)

The debt outstanding as of June 30, 1988, was $327,370,000. The Bonds of the Corporation are payable only from the proceeds of the issue and the student loans acquired with them. No General Fund appropriation is required. The assets, plus fund balances of the Corporation, currently exceed 103.95% of liabilities outstanding.

The secondary market program involves 272 Kentucky lenders, who originate Guaranteed Student Loans and then sell to the Corporation, pursuant to a Loan Purchase Agreement. In addition, the Corporation is authorized to be a lender in the Guaranteed Student Loan Program, Parent Loans to Undergraduate Students (PLUS), Supplemental Loans to Students (SLS) and the new Consolidation Loan Program, authorized by the 1986 Amendments to the Higher Education Act of 1965.

The Corporation currently owns more than $271 million in loans and has debt outstanding of $327,370,000. The Corporation is authorized to issue up to $553 million of its obligations, which are secured by the proceeds and assets acquired. No General Fund appropriation is required.

The Corporation has no staff. All technical, clerical and administrative needs of the Corporation are provided by the Kentucky Higher Education Assistance Authority, pursuant to an Administrative and Servicing Agreement. Per the Agreement, the Authority services all loans owned by the Corporation ($271,140,210 as of June 30, 1988) in return for a fee.

Committee Recommendation

Establish a bi-partisan panel appointed by the Governor to recommend nominees for appointed educational governing boards.

BLUEGRASS STATE SKILLS CORPORATION

Agency Organization

The Bluegrass State Skills Corporation (BSSC) was established by the 1984 General Assembly in response to the needs of business and industry for a trained and productive workforce. In 1988 an amendment to KRS 157.720 moved the BSSC from the Department of Education to the Office of the Secretary of the Commerce Cabinet for administrative purposes.

The BSSC, an independent public corporation, works with business and industry and educational institutions to establish programs of skills training. An important facet of the program is the linkage between existing educational institutions, employment and training programs, and private companies, which together train people for jobs.

The BSCC's three main functions are:

- to administer and fund through training grants Kentucky's industry-specific training program;
- to act as a broker, by coordinating the resources of other players involved in job training; and
- to facilitate and fund new educational training programs designed to meet unfilled training needs in the state.

The BSSC's unique versatility as an independent public corporation allows it to be a company's initial contact to customize a program and broker appropriate training assistance to meet that company's specific needs. The services provide, through programs, customized training in specific skills areas for new employees and skills development training for existing employees. Drawing upon all of Kentucky's employment and job training resources and programs, Kentucky's employment and training organizations can develop skills training packages for companies of all sizes.

The Corporation awards grants for skills training programs to educational institutions which link in partnership with private businesses to absorb a share of program costs, through contributions of finances, staff, equipment, resources, or other items of financial value.

An important facet of an employment and skills training services package developed for a new or expanding company is the direct involvement of the company in all aspects of program management and decision-making in planning for and implementing the program. The participating company must be an active partner with the participating public employment, training, and educational organizations and institutions.

Also, the company, at a minimum, must provide essential information necessary for the planning and development of the program. This information includes, but may not be limited to, the following: a timetable/schedule of the number and type of positions to be filled; job descriptions or other documents which detail, for each position, the minimum requirements, education and experience employment; a description of job responsibilities; and the knowledge, abilities, and skills necessary to do the job. This information provides

the foundation for all activities related to the development of the program for the company and initiates the process of matching the company's needs with the available resources.

The BSSC, through cooperation and coordination with other state employment and training organizations, has the capability to customize a comprehensive program of employment and training services for a new or expanding industry.

Committee Findings

The Bluegrass State Skills Corporation has four staff members who administer grants for training of workers. In the first four years of its operation, the level of total grants remained stable, at just over $500,000. The grants, which are matched by industry funds, have usually been for amounts less than $10,000, though occasionally large grants are made for one company.

In 1988, the agency received a 1400% increase in its funding level. This was due primarily to designated grants to two companies, and secondarily to a fivefold increase in unspecified grant funds. Unspecified grant funds available in the current biennium are about $2.5 million in Fiscal Year 1989 and $2.9 million in Fiscal Year 1990. In the fiscal year just completed the agency had distributed just over a half a million in worker training grants.

Actual Expenditures

	Grants	Administrative Expenses	Total
FY 1984-85	$ 73,100	$ 80,200	$153,300
FY 1985-86	524,700	178,000	702,700
FY 1986-87	487,700	174,900	662,600
FY 1987-88	519,400	172,600	692,000

Approved Budget

	Grants	Administrative Expenses	Total
FY 1988-89	$10,352,300	$270,800	$10,623,100
Designated			
Ford	$ 6,012,700		
G.E.	$ 1,750,000		
Other	$ 2,589,600		
FY 1989-90	$11,966,500	$276,400	$12,242,900
Designated			
Ford	$ 7,287,300		
G.E.	$ 1,750,000		
Other	$ 2,929,200		

Committee Recommendations

1. Establish a bi-partisan panel appointed by the Governor to recommend nominees for appointed educational governing boards.
2. Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.

CHAPTER VII

APPENDIX

APPENDIX 1

Recommendations

General

1. Amend the Constitution to establish a State Board of Education comprised of seven members representing the Congressional districts, elected in non-partisan elections, and six members appointed by the Governor; require the Board to appoint the Superintendent of Public Instruction.
2. Establish a bi-partisan panel appointed by the Governor to recommend nominees for appointed educational governing boards.

Education and Humanities Cabinet

1. Dissolve the Office of the Secretary and establish different reporting lines for the various agencies within the Cabinet.
2. Consolidate the Oral History Commission, the Kentucky Historical Society, the Department for Libraries and Archives and the Kentucky Heritage Council.
3. Increase KET's independence, particularly in the areas of personnel and purchasing policies, to allow for a high quality of service but with consideration for the need to maintain accountability to the public.
4. Alter the composition of the Commission on the Deaf and Hearing Impaired to allow equal representation of hearing impaired and hearing persons.
5. Increase the level of statewide outreach for blind and hearing impaired persons in Kentucky through more satellite programs.
6. Organize programs for adult basic education into one agency to improve coordination of programs.
7. Provide tax incentives for businesses to establish literacy classes.

Department of Education

1. Eliminate the Division of Surplus Property in the Department of Education.
2. Support legislation to remove the high school athletic appeals process from the State Board of Elementary and Secondary Education if an appeals process is provided in some fashion.
3. Recommend an external study of the Department of Education to determine the appropriate organizational structure and the level of resources required for the Department to meet its mission as established by the General Assembly. Study areas should include, but not be limited to, the following:

a. An analysis of the number of staff and the amount of financial resources needed to be effective.
b. A review of the salary and benefit structure for Department of Education employees to assure that they are comparable to employees with similar training and experience in local school districts and that the structure is equitable for all employees within the Department.
c. Address the concept of a teacher majority standards board as it relates to the increased efficiency within the Division of Teacher Education and Certification and the practice of licensure.
d. Review the need for a unit on elementary education in the Office of Instruction.
e. Review the program approval process for the Colleges of Education to assure that the effort is coordinated between the State Board for Elementary and Secondary Education and the Council on Higher Education.

4. Recommend a computerized communications system designed to provide teachers with instant access to performance and program information, and link the Department of Education and the local districts for the transference of reports.
5. Recommend that the Department of Education be post-audited on personnel and expenditures rather than receiving prior approval from the Department of Finance and Administration and the Department of Personnel for all transactions.
6. Recommend that a statewide job placement service be made available by the Department of Education for instructional and administrative personnel.
7. Recommend that the state's accreditation process and the Southern Association of Colleges and Schools' accreditation process occur at the same time in districts that belong to the Southern Association.
8. Recommend that the General Assembly set standards for schools and implement a stringent monitoring process which will require a level of quality in every individual school that is acceptable by the Southern Association of Colleges and Schools.
9. Expand opportunities for highly qualified individuals to enter teaching as a career.

Post-Secondary Education

Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.

CHAPTER VIII

EXECUTIVE ORDERS ON REORGANIZATION

History

Executive orders originated with the English king and were considered to be inherent or incidental to his position. The authority for a governor to issue executive orders is not inherent in his position. The office of governor, unknown to the common law, was created by state constitutions. The Court of Appeals of Kentucky, in *Royster v. Brock*, 79 SW2d 707 (1935), described the office of governor at page 709:

> The office of the Governor is unknown to the common law. It is the title universally applied to the head of the executive department of a state, but in every instance the office is created by the State Constitution. Section 69 of our Constitution creates the office of Governor and vests in the supreme executive powers of the commonwealth. He has only such powers as the Constitution and Statutes, enacted pursuant thereto, vest in him, and those powers must be exercised in the manner and within the limitation therein prescribed.

The legislatures of the new states were suspicious of the colonial governors who ruled before the American Revolution. These suspicions were expressed in the state constitutions through the limitation of powers of governors.

Authority

The legal status of executive orders is uncertain. "Executive order" is not defined in the Constitution of Kentucky nor the Kentucky Revised Statutes. The authority for their issuance by a Governor nevertheless derives from either the state constitution or the state statutes.

Since the Constitution of Kentucky does not specifically authorize the Governor to issue executive orders, any constitutional basis would have to be implied or incidental to the powers expressly conferred upon the Governor by the Constitution. The Constitution of Kentucky vests in the Governor the supreme executive power. Courts are divided on whether such language is sufficient to authorize issuance of executive orders. Some courts hold that this general grant of executive power is enough to allow the implication that the Governor may do all things necessary to implement powers granted him by the Constitution. Other courts hold that the doctrine of implication does not apply to general grants of power, but only to powers expressly granted.

In addition to powers granted by the state constitution, statutes may provide the basis for executive orders. A statute may provide powers to a Governor which could only be executed through issuance of an executive order. Aside from a general statutory grant

of power, a specific statute may grant the Governor the authority to issue an executive order. The 1960 Kentucky General Assembly enacted KRS 12.025, which allowed for issuance of an executive order to reorganize the executive branch. This statute was repealed in 1982, when KRS 12.028 was enacted.

Statutes on Reorganization of the Executive Branch

The 1936 Kentucky General Assembly enacted legislation allowing the Governor to authorize a statutory department head to reorganize his department. The statute, later codified as KRS 12.030, did not mention executive orders. Since 1936, three other statutes on reorganization have been enacted by the Kentucky General Assembly. Of the four statutes, two have been repealed and two, KRS 12.027 and 12.028, remain in effect.

KRS 12.030 (REPEALED) At the 1936 first extraordinary session the Kentucky General Assembly enacted what was later codified as KRS 12.030. The 1936 statute provided that on the recommendation of the head of a department and concurrence by the Commissioner of Finance, the Governor, in writing, may authorize the head of any statutory department to establish an additional division, or divisions, divide or combine existing divisions, change the name of a division, or divisions, or transfer functions and staff from one division to another within his department. The statute also authorized the Commissioner of Finance, with prior written approval of the Governor, to authorize any department head to "create, combine, or divide subordinate units within a division or institution, or otherwise to alter the internal organization of a division or institution."

The 1962 General Assembly amended KRS 12.030. The legislature deleted the authority in the 1936 Act and replaced it with language authorizing an "Agency Administrator," or a department head if the department is not a part of an agency, to submit a recommendation that the Governor, by executive order, "establish, abolish, or change the name of subordinate units, or transfer functions, staff and funds from one unit to another within the agency or department." The recommendations were sent to the Commissioner of Finance, who forwarded them to the Governor with the Commissioner's comments and recommendations.

KRS 12.030 was repealed in 1974.

KRS 12.027 (IN EFFECT) The 1962 General Assembly enacted KRS 12.027, which required the Governor to clearly designate an executive order relating to reorganization. The Secretary of State was required to keep a separate journal and an index for reorganization executive orders. The 1972 General Assembly deleted the index requirement and required the Secretary to keep a copy of the orders rather than a separate journal. After a technical amendment in 1980, the 1982 legislature inserted the word "temporary" before reorganization, and required the orders to be filed with the Legislative Research Commission and the Secretary of State. In 1984 the legislature extended the authority to effect a temporary reorganization to elected officials in addition to the Governor.

KRS 12.025 (REPEALED) In 1960 the Kentucky General Assembly enacted KRS 12.025, which for the first time referred to "executive order" in a reorganization statute. The statute authorized the Governor to set forth in an executive order changes

that would establish, abolish or alter the organization of any statutory administrative department, or transfer functions, personnel, funds, equipment, facilities and records from one department to another.

The statute was amended in 1962 and 1974. The 1982 General Assembly repealed KRS 12.025, after enacting three amendments to the statute at the 1982 session.

KRS 12.028 (IN EFFECT) When the 1982 General Assembly repealed KRS 12.025, it enacted KRS 12.028 to replace it. The 1982 Act authorized the Governor, between sessions of the legislature, to temporarily effect a change in state government organizational structure, but only if the plan is first approved by the Legislative Research Commission, after review by the appropriate interim joint legislative committee. The authority of the LRC to approve a reorganization was challenged by Governor Brown. In *Legislative Research Commission v. Brown*, 664 SW2d 907 (Ky, 1984), the Supreme Court of Kentucky held that even though the Governor has no inherent power to reorganize and that reorganization is legislative in nature, the Kentucky General Assembly cannot delegate the legislative power to approve a reorganization to the LRC. The 1984 General Assembly then amended KRS 12.028, to delete the requirement that the reorganization must be approved by LRC, and inserted that the plan must be reviewed by the appropriate interim legislative committee. The 1984 legislation also extended to elected state executive officers the authority to propose changes in the structure of the organizational body or administrative body they head. The legislation also required that the subject matter of each executive order relating to reorganization be presented to the General Assembly in a separate bill.

The Kentucky General Assembly's Delegation of Power To the Governor to Reorganize by Executive Order

The General Assembly has long recognized its authority to provide for the administrative organization of the executive branch. As the Court of Appeals of Kentucky stated in *Royster*, the Governor "has only such powers as the Constitution and Statutes, enacted pursuant thereto vest in him . . . " KRS Chapter 12 contains various statutes giving the Governor powers to manage the executive branch of state government. These powers include the appointment of department heads, creation of rules of conduct for departments, resolution of conflicts between departments, establishment of a systematized plan of filing, bookkeeping and accounting for each agency, and the submission of annual reports by heads of departments.

The General Assembly, having determined that organizational structure may need to be changed between legislative sessions, authorized the Governor to make structural changes subject to approval of the General Assembly at its next session. In 1960 the General Assembly specifically authorized the Governor to institute temporary structural changes through the issuance of executive orders. The Supreme Court of Kentucky in *LRC v. Brown* stated at page 930:

> In the 1960 reorganization statute, the General Assembly, by reserving eventual approval of any reorganization to itself, recognized that ultimately reorganization is legislative in nature.

In the same decision the court provided that:

> . . . the Governor . . . cannot transfer the functions of an existing, legislatively-created executive agency or department to another without legislative authority.

The Court cautioned, however, that:

> . . . once the General Assembly has made a determination that the power to reorganize state government in the interim periods between legislative sessions does exist, and determines that that power is in the hands of the Governor, such interim action is purely an executive function.

In Kentucky, the power of the Governor to reorganize the executive branch of state government through the issuance of executive orders is derived from a specific statutory enactment by the General Assembly. The General Assembly has deemed the reorganization by executive order as temporary and requires approval of the plan at the next legislative session.

Administrative Reorganization Orders

Although the General Assembly has delegated power to the governor to issue executive orders on reorganization and established a procedure for their issuance between legislative sessions in KRS 12.027 and 12.028, those statutes are not the only ones that pertain to the reorganization of state agencies. Other statutes exist that state agencies and cabinets have used to reorganize internally. These reorganizations take place outside the procedure established by the legislature for issuance of executive orders on reorganization by the governor.

KRS 12.060(2). This statutory provision permits the head of any department, with the approval of the Secretary of the Finance and Administration Cabinet, to "abolish unnecessary offices." The entire subsection provides that:

> The head of any department, with approval of the secretary of the finance and administration cabinet, may abolish unnecessary offices and positions, transfer officers and employes between positions, and change the duties, titles and compensation of existing offices and positions, subject to any provision of law in relation thereto. (emphasis added)

One documented case involving a purported reorganization of state government outside KRS 12.027 and 12.028 occurred in the Revenue Cabinet. Included with a general reorganization of the cabinet by Governor Wilkinson's Executive Order 89-207 were administrative orders issued by the Cabinet Secretary relating to other substantial organizational changes. The Cabinet cited KRS 12.060 as authority for these changes. The Revenue Cabinet administrative order abolishes and creates divisions, branches, sections and units. These terms, along with the terms "program cabinet", "department" and "office," are all defined in KRS 12.010. Clearly a cabinet secretary is not the head of a department. Even if a department head and the Secretary of the Finance and Administration Cabinet could collaborate on a state government reorganization without approval of the governor in an executive order, the only reorganization involved would be that of an office. It could include nothing more under KRS 12.060.

The authorization in KRS 12.060(2) of a department head to abolish offices and change the duties and titles of offices outside the procedure established in KRS 12.027 and 12.028 is inconsistent with that procedure and creates confusion. KRS 12.060(2) originated as a part of section 3 of Article XXVII of the Governmental Reorganization Act of 1936. Section 3 provided for the transfer of officers and employees from an existing agency to a different agency because of the 1936 reorganization. The last clause of that section became subsection (2) of KRS 12.060. It seems to have been appropriate language as part of legislation creating a major reorganization of state government; it seems inappropriate today in light of KRS 12.027 and 12.028.

Authority of Cabinet Secretaries to Reorganize. Following Governor Ford's reorganization in 1973 and subsequent ratification by the General Assembly in 1974, some cabinets retained language contained in the reorganization executive order in their enabling statutes. Statutes which were enacted and are still in effect are those of the Justice Cabinet (KRS 15A.090), the Transportation Cabinet (KRS 174.035), the Human Resources Cabinet (KRS 194.040), and the Natural Resources and Environmental Protection Cabinet (KRS 224.014). These statutes permit the secretary to establish the internal organization of the cabinets subject to the provisions of KRS Chapter 12. The statutes do not specifically require approval by the governor, the one vested with the supreme executive powers of the Commonwealth, but rather, empower four Cabinet Secretaries to organize the cabinet as they deem necessary. These statutes raise two questions. Why is this authority given to only four Cabinet Secretaries? The other, more important, question is why is this authority in the statutes, when KRS 12.270(1)(b) authorizes a Cabinet Secretary to "recommend to the governor desired reorganization affecting the related cabinet"? (emphasis added) Like the language of KRS 12.060(2), this language may have been appropriate to aid in the reorganization process in 1973, but it seems inappropriate today in light of the procedure established by the legislature in KRS 12.027 and 12.028.

Executive Orders on Reorganization: 1974 to 1988

Table 8.1 shows months during which Executive Orders on Reorganization were issued. This data is broken down into four-month periods for each year from 1974 to 1988.

The four-month period of May through August is highlighted in even-numbered years. That is the period immediately following a regular session of the General Assembly. During that period, more than half of the reorganizations for that year were issued in six of the eight years. Only once during the same period in the odd-numbered years were more than half the executive orders issued.

During the four months after the 1978 Session, 22 of the 28 executive orders on reorganization for the year were issued. During the same period in 1980, 36 orders were issued, with 10 more issued in September.

These executive orders restructured state government for up to twenty months before they had to be introduced at the next legislative session and approved by the General Assembly. Were these structural changes which happened to originate shortly after the legislature adjourned of a minor nature?

During the months of June and July, two to three months after the 1988 General Assembly adjourned, executive orders were issued reorganizing the Department of Education and the Department of Agriculture. The State Board of Agriculture membership was increased from seven to thirteen. The Dog Law Advisory Committee and Egg Marketing Board were abolished.

During the summer of 1986, four divisions were created and two abolished in the Department of Parks. The Tourism Cabinet named two new divisions, abolished one, and renamed another. The Transportation Cabinet created two new divisions. The Public Service Commission reorganized. The Bluegrass State Skills Corporation was transferred from the Department of Education to the Commerce Cabinet. The Cabinet for Human Resources created two divisions, abolished two divisions, renamed two divisions and abolished the Kentucky Health Facilities and Health Services Certificate of Need and Licensing Board, as well as the Certificate of Need Authority.

Following the 1984 Session, the State Treasury created four divisions. The Attorney General created the Criminal Justice Statistical Analysis Center. A Division for Client Assistance was created in the Education and Humanities Cabinet. The Cabinet for Human Resources redesignated the Department of Health Services as the Department for Mental Health and Mental Retardation Services, and created a new Department for Health Services. The Department of State Police renamed three divisions.

Following the 1982 Session the Attorney General created the Division of Special Investigations. The Department for Human Resources became the Cabinet for Human Resources. The Department of Revenue became the Cabinet for Revenue. The Energy and Agriculture Cabinet became the Energy Cabinet. The Department of Agriculture, Kentucky Council on Agriculture and the State Fair Board were transferred to the Commerce Cabinet. The Office of Governmental Services Center was created at Kentucky State University. The Department of Education reorganized the Bureau of Vocational Education, renamed two divisions, and created one division. The Vehicle Enforcement Branch of the State Police was transferred to the Transportation Cabinet. The administration of the motor fuels tax was transferred from the Department of Revenue to the Transportation Cabinet. Transportation was reorganized. The Department of Public Advocacy was placed in the Public Protection and Regulation Cabinet.

TABLE 8.1

EXECUTIVE ORDERS
ON REORGANIZATION

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	1st 4 Mth	2nd 4 Mth	3rd 4 Mth
1974					**4**	**4**	**2**	**2**	1				13	0%	**92%**	8%
1975	1	5	2	1		8	2	5				1	25	36%	60%	4%
1976	2	1		3	**2**	**4**	**12**	**4**		3	2		33	18%	**67%**	15%
1977		1		5	4	1	4	1	4	4	1	7	32	18%	32%	50%
1978			1	2	**3**	**8**	**7**	**4**		2	1		28	11%	**78%**	11%
1979	2	2	1	1	2	1	1		3	6	5	5	29	20%	14%	66%
1980	3	9		2	**4**	**15**	**8**	**9**	10	6	3	2	71	20%	**50%**	30%
1981	13	5	6	3	5	9	6	4	6	2	5	6	70	39%	34%	27%
1982	1	1	1	1	**2**	**3**	**7**	**5**	4	2	3	1	31	13%	**55%**	32%
1983	1	1	3		3	3	1	1			1	13	27	18%	30%	52%
1984						**2**	**8**	**3**	4	3	5	5	30	0%	**43%**	57%
1985	2	1	4	2	3	1		1		5	3	2	24	38%	20%	42%
1986	1			2	**3**	**1**	**6**	**2**	1	2	2		20	15%	**60%**	25%
1987			1	2	1				1	1		2	8	38%	12%	50%
1988	2		1			**4**	**2**	**2**	1		2	4	18	17%	**44%**	39%

Improving the Procedure

Some of the changes in structure which were made by executive orders within a few months of adjournment of a legislative session were significant. The intention of the legislature in delegating its power to reorganize is to improve the efficiency of state government by allowing for temporary changes in structure until the next legislative session. By establishing this procedure the General Assembly has affirmed that reorganization is legislative in nature, while recognizing that the Governor, the supreme executive of the Commonwealth, needs authority to institute changes between Sessions to efficiently manage the executive branch. The legislature can restrict what it has granted, just as it can broaden the authority it has delegated. It seems to be beyond question that the chief executive needs power to alter the organization of the executive branch; the question remains, however, does the record of executive orders on reorganization issued soon after the legislature adjourns indicate a need to impose restrictions on what is essentially a legislative function? Does the current procedure need improvement or is it functioning as the General Assembly intended?

Certainly some of the orders issued after a session can be attributed to the fact that a Governor is newly elected. Confronted with having to prepare a budget in less than two months, he learns about management of state government through the budget process; upon reflection after the pressures of a legislative session, he realizes that structural changes may improve state government. However, that wouldn't necessarily explain executive orders issued after the second regular session of a governor's term.

It is likely that at least some of the changes imposed by executive orders improved the efficiency of state government. But such changes also raise the question of the efficiency of the management of state government when agencies are reorganized within a few months after the Governor's management plan, the Executive Budget, has been adopted. It would seem that it would be best if the changes, which were so important as to be implemented by executive order soon after adjournment, were presented to the General Assembly during a Regular Session so that the Executive Budget might reflect these structural changes.

The General Assembly may want to prohibit the issuance of executive orders on reorganization for a certain period of time after adjournment of a Regular Session. This might encourage administrative agencies to prepare and present their changes in the form of bills at a Regular Session, where they would be subjected to legislative scrutiny, rather than waiting for a prescribed period of time after adjournment.

The General Assembly should require strict adherence to the requirement in KRS 12.028(3)(d) that each executive order on reorganization have attached to it a description of the effects of the reorganization on the budget and personnel of the affected organizational unit or administrative body. Since the Executive Budget is, in effect, the management plan of state government, it is important to know how that plan is affected by organizational changes implemented subsequent to adoption of the plan.

The General Assembly has established a process enabling the governor to change the structure of state government between sessions of the legislature. This process is diminished with the language in KRS 12.060(2), 15A.090, 174.035, 194.040 and 224.014.

It would seem that the system established in KRS 12.027 and 12.028 would be more efficient, and the taxpayers of the Commonwealth more likely to be made aware of structural changes, if all changes in the structure of state government emanated from the governor's office in the form of temporary executive orders authorized by KRS 12.027 and subject to approval at the next legislative session, as provided in KRS 12.028.

Finally, it would seem that notice of organizational changes by executive orders should be given to those persons who work with state agencies. One way of doing that would be to require the publication of executive orders on reorganization in the Administrative Register. Persons who work with state agencies should be alerted to structural changes and those persons would normally subscribe, or have access, to the Administrative Register.

The Commission requested that legislation be drafted incorporating the recommendations in this chapter, for introduction at the 1990 Session of the General Assembly. SB 355 (See Appendix No. 3) was drafted in response to the Commission's directive. The bill passed the House and the Senate, but was vetoed by the Governor.

CHAPTER IX

ORGANIZATION AND MANAGEMENT STRUCTURE FOR KENTUCKY STATE GOVERNMENT

Kentucky's Executive Branch Structure

The executive branch of Kentucky state government is structured on a program cabinet system. There is a Cabinet for General Government, which consists of departments headed by elected officers. There are 13 Program Cabinets, which are each headed by a Secretary appointed by the Governor. The Program Cabinets are listed in KRS 12.250 and the agencies within each cabinet are designated in KRS 12.020. Each Secretary acts as the chairman of the related cabinet, is a member of the Governor's Cabinet, and serves as the Governor's liaison for providing direction and coordination of the various departments, boards and commissions. The General Assembly established the authority, powers and duties of the Secretaries in KRS 12.270.

The Governor's General Cabinet is described in KRS 11.060. It is composed of the heads of the constitutional and statutory administrative departments and Program Cabinet Secretaries. The Governor serves as chairman of the General Cabinet, which is attached to the Office of the Governor and is not a separate department or agency.

The Governor's Executive Cabinet, as provided in KRS 11.065, consists of the Secretaries of the Program Cabinets, the Secretary of the Governor's Executive Cabinet, and the Lieutenant Governor. The Cabinet meets not less than once every two months. It is a part of the Office of the Governor and is not a separate department or agency. The members of the Cabinet are "major assistants to the governor in the administration of the state government and . . . assist the governor in the proper operation of his office and perform such other duties as the governor may require of them."

The Secretary to the Governor's Executive Cabinet is an agency of state government created under KRS 11.040. The Secretary is appointed by the Governor and is "responsible for implementing all policies of the governor, coordinating all activities of the governor's executive cabinet, and advising and consulting with the governor on all policy matters affecting the state."

Five administrative bodies are attached to the Office of the Governor under KRS 12.023. They are: Council on Higher Education, Department of Military Affairs, Department of Local Government, Kentucky Commission on Human Rights, and Kentucky Commission on Women.

Observations and Recommendations

In reviewing the current organization and management system for Kentucky state government, an analysis of the statutory basis for the cabinet and secretary structures was conducted. The cabinet and secretary structures were first developed by Governor Ford in a major reorganization of state government in 1973. The evaluation and refinement

of this system of government through the four succeeding governors has resulted in a patchwork of laws, and has expanded the original eight program cabinets to the present complement of twelve. The Energy Cabinet, the thirteenth Cabinet listed in the statutes, was reorganized and abolished by Governor Wilkinson on April 25, 1989. (The Workforce Development Cabinet was created in 1990, subsequent to the Commission's final meeting.) In order to provide statutory continuity for state government organization and management structures, the following observations and recommendations are submitted for consideration.

The general organizational structure of state government is set forth in KRS Chapter 12. KRS 12.020 identifies three major operational categories and lists the administrative bodies within those categories. The three categories are (1) the cabinet for general government, which includes departments headed by elected officers; (2) program cabinets headed by appointed officers; and (3) other departments headed by appointed officers. In addition to the general provisions relating to program cabinets and cabinet secretaries in KRS Chapter 12, there are a wide range of statutory provisions concerning these areas in the specific KRS chapter dealing with the cabinet. There is no language or format consistent with KRS Chapter 12 or between various chapters. A summary of these statutes is listed below. The actual statutes are included as Appendix A to this chapter.

Program Cabinet	Cabinet Established	Secretary Appointed	Duties of Secretary
Justice	15A.010	15A.010	15A.010
Education & Humanities	None	None	None
Natural Resources	224.011	224.011	None
Transportation	174.010	174.010	None
Economic Development	None	None	None
Public Protection & Regulation	None	None	None
Human Resources	194.010	194.020	194.020 & .025
Finance & Administration	42.011	42.011	42.012
Energy	152A.011	152A.011	None
Corrections	None	None	196.035
Tourism	148.522	148.522	None
Revenue	None	None	131.020
Labor	336.015	336.015	336.015

Accordingly, it is recommended that enabling legislation for program cabinet and cabinet secretaries be consolidated and placed exclusively in KRS Chapter 12. This would require that establishment language for program cabinets and cabinet secretaries in other chapters of the KRS be selectively repealed and reenacted as amendments to KRS 12.255 and 12.270, as expanded duties. In KRS 12.255, the language "and bonded as required by KRS 62.160" could be added after "related cabinet" and before the period. In KRS 12.270, a new subsection (4) could be created to read "Each secretary shall have exclusive

control and direction over the administration of the cabinet as required by law." See Appendix B to this chapter.

KRS 62.160 should also be updated. The list is incomplete and the bond amounts in many cases are inadequate.

At the organizational structure level below the program cabinet, there appears to be comprehensive legislation sufficiently setting forth the authority, powers and duties of the heads of departments and administrative bodies.

One final observation concerns one of the Program Cabinets. The Public Protection and Regulation Cabinet is the only separate program cabinet covered in KRS Chapter 12. The Cabinet includes fourteen independent departments and administrative bodies. KRS 12.260 identifies two internal programs in the office of the secretary, deputy secretary and ombudsman. The ombudsman position is unique to the cabinet and was heralded as one of the key reasons for the creation of the secretary's office. However, in spite of this statutory obligation, the cabinet has abandoned operation of the ombudsman function. This function should be reactivated or abolished.

The recommendations of this chapter were incorporated in SB 363, which can be found in Appendix 3 to this report. SB 363 was introduced at the 1990 Session of the General Assembly, passed the Senate, but failed to be reported by a House committee.

CHAPTER IX

APPENDICES

15A.010. Justice cabinet established — Secretary. — There is hereby established a department of state government to be known as the justice cabinet (hereinafter referred to in this chapter as the "cabinet"). The cabinet shall be headed by a secretary of justice (hereinafter referred to in this chapter as the "secretary") who shall have exclusive control and direction over the affairs of the cabinet. The secretary shall be appointed by the governor and shall be bonded as required by KRS 62.160 in the minimum amount of fifty thousand dollars ($50,000). (Enact. Acts 1974, ch. 74, Art. V, § 1.)

42.011. Finance and administration cabinet created — Office of secretary. — There is established a cabinet of state government to be known as the finance and administration cabinet (hereinafter referred to in KRS chapter 42 as the "cabinet". The cabinet shall be headed by the secretary of the finance and administration cabinet (hereinafter referred to in KRS chapter 42 as the "secretary"), which office is hereby created. The Secretary shall be appointed by the governor. The secretary shall be bonded as required by KRS 62.160 in the minimum amount of one hundred thousand dollars ($100,000). (Enact. Acts 1974, ch. 74, Art. II, § 1; 1978, ch. 155, § 41, effective June 17, 1978; 1980, ch. 295, § 12, effective July 15, 1980; 1982, ch. 393, § 14, effective July 15, 1982.)

42.012. Secretary, chief financial officer — Responsible to governor. — The secretary shall be the chief financial officer of the state and the adviser of the governor and the general assembly in financial matters, and shall at all times protect the financial interests of the state. He shall be responsible to the governor for the administration of the cabinet. (Enact. Acts 1974, ch. 74, Art. II, § 2; 1978, ch. 155, § 42, effective June 17, 1978; 1982, ch. 393, § 15, effective July 15, 1982.)

131.020. Major organizational units of the Revenue Cabinet. — (1) The Revenue Cabinet shall be headed by the secretary of revenue, who shall be the executive officer and shall have sole charge of the administration of the cabinet, and shall perform all functions of the cabinet.

(2) The Revenue Cabinet shall be organized into the following functional units:

(a) Office of the Secretary. The Office of the Secretary shall include such principal assistants and personnel appointed by the secretary pursuant to KRS Chapter 12 as are necessary to enable the secretary to perform functions of his office;

(b) Department of Property Taxation. The Department of Property Taxation shall be headed by a commissioner. The functions and duties of the department shall include mapping, providing assistance to property valuation administrators, supervising the property valuation process throughout the Commonwealth, valuating the property of public service companies, and administering intangible taxes;

(c) Department of Tax Compliance. The Department of Tax Compliance shall be headed by a commissioner. The functions and duties of the department shall include recordkeeping, providing data services, conducting audits, providing liaison with federal and state agencies, rendering taxpayer assistance, collecting delinquent taxes, and providing word processing services;

(d) Department of Administrative Services. The Department of Administrative Services shall be headed by a commissioner. The functions and duties of the department shall include reviewing audits, conducting conferences, issuing final rulings, administering taxpayer protests, establishing Revenue Cabinet tax policies, representing the Revenue Cabinet in legal

and administrative actions, providing management analysis, preparing publications, and providing personnel and fiscal services.

(3) The Revenue Cabinet shall be organized for administrative convenience into divisions in accordance with KRS Chapter 12.

(4) The Revenue Cabinet shall fully cooperate with and make information on tax receipts available to the Finance and Administration Cabinet's Office of Financial Management and Economic Analysis as necessary for the office to perform its duties. (4618-92, 4618-93: amend. Acts 1960, ch. 186, Art. I, § 29; 1984, ch. 404, § 10, effective July 13, 1984; 1988, ch. 273, § 8, effective July 15, 1988; 1990, ch. 316, § 1, effective July 13, 1990; 1990, ch. 321, § 8, effective July 13, 1990.)

148.522. Organization of tourism cabinet. — (1) There is hereby created an agency of state government to be known as the tourism cabinet. The cabinet shall be headed by a secretary who shall be appointed by the governor pursuant to the provisions of KRS 12.040. The secretary shall appoint such principal assistants and personnel pursuant to the provisions of KRS Chapters 12 and 18A as are necessary to enable him to perform the functions of his office.

(2) The cabinet shall consist of the office of the secretary, the office of general counsel, the office of administrative services, the department of travel development, the department of parks, and such other divisions and sections as are from time to time deemed necessary for the proper and efficient operation of the cabinet.

(3) The office of general counsel shall be headed by a general counsel appointed by the secretary pursuant to KRS 12.210, shall provide legal services for the cabinet and shall be directly responsible to the secretary.

(4) The department of travel development shall be headed by a commissioner appointed by the governor pursuant to the provisions of KRS 12.040. The commissioner shall have the authority and responsibility for the promotion, development, and support services for the tourism industry within the Commonwealth.

(5) The divisions of tourism services and marketing and advertising services are created within the department of travel development. Each division shall be headed by a division director who shall be appointed by the commissioner of the department pursuant to the provisions of KRS 12.050. The division of tourism services shall operate the highway welcome centers, conduct a hospitality education program for the tourism industry, coordinate the provision of mail and telephone information services to visitors, and generate sales revenue to the tourism industry of the Commonwealth through participation in trade shows and markets. The division of marketing and advertising services shall be responsible for state tourism advertising, the state matching fund tourism advertising program, the development and maintenance of a marketing and research data base on tourism, market survey programs and special studies related to the tourism industry. (Enact. Acts 1984, ch. 404, § 11, effective July 13, 1984.)

152A.011. Energy cabinet — Secretary. — (1) There is hereby established a cabinet of state government to be known as the energy cabinet (hereinafter referred to in this chapter as the "cabinet"). The cabinet shall be headed by a secretary of the energy cabinet (hereinafter referred to in this chapter as the "secretary"). The secretary shall be appointed by and directly responsible to the governor in accordance with KRS 12.040. The secretary shall be bonded as provided in KRS 62.160 in the minimum amount of one hundred thousand dollars ($100,000).

(2) The deputy secretary shall be appointed by and directly responsible to the secretary in accordance with KRS 12.050. The deputy secretary shall assume all responsibility and authority vested in the secretary upon the absence of the secretary. The deputy secretary will have specific responsibility for intergovernmental, institutional, and industrial liaison and other such responsibilities as are assigned by the secretary.

(3) All functions, powers and duties now vested in the department of energy and the Kentucky center for energy research are hereby transferred and vested in the cabinet. With the transfer of all functions, powers, and duties the following organizational units are hereby transferred to the energy cabinet:

(a) Department of energy as created by this chapter to energy cabinet;

(b) Kentucky center for energy research as created by this chapter to energy cabinet. (Enact. Acts 1978, ch. 186, § 1, effective March 29, 1978; 1984, ch. 404, § 14, effective July 13, 1984.)

174.010. Transportation cabinet established — Secretary. — There is established a department of state government to be known as the transportation cabinet (hereinafter referred to in this chapter as the "cabinet"). There shall be at the head of the cabinet a secretary of transportation (hereinafter referred to in this chapter as the "secretary") which office is hereby created. The secretary shall be appointed by the governor and shall be bonded as required by KRS 62.160 in the minimum amount of fifty thousand dollars ($50,000). (Enact. Acts 1974, ch. 74, Art. IV, § 1.)

194.010. Cabinet for human resources. — The cabinet for human resources (hereinafter referred to in this chapter as the "cabinet") is hereby created as a new department of state government. The cabinet shall be the primary state agency responsible for the development and operation of human services, health, income supplement, manpower training, employment and unemployment programs, facilities, and other related services, including all such federal programs in which the state elects to participate. The cabinet shall promote, supervise, and regulate local, public, and private programs, services, and facilities, which protect, develop and maintain the health, welfare, personal dignity, integrity, and sufficiency of the individual citizens of the Commonwealth. (Enact. Acts 1974, ch. 74, Art. VI, § 1.)

194.020. Secretary as chief officer. — The head of the cabinet for human resources shall be the secretary for human resources (hereinafter referred to in this chapter as the "secretary") which office is hereby created. The secretary shall be the chief executive and administrative officer of the cabinet. The secretary shall be appointed by the governor and shall be bonded as required by KRS 62.160 in the minimum amount of twenty thousand dollars ($20,000). (Enact. Acts 1974, ch. 74, Art. VI, § 2.)

194.025. Power and authority of secretary. — (1) The secretary and his designated representatives in the discharge of the duties of the secretary for human resources may administer oaths and affirmations, take depositions, certify official acts, and issue subpoenas to compel the attendance of witnesses and production of books, papers, correspondence, memoranda and other records considered necessary and relevant as evidence at hearings held in connection with the administration of the cabinet.

(2) The secretary may delegate any duties of his office to employes of the cabinet as he deems necessary and appropriate, unless otherwise prohibited by statutes.

(3) The secretary may enter into such contracts and agreements with individuals, colleges, universities, associations, corporations, municipalities, and other units of government as may be deemed necessary and advisable to carry out the general intent and purposes of the cabinet. (Enact. Acts 1974, ch. 74, Art. VI, § 30.)

196.035. Powers and duties of secretary. — The secretary shall, except as otherwise provided in KRS 439.250 to 439.560, have the power and authority to adopt, amend or rescind such rules and regulations as he deems necessary or suitable for the proper administration of the functions of the cabinet or any division therein, including qualification for the receipt of federal funds and for cooperation with other state and federal agencies. The secretary is authorized, subject to the provisions of KRS Chapters 12, 42 and 45, to appoint, fix the compensation and prescribe the duties and powers of such officers and employes as may be necessary in the performance of his duties. The secretary may delegate to any such person appointed such power and authority as he deems reasonable and proper for the effective administration of the cabinet. (Enact. Acts 1956, ch. 157, § 8; 1974, ch. 74, Art. V, § 24(14); 1982, ch. 344, § 3, effective July 15, 1982.)

224.011. Natural resources and environmental protection cabinet — Secretary. — There is hereby established a department of state government to be known as the natural resources and environmental protection cabinet (hereinafter referred to in this chapter as the "cabinet"). The cabinet shall be headed by a secretary for natural resources and environmental protection (hereinafter referred to in this chapter as the "secretary") which office is hereby created as a successor office to the commissioner of natural resources. The secretary shall be appointed by the governor and shall be bonded as provided in KRS 62.160 in the minimum amount of ten thousand dollars ($10,000). (Enact. Acts 1974, ch. 74, Art. III, § 1.)

336.015. Labor cabinet established — Organization and personnel — Responsibility of secretary. — (1) There is hereby created a cabinet of state government to be named the labor cabinet. The cabinet shall be headed by a secretary who shall be appointed by the governor pursuant to KRS 12.040. The secretary shall have the duties, responsibilities, power and authority relating to labor, wages and hours, occupational safety and health of employees, child labor, apprenticeship, and all other matters except workers' compensation heretofore under the jurisdiction of the secretary and labor cabinet.

(2) The labor cabinet shall consist of the offices of the secretary, general counsel, administrative services and labor-management relations, and the departments of workplace standards and of workers' claims. The commissioner of the department of workplace standards within the labor cabinet shall be under the direction and control of the secretary of the labor cabinet.

(3) The secretary may appoint such personnel, including an ombudsman, as are necessary to perform the duties of the cabinet provided, however, the secretary of labor may not appoint personnel necessary to perform the functions of the department of workers' claims. (Enact. Acts 1984, ch. 414, § 3, effective July 13, 1984; 1987 (Ex. Sess.), ch. 1, § 1, effective January 4, 1988.)

Appendix B

KRS 12.255 is amended to read as follows:

There is hereby established the office of secretary for each of the program cabinets listed in KRS 12.250. Each of these program cabinets shall be headed by a secretary appointed by the governor, [and] each secretary shall be chairman of the related cabinet, and each secretary shall be bonded as required by KRS 62.160.

KRS 12.270 is amended to read as follows:

(1) The secretary of each cabinet shall:

(a) Be a member of the governor's cabinet and shall serve as the governor's liaison in carrying out the responsibilities and for overall direction and coordination of the departments, boards and commissions included in the related cabinet;

(b) Recommend to the governor desired reorganization affecting the related cabinet;

(c) Advise the governor on executive actions, legislative matters and other steps that may be desirable for better program service;

(d) Evaluate and pass upon all budget requests originated by the departments, boards and commissions within such related cabinet;

(e) Advise the governor on the appointment of commissioners and heads of units included in the related cabinet, except for those whose election or section is otherwise provided for by law.

(2) Each secretary is authorized to accept and expend funds from any source, whether pubic or private, in support of the duties and responsibilities of the related cabinet.

(3) Each secretary shall have any and all necessary power and authority, subject to appropriate provisions of the statutes, to create such positions and to employ the necessary personnel in such positions to enable the secretary to perform the functions of his office.

(4) Each secretary shall have exclusive control and direction over the administration of the cabinet as required by law.

CHAPTER X

SPACE NEEDS OF STATE GOVERNMENT IN FRANKFORT/FRANKLIN COUNTY, KENTUCKY

In 1986, the General Assembly enacted Senate Concurrent Resolution 30, directing the Capital Construction and Equipment Purchase Oversight Committee to conduct a study of the space needs in the executive, judicial and legislative branches of state government in Frankfort/Franklin County, Kentucky. The Committee completed its study and issued its report, Research Report No. 227, in October, 1987.

The need for the study was based upon the facts that the last space study for the state was conducted in 1977, some state agencies occupy space in several office buildings, and the state was leasing in excess of 600,000 square feet of office-related space in Frankfort. The purpose of the study was to determine the current space needs of state agencies and to project space needs for 1991. The study determined that the state was utilizing 4,373,767 square feet of space on June 30, 1987, of which 3,396,590 square feet was owned and 977,177 square feet was being leased. The report estimated that an additional 960,806 square feet of space would be needed by 1991. If state-owned buildings are not acquired or constructed by 1991 and space need projections are accurate, the state could double its leased space in Frankfort over this four-year period. Considering the fact that the state was spending approximately $4,500,000 annually for rent for these facilities in 1987, with periodic rent increases and state-financed improvements/renovations to make some property suitable for use, this cost could increase significantly by 1991. This figure does not include any leases negotiated since July 1, 1987.

Kentucky has apparently elected to meet this growing need for office space in Frankfort by leasing from the private sector as an alternative to construction. The only major construction projects authorized and completed since reorganization in 1973 are the Human Resources Building (1977; 450,000 square feet; 1900 employees) and the Library and Archives Building (1981; 140,000 square feet; 148 employees). These two projects were preceded by the Capital Plaza Tower in 1970. A centralized state laboratory facility was authorized by the 1988 General Assembly. Frankfort has been selected as the site for construction of the laboratory.

The report found that the consensus of studies conducted by other states is that space to be occupied long-term (five years or more) should be owned, not leased. Whether the owned space should be constructed by the state, purchased, or lease-purchased will vary with the area and economic conditions. At the time of the report, Kentucky had 46 leases over five years old. Four buildings had been leased by the state for more than 14 years. The total rental payments on the four buildings had exceeded the approximate appraised value of the buildings.

The following agencies were found to have leased space in excess of five years:

Agency	Leases in Excess of 5 Years
Attorney General	Two
Auditor	One leased building that has been occupied by a state agency off and on for more than 20 years.
Council on Higher Education	One (11)
Department of Agriculture	Four (14, 13, 11, 6)
Department of Education	Three (12, 7, 6)
Finance and Administration Cabinet	Two (15, 8)
Labor Cabinet	Two (13, 8)
Dept. for Environmental Protection	Three (8, 6, 6)
Dept. for Natural Resources	Three (13, 12, 5)
Ky. Nature Preserves Commission	One (14)
Board of Claims/Crime Victims Compensation Board	One (11)
Dept. of Alcoholic Beverage Control	One (14)
Dept. of Financial Institutions	One (12)
Dept. of Housing, Buildings and Construction	One (10)
Public Service Commission	One (9)
Revenue Cabinet	Three (15, 6, 5)

The report also reveals that a number of state agencies occupy space at various locations in Frankfort. For example, the Attorney General occupies space at five buildings, the Revenue Cabinet at seven, the Department of Agriculture at five. The physical separation of units of an agency within Frankfort raises the question whether an agency's efficiency and production would improve if all divisions were housed under one roof. Would taxpayers be better served? Does the separation of staff decrease accountability? There should be a policy and a plan to consolidate staff in the fewest number of structures, whenever Cabinet Secretaries or department heads have determined consolidation would improve efficiency and effectiveness of the agency and better serve the taxpayers of the Commonwealth.

Research Report No. 227 is comprehensive and contains approximately 220 pages. Included in the report are the Committee's Findings and Recommendations, detailed supporting narrative, and miscellaneous charts and tables. Selected portions of the report are attached for information as a modified executive summary. The full report is recommended for review.

Of the eleven Findings and Recommendations, only one, number 11—construction of a central laboratory complex—has been acted upon. The 1990 General Assembly may wish to develop a plan which addresses the other ten issues. Of particular benefit to state government on a long-term basis would be a capital construction program for space

expansion, funded by revenue bonds financed by lease/rental costs now being paid to the private sector. Based upon projections contained in the report, the cost of construction, offset by rental payments, would finance a new building in 15 years. If such a program had been developed and properly implemented over the past 15 years, state-owned facilities would have increased significantly, would be more functional than leased space currently in use, and would provide better centralized management over programs administered by state agencies.

CHAPTER X

APPENDIX

Findings and Recommendations

1. Total Leased Space

Findings: As of June 30, 1987, in Franklin County the state leases over one million square feet of space for various uses, at a total annual cost of $4,500,000. Many of the leased structures were not built for the purpose for which they are being used, but nothing else is available. There is no long-term planning for state government space requirements in Franklin County.

Recommendation: The Kentucky General Assembly should enact legislation which requires each branch of government to develop, maintain and implement a long-range (five year) Capital Improvements Program, which shall include: any major non-recurring expenditures or any expenditures for physical facilities for the use of state government, such as the costs of acquisition of land; and/or, the construction of buildings or other structures, including additions or major alterations and fixed equipment.

Each branch of government should include the following distinct steps in developing its Capital Improvement Program:

a. An inventory of potential projects, including cost estimates and an initial evaluation of their relative priority.

b. An analysis of the project requests, involving discussion with the agency.

c. Investigation of the financing capabilities and sources, and the relation of these to other project categories.

d. A schedule for project execution in a long-range program list, which considers project relationships to each other and to financial requirements.

e. Subsequent arranging of the projects in order of priority.

f. A Capital Improvements budget request, including a prioritized long-range program list, to be submitted to the LRC in accordance with

KRS 48.050; the branch Capital Improvements budget recommendations shall be submitted in accordance with KRS 48.110.

Each branch of government should update its capital improvements program biannually and report any program revisions, including new leases and lease renewals, to the Capital Construction and Equipment Purchase Oversight Committee on a quarterly basis.

2. Space Utilization

Findings: There is no centralized comprehensive inventory of the uses of state-owned or leased space, nor does a formal policy exist which stipulates a minimum or maximum allowable square footage per person in office or other spaces owned or leased.

Recommendation: The Kentucky General Assembly should enact legislation requiring each branch of government to develop and maintain a standardized inventory of the specific uses of state-owned and leased property. This type of information would permit a quick analysis of how efficiently property is being utilized.

3. New Leases

Findings: Expansion of an agency's work force frequently means further physical fragmentation of an agency's functions. Even though physical fragmentation does not lend itself to prudent management practices or accessibility, it is unavoidable when no other space is available.

Recommendation: The Kentucky General Assembly should direct the Department of Facilities Management, in cooperation with the judicial and legislative branches, to establish minimum and maximum square footage per person standards for office space occupancy. Each branch of government should be required to coordinate its new leases with the Department of Facilities Management for the purpose of promoting prudent management practices, thus minimizing further physical fragmentation of an agency's functions.

4. Lease vs. Own

Findings: The inventory of state-owned facilities has not kept pace with the growth of state government.

Recommendation: The Kentucky General Assembly should establish a Capital Improvement and Replacement Fund to provide for the amortization of building and renovation costs. Funding will be generated by assessing a standard square foot rate of all agencies occupying state-owned or leased space.

5. Space Allocation

Findings: Frequently allocation of space is made in leased and state-owned property without thorough consideration of current agency needs and priorities.

Recommendation: The Kentucky General Assembly should enact legislation requiring agencies to coordinate space requests for the purpose of eliminating duplication and utilizing space the Commonwealth already owns.

6. Self-Perpetuating Leases

Findings: Frequently an agency must remodel a leased structure to accommodate its needs. Following extensive and expensive alterations, an agency cannot afford to move to more suitable space if it should become available.

Recommendation: The Kentucky General Assembly should enact legislation to require all future new and renewed leases to contain a lease-purchase option with a predetermined price.

7. Leasing

Findings: No branch of government has a policy for the conversion of a lease to a lease with an option to purchase, an outright purchase or a built-to-suit lease. All other states surveyed indicate that ownership of office space offers long-term economic advantages not realized by our present policy.

Recommendation: Statutes should be amended to establish more flexible leasing policies, with specific emphasis on built-to-suit leases, leases with an option to purchase, and the purchase of leased property.

8. Storage Facilities - Records

Findings: The Department of Libraries and Archives is charged by statute to execute a retention and disposal schedule for all state records. Many agencies have leased facilities to store public records because the Department of Libraries and Archives' storage space is filled.

Recommendation: The 1988 Kentucky General Assembly should authorize the construction of a central storage facility to be operated by the Department of Libraries and Archives.

9. Storage Facilities - Supplies

Findings: The Commonwealth currently uses 628,000 square feet of owned and leased space for the storage of supplies. The projected need for supply storage in 1991 totals 695,000 square feet. A survey of existing storage facilities revealed that most agencies are maintaining separate storage facilities. Many contain duplications of central stores items, many are underutilized, and some are totally inadequate.

Recommendation: The Kentucky General Assembly should authorize the construction of a central supply warehouse facility.

10. Office Facility

Findings: The Commonwealth presently leases in excess of one million square feet of space in Franklin County. Projections for additional office space alone exceed 580,000 square feet by 1991. The state's construction of new office facilities has not kept pace with state government growth. The private sector is not providing suitable space to accommodate the growth. The evidence is stronger than ever that changes in planning procedures for future growth must be made.

Recommendation: The 1988 Kentucky General Assembly should authorize the immediate development of plans for new office facilities.

11. Laboratory Facilities

Findings: Several state laboratories located in leased and owned property are inadequate and obsolete. All agencies with laboratories agreed that several labs could be housed in one complex, thus providing economy through the elimination of duplication, shared security, and other shared benefits, such as adequate public access.

Recommendation: The 1988 Kentucky General Assembly should authorize the construction of a central laboratory complex.

TABLE 1

Space Currently Occupied by State Government and Agencies' Projected Needs for 1991

Space Utilization	Current Space in Square Feet Owned	Leased	Total	Agencies' 1991 Proj.
Office Space	1,276,346	384,820	1,661,166	2,093,597
Conference Rooms	81,774	31,774	113,548	134,697
Storage Supplies	454,278	173,877	628,155	695,921
Storage Files	65,223	58,098	123,321	158,391
Maintenance Shop	302,352	27,420	329,772	368,559
Printing Area	27,650	32,097	59,747	63,998
Mail Room	18,157	6,134	24,291	26,797
Computer Room	44,003	12,064	56,067	67,460
Laboratories	52,536	14,959	67,495	129,251
Mechanical Area	147,366	2,155	149,521	149,554
Cafeteria	36,421	0	36,421	37,553
Libraries	102,605	23,248	125,853	160,122
Auditorium	26,266	0	26,266	36,931
Commercial	31,151	25,357	56,508	58,431
Miscellaneous	25,983	369	26,352	93,572
Dormitories	45,186	0	45,186	46,971
SUBTOTAL (sq. ft.)	**2,737,297**	**792,372**	**3,529,669**	**4,321,805**
Unproductive Space	659,293	112,940	772,233	940,903
GRAND TOTAL (sq. ft.)	**3,396,590**	**905,312 ***	**4,301,902**	**5,262,708**

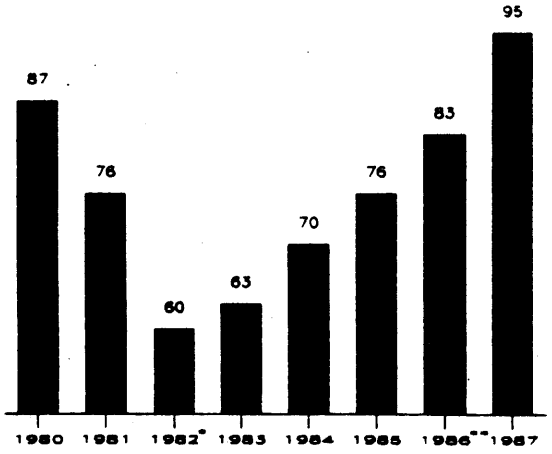
* Since these figures were tabulated in January, 1987, additional leases have been entered into, totalling 71,865 square feet. Including this additional space, the Commonwealth currently leases 977,177 square feet of space, with the new grand total of current space being 4,373,767 square feet.

NOTE: Table does not include Capital Plaza Authority, Kentucky State University, the Governor's Mansion, or the Lieutenant Governor's Mansion.

FIGURE B

KENTUCKY STATE GOVT
Leased Buildings in Franklin County: FY 1980-87

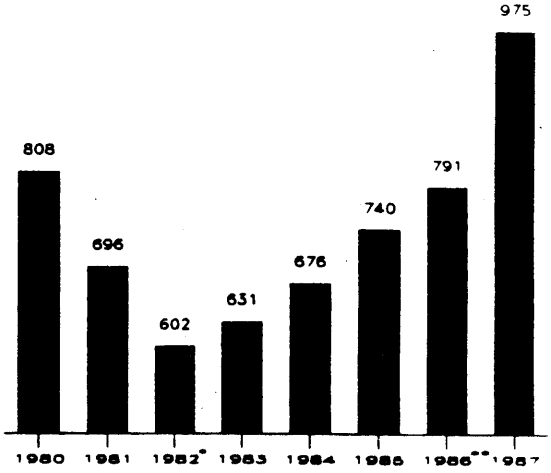
Number of Leases



* Dept for Libraries Bldg Opened (4 leases voided)

**Demolition of State Office Bldg Annex

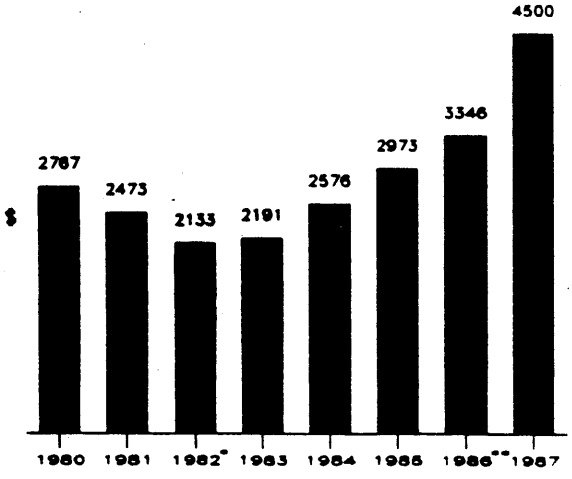
Thousands (000) of Square Feet Leased



* Dept for Libraries Bldg opened (4 leases voided)

**Demolition of State Office Bldg Annex

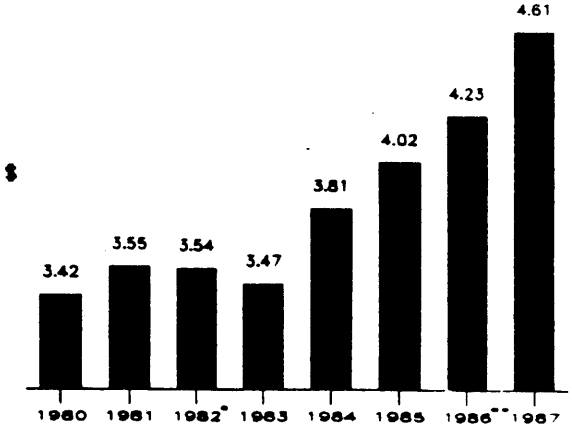
Annual Rent in Thousands (000) of Dollars



* Dept for Libraries Bldg Opened (4 Leases voided)

**Demolition of State Office Bldg Annex

Average Cost Per Square Foot



* Dept for Libraries Bldg Opened (4 leases voided)

**Demolition of State Office Bldg Annex

Source: Cabinet for Finance & Administration

Records Storage

The Department of Libraries and Archives is charged by law to execute a retention and disposal schedule for all state records. The Department has filled its existing space, including 18,000 square feet in leased space. State agencies are therefore leasing separate space or using office space to store records that should otherwise be maintained by the Department of Libraries and Archives.

The Department of Libraries and Archives and the Kentucky Historical Society together are requesting an additional 40,000 square feet in book and record storage space. The other agencies are requesting an additional 86,000 square feet of file or supply storage.

It would appear that this request by the agencies for a total of an additional 126,000 square feet of storage space would warrant the state's consideration of building a centralized storage facility.

If such a storage facility were to be located on currently owned state property in the proximity of the Libraries and Archives Building, it would be central to all points of Franklin County, would allow easy public and government agency access via the new East-West Connector, and would allow for constant supervision by the Archives staff. Cost could therefore be minimized.

Supply Storage

Centralizing Supply Storage

Presently the state owns 454,278 square feet and leases 173,877 square feet of space classified as supply storage. Agencies have projected a need for an additional 67,766 square feet for supply storage by 1991.

Many agencies' supply storage needs change frequently and, as a result, they tend to acquire more space than is actually necessary for their efficient operation. This results in many instances of under-utilization of available space. Once an agency occupies a leased or owned storage facility, it appears to retain control over the facility even though the facility may become no longer functional. This phenomenon is perpetuated by the fact that so little space, whether state-owned or leased, is available.

The staff's inspection of these existing storage spaces revealed that individual cabinets and agencies are retaining separate storage facilities. In several cases the agencies are actually using only ten to twenty percent of the useable storage space in a facility; whereas other agencies are crowded into substandard storage facilities, or are using valuable office space for storage.

A few agencies share warehouse space by installing movable partitions, thus accommodating the need for more or less storage space for each agency. Several leased warehouses, however, were found to be not secure and leaks prevented total use of the structures.

Construction of a new warehouse facility would provide many cost-effective advantages over the present system. Sharing maintenance and security costs, and coordinating fluctuating space demands by the elimination of unused leased space, would allow a new facility to be cost-effective.

Duplication of Office Supply Storage (Central Stores)

Many of the larger agencies and cabinets have duplicated the process of ordering and storing office supplies, a function which is assigned (by KRS 42.023 and 45.301) to Central Stores in the Finance and Administration Cabinet for all state agencies. The position of the Cabinet for Human Resources, the Department of State Police, the Department of Parks, and the Transportation Cabinet is that they can order these materials as economically as can the Finance Cabinet through Central Stores. These agencies also state that they need to maintain separate supply stockpiles to service their staff and users quickly and efficiently.

The Cabinet for Human Resources and the Department of Parks are leasing their supply storage facilities.

Specific Agencies with Special Needs

The following is a discussion of several agencies with unique space problems. See Schedule A in Chapter IV for additional information.

1. The Cabinet for Human Resources needs to lease 90,000 square feet of office space for temporary use while asbestos is being removed from the Health Services Building. This space is not presently available.

2. The Attorney General's Office has requested a 120% increase in its space for 1991. This would alleviate present overcrowding and provide additional space for anticipated new programs. The agency has occupied two leased facilities containing a total of over 28,000 square feet for more than ten years.

3. The Department of Agriculture, in addition to space in the Capital Plaza Tower, has leased four buildings for over five years in various locations. The agency could utilize a central laboratory facility.

4. The Department of the Arts occupies the Berry Hill Mansion, which is overcrowded and needs substantial fire safety repairs.

5. The Commerce Cabinet has indicated it will need an additional 6,200 square feet of space by 1991.

6. The Department of Libraries and Archives is out of space for records storage. The timely construction of a warehouse facility would prevent state agencies from utilizing expensive office space for storage.

7. The Department of Education has five leases, three of which are over five years old. The agency has projected a need for an additional 54,000 square feet of space by 1991.

8. The Kentucky Historical Society presently leases office and storage space which is substandard. The agency has projected a need for an additional 36,500 square feet by 1991, which does not include replacing the substandard space currently leased.

9. The Kentucky Higher Education Assistance Authority has projected that it will need an additional 27,868 square feet by 1991. The agency attributes its accelerated growth to additional student financial aid programs and growth in student loan collections. The agency is housed entirely in leased space at $6.95 per square foot.

10. The Finance and Administration Cabinet has two leases over five years old. One lease, for 54,500 square feet, is eight years old; the other, for 1,835 square feet, is fifteen years old.

11. The Labor Cabinet is housed in two leased structures. One lease, for 59,343 square feet, is thirteen years old, and another, for 4,380 square feet of storage space, is eight years old.

12. The Department for Environmental Protection is housed in six leased buildings in six different locations.

13. The Department for Natural Resources is housed in six buildings, five of which are leased. Three of these leased facilities are subject to flooding.

14. The Kentucky Nature Preserves Commission has leased its only building for fourteen years.

15. The Alcoholic Beverage Control Board has leased its only building for fourteen years.

16. The Department of Housing, Buildings and Construction has leased its central office for fourteen years.

17. The Department of Insurance has leased one office building, which houses the entire department, for three years.

18. The Public Service Commission has been housed in a built-to-suit leased structure for nine years. The $6.50 per square foot rental rate is higher than the average for comparable space.

19. The Revenue Cabinet is scattered all over Frankfort in two state-owned and five leased buildings. Since this agency has constant contact with the general public, it should be centralized in an easily accessible location. In addition to public convenience, a central location would promote efficient administration and employee communication.

TABLE 3

Long-Term Leases

Agency and Building	No. of Years Leased	Sq. Ft. Leased	Total Rent Paid [1]	Total Sq. Ft. Cost [2]	Present Rent Per Sq. Ft.	Present Annual Rent Cost
Libraries & Archives Storage space 851 East Main	15	18,000	$ 442,500	$25.00	$ 2.25	$ 40,500
Public Protection Cabinet Office space U.S. 127 South Bldg.	16	59,343 [3]	$4,262,028	$72.00	$ 5.35	$317,485
Revenue Cabinet Storage space Ft. Boone Plaza	15	20,000	$ 656,062	$33.00	$ 3.50	$ 70,000
Alcoholic Beverage Control Office space 1231 Walnut St.	14	5,216	$ 377,728	$72.00	$ 6.50	$ 33,904
Ky. Nature Preserve Commission Office space 407 Broadway	14	5,909	$ 152,482	$26.00	$ 2.80	$ 16,545
Dept. of Agriculture Lab & storage space 613 Teton Trail	11	7,600	$ 252,535	$33.00	$ 3.04	$ 23,110
Teachers Retirement System Office & storage space 216 West Main St.	9	10,334	$ 303,401	$30.00	$ 4.60	$ 47,545
TOTAL		**126,402**	**$6,446,736**			**$549,089**

[1] These totals are all rents paid over the life of the lease.

[2] The square footage rate shown is the total rents divided by the building's total square feet. The purpose of this calculation is to indicate what might have been expended for bonded debt service.

[3] The total rent cost on this lease is for only 13 years. No more information was available.

The state is presently paying $549,089 annually for these seven leases. The simple average cost increase of these leases is 84% over a nine year period, with increases ranging from minus 4% to plus 230%.

TABLE 4

Hypothetical Comparison of Rental Costs with Bonded Debt Costs for a Building with a 50-Year Life

	Annual Cost Totaled Each Year To rent 10,000 sq. ft. @ $7.00 per sq. ft.		Annual Cost Totaled Each Year To purchase 10,000 sq. ft. @ $70.00 per sq. ft. @ 8% interest	
1st Year	$ 70,000		$ 80,275	
2nd Year	140,000		160,550	
3rd Year	210,000		240,825	
4th Year	280,000		321,100	
5th Year	350,000		401,375	
6th Year	420,000		481,650	
7th Year	490,000		561,925	
8th Year	560,000		642,200	
9th Year	630,000		722,475	
10th Year	700,000		802,750	
11th Year	770,000		883,025	
12th Year	840,000		963,300	
13th Year	910,000		1,043,575	
14th Year	980,000		1,123,850	Bldg. paid in full in 15 years.
15th Year	1,050,000		1,204,125	
16th Year	1,120,000	Rent cost = purchase cost at 17 yrs., 3 mths.	-0-	
17th Year	1,190,000		-0-	
18th Year	1,260,000		-0-	
20th Year	1,400,000		-0-	
25th Year	1,750,000		-0-	
30th Year	2,100,000		-0-	
40th Year	2,800,000		-0-	
50th Year	3,500,000		-0-	
TOTAL EXPENDED IN 50 YEARS	**$ 3,500,000**		**$ 1,204,125**	

Based on the projections in the above table, if the state constructs or purchases, at the end of fifteen years the building would be paid for and the state would have the remaining thirty-five years of use rent-free. If the state chooses, however, to rent the building, it will have paid for the building in seventeen years and three months, and will have paid 2.9 times the building's cost if it leases the building for fifty years.

SUMMARY OF SPACE OCCUPIED BY STATE AGENCIES AND AGENCY PROJECTIONS FOR 1991 SPACE NEEDS

CABINET/AGENCY (Agency No.) *	CURRENT SPACE IN SQUARE FEET			AGENCY PROJECTIONS FOR 1991	
	OWNED	LEASED	TOTAL	ADDITIONAL	TOTAL
CABINET FOR HUMAN RESOURCES					
(1) Entire Cabinet	563,411	53,256	616,667	101,899	718,566
CABINET FOR GENERAL GOVERNMENT					
(2) Attorney General	13,027	34,227	47,254	67,638	114,892
(3) Auditor of Public Accounts	5,018	10,239	15,257	3,143	18,400
(4) Bd. of Registration for Prof. Engnrs. & Land Surveyors	-0-	2,451	2,451	-0-	2,451
(5) Board of Elections	3,141	-0-	3,141	-0-	3,141
(6) Bd. of Hairdressers & Cosmetologists	-0-	6,005	6,005	-0-	6,005
(7) Board of Pharmacy	-0-	2,200	2,200	-0-	2,200
(8) Commission on Women	-0-	1,180	1,180	484	1,664
(9) Council on Higher Education	-0-	14,693	14,693	705	15,398
(10) Dept. of Local Government	14,910	-0-	14,910	-0-	14,910
(11) Dept. of Personnel	24,701	168	24,869	2,461	27,330
(12) Governor's Office	13,221	-0-	13,221	-0-	13,221
(13) Governor's Office for Policy and Management	7,427	-0-	7,427	400	7,827
(14) Governor's Office for Program Administration	1,976	-0-	1,976	-0-	1,976
(15) Human Rights Commission	1,096	-0-	1,096	254	1,350
(16) Kentucky Retirement Systems	-0-	48,457	48,457	-0-	48,457
(17) Dept. of Military Affairs	303,426	3,468	306,894	165,346	472,240
(18) Personnel Board	3,892	-0-	3,892	-0-	3,892
(19) Secretary of State	7,577	-0-	7,577	-0-	7,577
(20) State Treasurer	12,288	-0-	12,288	-0-	12,288
COMMERCE CABINET					
(21) Dept. of Agriculture	10,210	38,880	49,090	7,075	56,165
(22) Dept. of the Arts	15,682	-0-	15,682	3,449	19,131
(23) Kentucky Heritage Council	4,345	-0-	4,345	155	4,500
(24) Commerce Cabinet (Secretary's Office and administrative)	19,279	2,500	21,779	6,221	28,000

* Agency No. is provided so the reader may cross-reference the data in this table with the data provided in Schedule B. See lower left-hand corner of page in Schedule B for pertinent Agency No. in that document.

CABINET/AGENCY (Agency No.) *	CURRENT SPACE IN SQUARE FEET OWNED	LEASED	TOTAL	AGENCY PROJECTIONS FOR 1991 ADDITIONAL	TOTAL
CORRECTIONS CABINET					
(25) Entire Cabinet	63,667	4,494	68,161	30,410	98,571
EDUCATION AND HUMANITIES CABINET					
(26) Dept. of Libraries & Archives	140,640	22,500	163,140	47,497	210,637
(27) Dept. for the Blind	-0-	10,000	10,000	4,340	14,340
(28) Dept. of Education	194,871	26,703	221,574	52,628	274,202
(29) Kentucky Historical Society	49,800	11,416	61,216	36,684	97,900
(30) Ky. Teachers Retirement System	12,666	10,334	23,000	-0-	23,000
FINANCE & ADMINISTRATION CABINET					
(31) Capital Plaza Authority		(NOT INCLUDED IN TOTALS)			
(32) Kentucky Housing Corporation	3,875	22,466	26,341	-0-	26,341
(33) Ky. Higher Education Assistance Authority	-0-	15,632	15,632	31,368	47,000
(34) Finance & Administration Cabinet (Secretary's Office & administrative)	896,909	77,198	974,107	58,517	1,032,624
JUDICIAL BRANCH					
(35) Entire Branch (except Retirement)	48,436	31,600	80,036	26,019	106,055
(36) Judicial & Legislative Retirement System	-0-	750	750	-0-	750
JUSTICE CABINET					
(37) Dept. of State Police	100,897	-0-	100,897	60,863	161,760
(38) Office of Justice Administration	-0-	13,300	13,300	2,700	16,000
LABOR CABINET					
(39) Ky. Occupational Safety & Health Review Commission	1,056	-0-	1,056	244	1,300
(40) Entire Cabinet (except KOSH)	-0-	63,723	63,723	22,115	85,838
LEGISLATIVE BRANCH					
(41) Legislative Research Commission	86,578	6,500	93,078	12,259	105,337
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION CABINET					
(42) to (47) Entire Cabinet (incl. Environ. Quality Commission and Nature Preserves Commission)	64,301	125,953	190,254	33,016	223,270

* Agency No. is provided so the reader may cross-reference the data in this table with the data provided in Schedule B. See lower left-hand corner of page in Schedule B for pertinent Agency No. in that document.

CABINET/AGENCY (Agency No.) *	CURRENT SPACE IN SQUARE FEET OWNED	LEASED	TOTAL	AGENCY PROJECTIONS FOR 1991 ADDITIONAL	TOTAL
PUBLIC PROTECTION & REGULATION CABINET					
(48) Board of Claims	-0-	2,859	2,859	(268)	2,591
(49) Dept. of Public Advocacy	-0-	15,442	15,442	3,233	18,675
(50) Alcoholic Beverage Control Board	-0-	5,216	5,216	-0-	5,216
(51) Dept. of Financial Institutions	-0-	10,368	10,368	1,432	11,800
(52) Dept. of Housing, Bldgs., & Const.	-0-	22,097	22,097	-0-	22,097
(53) Dept. of Insurance	-0-	22,215	22,215	10,975	33,190
(54) Kentucky Board of Tax Appeals	922	-0-	922	-0-	922
(55) Secretary's Office & administrative	2,335	-0-	2,335	665	3,000
(56) Public Service Commission	-0-	36,216	36,216	15,984	52,200
(57) Registry of Election Finance	-0-	3,000	3,000	-0-	3,000
REVENUE CABINET					
(58) Entire Cabinet	51,662	91,366	143,028	84,972	228,000
TOURISM CABINET					
(59) Dept. of Fish & Wildlife	101,427	-0-	101,427	5,000	106,427
(60) Dept. of Parks	37,705	12,600	50,305	6,368	56,673
(61) Secretary's Office & administrative	9,278	5,140	14,418	5,009	19,427
TRANSPORTATION CABINET					
(62) Entire Cabinet	504,938	18,500	523,438	49,546	572,984
GRAND TOTALS	**3,396,590**	**905,312**	**4,301,902**	**960,806**	**5,262,708**

* Agency No. is provided so the reader may cross-reference the data in this table with the data provided Schedule B. See lower left-hand corner of page in Schedule B for pertinent Agency No. in that document.

CHAPTER XI

STATE EMPLOYMENT TRENDS

During the 1982 Session of the General Assembly, the legislature attempted to partially control expenditures to offset revenue losses by imposing employee caps for permanent full-time employees in the executive branch of government. In the 1982-84 enacted budget, an employment base of 31,812 was established, which allowed for a moderate expansion of 757 positions during the biennium. This cap did not include constitutional offices and small general government agencies. The executive budget, as enacted for the 84-86 biennium, did not include a published employment cap.

The practice of establishing a full-time employee cap in the enacted executive budget was continued in the 1986-88 and 1988-90 bienniums. Constitutional offices, as well as small general government offices, were added in 1986. The cap increased to 34,498 in fiscal years 1986-88 and to 35,224 in fiscal years 1988-90.

In an effort to evaluate compliance with this legislative policy relating to full-time employees, copies of Department of Personnel records were secured. These records are published monthly in a system designated PERPCIO—Employee Status Summary. All categories of employment status for state government are included. July 1 is the date used for comparing actual employment with the cap. Although actual employment data would change from month to month, the July 1 date would indicate annual trend changes for the first day of the new fiscal year.

The employee cap for July 1, 1986, and July 1, 1987, is 34,498. The actual full-time employees on those dates were 32,852 and 33,120 respectively. For July 1, 1988, and July 1, 1989, the employee cap is 35,224. The actual employees on those dates were 33,228 and 32,992 respectively. On July 1 of each of those years, actual employees were 1646, 1378, 1996 and 2232 below the authorized cap. Only Finance and Administration (7/1/86-1203 cap/1260 filled, and 7/1/88-1163 cap/1184 filled), Tourism (7/1/87-1516 cap/1533 filled), Energy (7/1/88-22 cap/31 filled), Attorney General (7/1/89-202 cap/204 filled), and Higher Education (7/1/89-136 cap/138 filled) exceeded the maximum authorized personnel levels contained in the executive budget for those agencies.

The net growth in actual full-time employees in the three-year period between July 1, 1986, and July 1, 1989, is 140. This figure indicates that the full-time work force stabilized during this period, with the actual changes being +268; +108; and -236 employees. Updating that figure to January 1, 1990, the increase is 990 positions. Between July 1, 1989, and January 1, 1990, full-time employees increased from 32,992 to 33,796, an increase of 850 positions in this six-month period. This increase drastically offsets the reduction of 236 employees during the entire fiscal year 1988-89. Full-time employment, which was stabilized on July 1, 1990, now appears to be on a dramatic upturn.

Several trends in other employment categories are of interest. The first area involves vacant positions in the full-time employee category. A vacant position would generally be a position established by a state agency and currently not in use with the agency work force, due to the resignation, retirement, transfer or promotion of an employee. If the

agency has a well-defined table of organization to accomplish its program responsibilities, those positions would maintain their classified job titles and be filled by new employees as employees holding those positions leave. However, what appears to be happening is that new job titles are being established and old job titles retained. One explanation for this occurrence is that new employees are being brought into the state work force at lower or higher paying classifications than the departing employees, in order to match the new employees' job skills or salary demands. In spite of the fact that full-time employment is fluctuating during a particular period of time, the vacant position list continues to grow. Although actual full-time employees are below the established cap, when this figure is added to the vacancy list, the total filled and unfilled positions far exceed the established cap.

Actual full-time vacant positions on July 1, 1986, were 3,892; on July 1, 1987, they were 4,615; on July 1, 1988, 5,523; and on July 1, 1989, 7,121. Total filled and vacant positions exceeded the cap by 2,246 on July 1, 1986; by 3,237 on July 1, 1987; by 3,527 on July 1, 1988; and by 4,889 on July 1, 1989. It appears that state government is carrying far too many full-time positions on the books. A reasonable number of vacant positions is all that is necessary to permit the agencies some employment flexibility while staying within the employment cap. See Table 11.1.

A second area involves all categories of employees who are not permanent full-time. The total number of positions in these categories was 6,683 on July 1, 1986; 7,374 on July 1, 1987; 6,271 on July 1, 1988; and 6,924 on July 1, 1989. These figures do include the traditional increase in employment in state government during the summer months, which would be reflected primarily in the seasonal full-time category. Since July 1, 1986, employment has increased in all categories except seasonal, the most significant coming in the permanent part-time and federally-funded, time-limited categories, which are essentially regular state employee positions. See Tables 11.2 and 11.3.

A report entitled "Kentucky's Early Retirement Incentive Plan Cost/Benefit Study," LRC Research Report No. 249, prepared for the Program Review and Investigations Committee, also confirms that employment in state government is on an upward growth trend. Although the early retirement window had an immediate impact of reducing the overall number of state employees, the reduction was temporary. The study indicated that 1,876 employees retired through this program. Of the 1,876 positions represented by retirement, 944 were refilled, 147 were retained and 760 were eliminated. This would appear to indicate that the net effect of the program reduced full-time permanent employment by approximately 760 positions. However, this temporary reduction was more than offset by retention of 106 retired employees in other categories and a reported net increase of 897 positions since November 1, 1988. November 1, 1988, is the date which ended eligibility for early retirement.

TABLE 11.1

Full-Time Executive Branch State Employees

	1986-88 Maximum Authorized	7/1/86 Acutal Filled	7/1/86 Acutal Vacant	7/1/86 Total Positions	7/1/87 Actual Filled	7/1/87 Acutal Vacant	7/1/87 Total Positions	1988-90 Maximum Authorized	7/1/88 Actual Filled	7/1/88 Actual Vacant	7/1/88 Total Positions	7/1/89 Actual Filled	7/1/89 Actual Vacant	7/1/89 Total Positions
Governor	103	88	23	111	81	22	103	100	91	56	147	111(2)	65	176
Lt. Governor	12	12	8	20	14	6	20	12	8	17	25	9	16	25
Secretary of State	38	35	14	49	39	17	56	40	37	17	54	36	17	53
Treasurer	41	38	11	49	39	11	50	38	38	15	53	33	20	53
Attorney General	196	178	22	200	188	23	211	202	194	34	228	204	36	240
Uniform Prosecutorial System	367	352	19	371	348	28	376	369	363	25	388	356	28	384
Auditor	110	110	21	131	117	37	154	120	118	42	160	118	35	153
Dept. of Agriculture	299	280	36	316	289	36	325	306	299	44	343	298	24	322
Constitutional Officers	1,166	1,093	152	1,247	1,115	180	1,295	1,187	1,148	250	1,398	1,165	241	1,406
Government Operations	650	559	64	623	590	76	666	662	596	97	693	579	159	738
Commerce	139	130	27	157	138	25	163	144	130	34	164	122	54	176
Corrections	2,161	2,008	116	2,124	2,109	175	2,284	2,607	2,242	201	2,443	2,471	511	2,982
Education & Humanities														
Dept. of Education	3,402	3,152	196	3,348	3,288	276	3,564	3,346	3,287	363	3,650	3,275	247	3,522
Humanities Agencies	554	525	27	552	519	40	559	525	517	39	556	500	60	560
	3,956	3,677	223	3,900	3,707	316	4,123	3,871	3,804	402	4,206	3,775	307	4,082
Energy	40	37	17	54	39	15	54	22	31	2	33	0	0	0
Finance & Administration	1,203	1,260	155	1,415	1,201	239	1,440	1,163	1,184	317	1,501	1,158	389	1,547
Higher Education	140	120	36	156	133	32	165	136	129	25	154	138	19	157
Human Resources	11,416	10,843	1,359	12,202	10,732	1,434	12,166	11,579	10,867	1,541	12,408	11,055	1,855	12,910
Justice	1,748	1,690	217	1,907	1,703	220	1,923	1,688	1,676	261	1,937	1,639	318	1,957
Labor	399	363	24	387	350	44	394	426	389	31	420	385	37	422
Natural Resources & Env. Prot.	1,311	1,189	110	1,299	1,247	144	1,391	1,318	1,208	194	1,402	1,245	230	1,475
Public Protection & Regulation	926	838	99	937	872	98	970	929	879	124	1,003	868	158	1,026
Revenue	1,014	949	88	1,037	942	125	1,067	1,056	944	207	1,151	970	250	1,220
Tourism	1,516	1,472	199	1,671	1,533	164	1,697	1,530	1,479	174	1,653	1,467	174	1,641
Transportation	6,713	6,624	1,004	7,628	6,609	1,328	7,937	6,906	6,522	1,663	8,185	5,955	2,425	8,380
Total	34,498	32,852	3,892	36,744	33,120	4,615	37,735	35,224	33,228	5,523	38,751	32,992	7,121	40,113

SOURCES: The Budget of the Commonwealth of Kentucky, 1986-88 and 1988-90
PERPICO-Employee Status Summary

TABLE 11.2

EXECUTIVE BRANCH

Other Employees

	Permanent Part-Time	Temporary Full-Time	Temporary Part-Time	Seasonal Full-Time	Seasonal Part-Time	Emergency	FFTL	Total
7/1/86	2,714	168	19	3,052	233	6	491	6,683
7/1/87	2,700	162	36	3,656	275	12	533	7,374
7/1/88	2,790	134	22	2,579	219	3	524	6,271
7/1/89	2,950	170	22	2,784	351	6	641	6,924

TABLE 11.3

Six Month Employment Trends

	7/1/86	12/31/86	7/1/87	12/31/87	7/1/88	12/31/88	7/1/89	12/31/89
Permanent								
Full-Time	32,852	32,725	33,120	33,599	33,228	32,331	32,992	33,842
Other Employees	6,683	5,116	7,374	4,796	6,271	4,775	6,924	5,076
Total Positions								
Filled	39,535	37,841	40,494	38,395	39,499	37,106	39,916	38,918
Vacant Full-Time	3,892	4,732	4,615	4,919	5,523	7,055	7,121	6,227
Total Positions	43,427	42,573	45,109	43,314	45,022	44,161	47,037	45,145

CHAPTER XII

PERSONAL SERVICE CONTRACTS
HEARING OFFICERS

The Personal Service Contract Review Subcommittee has oversight jurisdiction in the awarding of personal service contracts for state government agencies. Each fiscal year the subcommittee issues a comparative, comprehensive report which summarizes the number of contracts awarded by professional classifications, the amount awarded and the amount expended. The fiscal year 1987-88 report and seven-year comparative analysis are found in Tables 12.1, 12.2, and 12.3. Except for engineering contracts in the Finance and Administration Cabinet and Transportation Cabinet, and contracts awarded by state universities, the Kentucky Employee Retirement System and the Kentucky Housing Corporation, no specific listing for government agencies is prepared.

One concept which periodically comes up when economy and efficiency studies of state government are being considered is the creation of a state agency responsible for the conduct of administrative hearings. A related subject is adoption of a uniform administrative procedures Act.

Historically, the employment of private attorneys on personal service contract to serve as hearing officers has been utilized by a limited number of state agencies with regulatory oversight. Other state agencies use in-house legal staffs or arrange for hearing officer services with other agencies on a case-by-case basis. For the four-year period covering fiscal years 1984-85 through 1987-88, state agencies have contracted for an average of 64 hearing officers per year, at an average cost of $627,427. These figures would appear to support the case for centralized administrative hearings.

However, the 1987 Extraordinary Session of the General Assembly, which addressed the workers' compensation crisis in Kentucky, created a new system to administer work-related claims. An integral part of this new system was the creation of ten administrative law judges with statutory authority to conduct hearings, supervise the presentation of evidence, and to render final decisions, orders, or awards. The appointment of these ten administrative law judges significantly reduced the state's dependence upon contract hearing officers in the Department of Labor, where no contracts were awarded during fiscal year 1988-89. Total personal service contracts for hearing officers for fiscal year 1988-89 were reduced to 37, at a cost of $293,647, compared with 63, at a cost of $644,528 in fiscal year 1987-88. See Table 12.4.

Without additional data, it is not possible to make a specific recommendation at this time on centralization of the administrative hearing officer process. Such factors as caseload, professional and clerical staffing needs, office space, equipment, travel and the willingness of state agencies to support the proposal are unknown elements at this time. This proposal could be pursued if sufficient interest is generated.

TABLE 12.1

PERSONAL SERVICE CONTRACT REPORT

Fiscal Year 1987-88

Type Contract	Contracts	Total Amount	Total Paid	Balance
Attorneys	108	$1,947,382.27	$1,290,274.86	$ 657,107.41
Auditors	16	392,059.20	358,543.70	33,515.50
Arch/Eng.	186	18,733,605.59	6,134,265.23	12,599,340.36
Medical	127	3,923,461.17	3,321,983.28	601,477.89
Computer Sev.	4	209,700.00	134,807.55	74,892.45
Consultants	90	1,814,887.15	1,338,281.69	476,605.46
Advertising	8	1,443,518.89	1,425,707.33	17,811.56
Artistic	28	160,454.00	144,436.86	16,017.14
Appraisals	17	112,725.00	63,209.37	49,515.63
Miscellaneous	212	70,781,693.66	33,383,837.80	37,397,855.86
Total	796	$99,519,486.93	$47,595,347.67	$51,924,139.26

Contracts Brought Forward from prior years

Finance-Engineer	514	22,481,838.19	10,013,020.78	12,468,817.41
Transportation	483	52,623,891.87	24,175,942.16	28,447,949.71
TOTAL	997	$75,105,730.06	$34,188,962.94	$40,916,767.12
Universities	318	6,152,593.51	3,279,899.14	2,872,694.37
OTHER	26	2,239,977.00	1,271,723.19	968,253.81
TOTAL	2137	$ 8,392,570.51	$ 4,551,622.33	$ 3,840,948.18

*Includes contracts under $1,000 reported by Universities.

TABLE 12.2
LEGISLATIVE RESEARCH COMMISSION
PERSONAL SERVICE CONTRACT REVIEW
EXPENDITURES—FY 1987-88

PROFESSIONAL CLASSIFICATIONS	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
ATTORNEYS	$ 772,462.48	$ 1,288,404.08	$ 1,473,418.73	$ 1,233,456.15	$ 1,455,598.42	$ 1,271,940.98	$ 1,290,274.86
AUDITORS	852,092.75	768,216.07	533,116.95	823,279.38	477,508.70	604,230.88	358,543.70
ARCH/ENG.	6,908,599.37	10,738,401.12	9,450,261.49	20,526,914.47	14,668,565.73	12,922,426.48	16,147,286.01
MEDICAL	8,467,797.54	6,525,751.05	25,380,751.49	4,691,565.06	5,968,677.26	3,252,870.74	3,321,983.28
COMPUTER	407,520.97	1,119,191.00	1,927,771.37	887,236.23	249,747.28	31,678.13	134,807.55
CONSULTANT	2,457,369.65	1,252,441.70	1,745,547.22	1,791,948.99	1,618,992.46	1,006,880.57	1,338,281.69
ARTISTIC	42,545.00	52,703.05	111,045.00	95,474.42	137,580.29	75,722.82	144,436.86
APPRAISAL	40,360.00	119,884.58	44,487.61	135,265.63	351,705.69	46,002.82	63,209.37
ADVERTISING*	2,187,914.87	2,115,084.79	1,804,099.39	548,685.93	580,339.87	1,554,875.78	1,425,707.33
MISCELLANEOUS	2,338,096.62	11,395,983.04	21,065,286.28	27,413,543.98	27,292,343.20	15,248,312.84	33,383,837.80
TRANSPORTATION	5,223,684.95	8,442,807.79	14,649,561.23	11,848,313.94	20,676,911.00	23,687,019.48	24,175,942.16
TOTALS	$29,698,444.20	$43,818,868.27	$78,185,346.76	$69,995,684.18	$73,477,969.90	$59,701,961.52	$81,784,310.61
UNIVERSITIES			1,663,332.57	2,516,142.02	2,335,609.57	1,625,955.00	3,279,899.14
OTHER			661,253.08	762,796.67	1,135,025.71	941,341.71	1,271,723.19
			$80,509,932.41	$73,274,622.87	76,948,605.18	$66,269,258.23	$85,185,932.94

ANALYSIS BY NUMBER OF CONTRACTS

ATTORNEYS	87	117	123	113	149	113	108
AUDITORS	29	24	17	29	18	27	16
ARCH/ENG.	424	420	379	699	584	648	700
MEDICAL	127	106	108	102	118	113	127
COMPUTER	18	16	9	4	4	6	4
CONSULTANT	86	95	73	47	45	65	90
ARTISTIC	17	10	21	10	15	11	8
APPRAISAL	10	47	25	35	20	17	28
ADVERTISING*	7	8	7	4	6	8	17
MISCELLANEOUS	126	206	215	171	206	210	212
TRANSPORTATION	469	445	434	299	421	455	483
(Br't Fwd)	1400	1494	1411	1369	1586	1673	1793
UNIVERSITIES				63	77	77	318
OTHER				23	26	28	26
				1497	1689	1778	2137

TABLE 12.3
LEGISLATIVE RESEARCH COMMISSION
UNIVERSITIES AND OTHER
Fiscal Year 1987-1988

Universities	No. of Cts.	Contract Amount	Payments 87-88	Balance
Eastern Kentucky University	3	49,550.00	49,550.00	-0-
University of Louisville	17	1,840,382.00	958,796.93	881,585.07
University of Kentucky	49	3,244,467.00	1,524,899.31	1,719,567.69
Morehead State University	120	124,104.62	110,773.27	13,331.35
Northern Kentucky University	27	183,073.43	118,101.07	64,972.36
Western Kentucky University	90	167,941.46	23,023.88	44,917.58
Murray State University	10	464,325.00	317,377.25	146,947.75
Kentucky State University*	2	78,750.00	77,377.43	1,372.57
Total Universities	318	$6,152,593.51	$3,279,899.14	$2,872,694.37
OTHER				
Kentucky Employee Retirement System	13	$1,301,000.00	$ 712,720.22	$ 588,279.78
Kentucky Housing Corporation	13	$ 938,977.00	$ 559,002.97	$ 379,974.03
TOTAL OTHER	26	$2,239,977.00	$1,271,723.19	$ 968,253.81
GRAND TOTALS	662	$8,392,570.51	$4,551,622.33	$3,840,948.18

TABLE 12.4
Personal Service Contracts
Attorneys—Hearing Officers

Agency	84-85 Hearing Officers	84-85 Expenditures	85-86 Hearing Officers	85-86 Expenditures	86-87 Hearing Officers	86-87 Expenditures	87-88 Hearing Officers	87-88 Expenditures	88-89 Hearing Officers	88-89 Expenditures
Board of Claims	5	$ 51,950	5	$ 47,744	5	$ 66,288	5	$ 61,490	5	$ 29,920
Misc. Boards & Commissions	2	22,379	3	24,250	5	17,802	5	35,088	1	0
Insurance	2	9,139	1	13,281	1	22,931			2	26,388
Human Resources							2	26,532	1	0
Labor	26	194,473	27	326,770	26	273,570	21	237,253		
Natural Resources	12	122,132	16	175,096	13	187,060	11	200,053	15	182,927
KOSHA	4	49,160	5	50,140	6	39,144	6	34,664	5	25,806
Blind									1	25,806
Personnel Board	11	69,818	9	64,194	9	37,870	8	49,448	7	33,106
Total	62	$519,051	66	$701,475	65	$644,665	63	$644,528	37	$293,647

CHAPTER XIII

KENTUCKY DEVELOPMENT FINANCE AUTHORITY JAPANESE BOND ISSUE

In the latter part of 1988, the Wilkinson Administration announced that the Kentucky Development Finance Authority (KDFA) intended to issue bonds on the Japanese bond market. The bonds were to be secured in part by loan repayment proceeds from a bond issue previously authorized by the General Assembly and supported by a General Fund appropriation. The announcement raised concern within the legislative branch of government regarding the legality of the proposal. It was the consensus of the legislature that all new bond issues for KDFA required specific legislative approval. The bond proposal was reviewed by several interim standing committees and ultimately referred to the Attorney General for an opinion. The Attorney General concluded on January 10, 1989 (OAG 89-3) that KDFA could issue the proposed bonds without legislative approval, since the bonds did not require a general fund appropriation for debt service. A review of the statutes and the financing mechanism of the bonds is presented to help explain how this particular transaction may have escaped legislative oversight.

KDFA is an independent agency of state government, with its statutory authority set forth in KRS 154.010 to 154.180. Major amendments to the KDFA Act were enacted by the 1988 General Assembly (*KY Acts*, 1988, Ch. 838). KDFA has wide ranging powers to promote economic development in the state, including the power granted in 1988 to "borrow money and issue bonds and notes to finance part or all of the costs of a project.and to secure those bonds and notes by mortgage, assignment, or pledge of any of its money, revenues, income, and properties." (KRS 154.041(5)).

Contrasted with KDFA legislation is KRS 56.870, which provides in relevant part in subsection (1) that "notwithstanding any statutory provision to the contrary, prior to the sale of any . . . bonds . . . each . . . authority . . . shall first obtain approval of any such financing from the general assembly . . . evidenced by the adoption . . . of a specific act or the adoption by the general assembly of the biennial joint budget resolution which shall specify the purposes for such financing." This requirement is modified in subsection (3): "the provisions of subsection (1) of this section shall not be applicable to the financing of any project in any case where the project for which financing is proposed is certified . . . to be of such type as to independently produce revenues sufficient to fully meet debt service on such financing so that no appropriation of state general funds will be required."

In accordance with the provisions of KRS 56.870(1), the General Assembly in 1982 authorized the State Property and Building Commission to issue $50,000,000 for the KDFA loan program and appropriated $6,000,000 for debt service in fiscal year 1983-84. The bonds were issued on June 1, 1983, and designated as Project No. 34 ("the Project"). As an integral part of and exclusively related to the bond issue, KDFA issued administrative regulations, 307 KAR 1:010, establishing detailed guidance and a regulatory structure for the Project. One of the key provisions of the regulations, Section 3, established the Facilities Establishment Fund. Section 3(3) provides in relevant part that "money from

all sources from time to time in the Facilities Establishment Fund may be used and applied by the authority solely and only for the purpose of making program loans . . . and may never be used or applied, directly or indirectly, for any purpose except the making of program loans."

307 KAR 1:010 was repealed by an emergency administrative regulation filed on February 15, 1989. An ordinary administrative regulation, 307 KAR 1:011, was concurrently filed, which ratified this action effective April 28, 1989. The reason given for repeal of the regulation was that Project No. 34 had been refunded by a new issue, Kentucky Development Finance Authority First Series (1989), and was no longer outstanding. It is interesting to note that the refunding of Project No. 34 was not discussed as an option under consideration, when serious legal questions had been raised concerning the use of Project No. 34 funds to leverage the Japanese bond issue. Standard & Poor's was apparently unaware of this development when it analyzed and rated the issue in its *Credit Week* publication, dated March 20, 1989. Excerpts from *Credit Week* follow:

> Bond proceed will form a Fund D Economic Development Program.
>
> The fund D program is intended to be self-supporting but also is secured by the cash flow generated from the fund B and C programs. Loans from funds B and C can be made only after making debt service payments on the Samurai bonds.
>
> Fund B was established in 1983 as a result of the insurance of $50 million State Property and Buildings Commission economic development revenue bonds. Debt service is appropriated by the General Assembly and is paid from general funds. The bonds do not represent an obligation or liability of the authority. There currently are 160 loans outstanding with a principal amount of $44.8 million. Cash on hand equaling $10.7 million can be used to make additional loans. All principal and interest payments of fund B loans are deposited back to fund B, creating a revolving loan pool. The monthly cash flow is approximately $500,000.

The Japanese bond issue is complex. When announced, there were clear legal conflicts between language in the statutes, administrative regulations, and Project No. 34 documents, and the structure of the Japanese bond proposal itself. Some of those conflicts have apparently been resolved. However, the strategic timing of certain events in the history of the project support speculation that the project may have been developed to avoid direct legislative oversight. If this was not the case, the evidence suggests another possibility, that serious legal reservations concerning the financial structuring of the bonds forced the plans to be modified. In any event, key legislators and LRC staff firmly believed that Kentucky law required legislative approval of any new KDFA bond issues and were surprised to discover otherwise.

Whether the Japanese bond issue was proper or not is a moot issue. The bonds have been sold. The legislative and executive branches of government both had persuasive cases to support their respective positions. With this impasse in the law, the question now to be decided is the future role of the legislature in the exercise of its oversight responsibility of the state-managed bond program. If an appropriation of state general funds to meet new bond debt service is the only desired limit of legislative control, the law is currently adequate. However, if the distribution of other state funds, including debt repayment on previously authorized bond proceed loans, is to be controlled by the legislature, KRS 56.870 needs to be amended.

From a policy point of view, any debt issued by the Commonwealth, whether supported by the General Fund, other state funds, or bond proceed loan repayments, should be specifically authorized by the legislature, if a checks and balances system of government is to operate properly and the financial stability and standing of the Commonwealth is to be maintained.

CHAPTER XIV

STATE APPROPRIATIONS AND REVENUE

REVENUE FORECASTING AND THE REVENUE SHORTFALL CRISIS

During the '80's, Kentucky suffered a severe economic slowdown, which had a significant impact on the operation of state government. The terms of all three governors who served during this period were affected. The area which experienced the most direct impact was the state General Fund and the programs supported by the fund. (See Table 14.1.)

From fiscal years 1972-73 through 1978-79, the General Fund experienced double digit growth. On the expenditure side, appropriations increased even more dramatically. Economic prosperity during the period permitted Kentucky to finance new programs at record levels and finish the budget year with healthy surplus fund accounts.

In fiscal year 1979-80, the trend changed. General Fund receipts increased by $83,510,059, an increase of only 4.91% from the previous fiscal year. Except for fiscal year 1981-82, when General Fund receipts increased by 10.74%, the era of double digit growth came to an end. Appropriations also continued to increase, based upon revenue estimates. However, appropriation growth was not realistically tracking moderate revenue growth. The result was the first revenue shortfall, in fiscal year 1979-80, when actual General Fund revenue was $67,962,702 less than the estimate in the enacted budget. Cost-cutting measures and available surplus funds permitted a balanced budget in that fiscal year.

The reality of the situation became evident in fiscal year 1980-81. The 1980 General Assembly enacted a budget based upon General Fund estimated receipts of $2,305,000,000. Actual receipts turned out to be $1,894,864,503, an increase of 6.33% from the previous fiscal year, but a negative variance of $140,135,497 from the estimate. This situation resulted in the issuance of the first of a series of eight Secretary's Orders by the Secretary of the Finance and Administration Cabinet. These Orders are statutorily required, to balance the budget. The Orders provide a method to adjust for the funding gap between the original General Fund estimates, appropriations made based upon those estimates, and revised General Fund estimates. This includes reductions in General Fund appropriations in specific budget units, the reallocation of other unencumbered government funds, and adjustments in capital construction projects. See Tables 14.2 and 14.3.

From an analysis of the entire series of eight Secretary's Orders, the following observations are made:

First, it is clear that revenue forecasting has become an extremely important and complex process, particularly as the economy changes and more demands are placed upon the state to provide a variety of government-supported services. Since fiscal year 1972-73, revenue estimates have produced a wide range of surplus and deficit figures.

The two most accurate estimates were in fiscal years 1976-77 and 1988-89. For planning purposes, a large surplus can be as serious a financial disaster as a deficit. An uncommitted surplus means needed programs are delayed, underfunded, or not funded at all. More conservative revenue forecasting will produce a predictable budget. The practice of making politically motivated and unrealistic revenue forecasts to fund an aggressive program agenda should be discontinued.

Second, revenue forecasting is an economic science with some inherent degree of uncertainty. Accurately projecting economic events at least two years into the future in a biennial budget process involves use of reliable data, stability, risk, and luck. The growth of the state budget over a fifteen-year period significantly demonstrates variances in revenue estimates and actual recepits. The largest deficits occurred in the second year of the biennium during the '80-82, '82-84 and '86-88 budget cycles. Annual revenue forecasting is the solution. A Constitutional amendment to permit a budget session of the General Assembly in odd-numbered years is of the highest priority.

Third, the establishment and maintenance of a budget reserve trust fund cannot be overemphasized. This fund, along with the availability of the General Fund beginning balance, constituted the largest segment of reallocated funds to offset what could have been more drastic appropriation reductions between 1981 and 1988. $208,072,774, or 18% of the total reductions/reallocations of $1,122,353,774, came from these two funds. Because these surplus funds available, the impact of a revenue shortfall upon the appropriation process was not as severe. In addition, other available funds were reallocated to balance the budget. Although characterized as savings in the Secretary's Orders, reallocated funds were used to avoid larger appropriation reductions. Reallocations accounted for 40.3% of the total budget adjustments on a consolidated basis. The General Fund alone could not make up the shortfalls.

Fourth, in Secretary's Orders 82-96, 83-325, and 84-160, there are net reductions/ reallocations on a consolidated basis of $18,073,074 more than the projected revenue shortfall. This practice may have cushioned the impact of later revenue reductions, by providing a larger reserve for future needs.

Appropriation-Supported Debt Service

Under the general topic of appropriation-supported debt service, two areas were examined. The first is the establishment of a debt service level. The second is a review of appropriations to finance authorized debt in the enacted budget.

A debt service level is a percentage ratio determined by comparing selected revenue sources with actual debt service. Kentucky government agencies periodically publish tables to reflect debt service on a historical basis. Four tables from these publications were examined. The examination revealed that different revenue sources have been used which produce moderately inconsistent debt service levels. This information was provided to the Debt Capacity Task Force ("Task Force") established by HJR 57. This Task Force is comprehensively evaluating the debt of the Commonwealth and its political subdivisions. Final recommendations regarding the establishment of a formal debt service level have

been deferred to the Task Force. The SCR 83 staff recommendation for consideration by the Task Force is as follows:

> The conclusion reached in the evaluation of appropriation-supported debt service trends in published tables is that the integrity of the accounting systems used by state government appears to have been breached by mixing figures from both systems. This result is probably inherent in a complex financial organization like state government, which operates on revenue from a multitude of sources. The use of financial data from different accounting systems may not have a dramatic impact in terms of total expenditures or a percentage of debt service to revenues, when Kentucky's overall fiscal situation is considered. However, this system does not represent a true and accurate financial picture of debt service in the Commonwealth and is subject to periodic adjustments to accomplish political objectives. In developing legislative policy for appropriation-supported debt service, a compatible accounting system and clearly defined revenue sources should be used in establishing a formula which will control the allocation of financial resources for debt supported programs.

Appropriations made by the General Assembly to finance authorized debt are reported in the enacted budget. Debt service is listed for each program cabinet which is directly or indirectly responsible for the retirement of specific debt. Debt service is generally determined by use of a schedule relating to bonds outstanding, published in the Supplementary Information to the Kentucky Comprehensive Annual Financial Report. This schedule lists specific detailed information for each bond issue, including the principal and interest due at the close of the fiscal year. Appropriated debt service is generally principal and interest for bonds which have been issued, as well as estimated projections for newly authorized issues. Also included in the calculation are trustee fees offset by interest earned on the debt service reserve funds.

The proposed Budget of the Commonwealth is prepared by the Governor's Office for Policy and Management. The Supplementary Information is prepared by the Division of Accounts, Finance and Administration Cabinet. The Schedule of Bonds Outstanding in the Supplementary Information is prepared by the Office for Investment and Debt Management, Finance and Administration Cabinet. Each of these agencies is responsible for coordination of the total debt management program.

For purposes of this area of the study, appropriated debt service in the enacted Budget was compared with scheduled debt service in the Supplementary Information for fiscal years 1988-89 and 1989-90. On a consolidated basis, the following figures were calculated:

	Appropriation	Debt Service
FY 1988-89	$307,053,800	$305,358,128
FY 1989-90	$334,727,400	$335,608,836

Comparable information was calculated on a bond project basis. In evaluating project data, two common numeric differences between appropriations and debt service are noted. These differences are appropriations greater than debt service and debt service greater than appropriations. The most obvious of these differences is in the Commerce Cabinet. The Governor's Office for Policy and Management was asked to explain these findings and provided in relevant part the following response:

> Your first concern was that often appropriated debt service is different, either more or less, than the schedule of payments listed in the Supplementary Information of the Annual Financial Report. There are numerous reasons why this sometimes occurs. One reason is that the Supplementary Information lists principal and interest payments only. Trustee fees which are a required part of the debt service payments are not contained in the Supplementary Information and may result in higher debt service requirements than listed. Also, interest income earned on debt service reserve funds is used to offset revenue needed to meet debt service requirements. Of course, conservative estimates are used to calculate interest income earned on debt service reserve funds and may result in higher than needed total debt service appropriations. Still another reason is that for new projects, debt service must be appropriated prior to bonds being issued. Since the exact debt service requirements are unknown, numbers used must reflect conservative estimates. Delays in the sale of bonds will also result in appropriations larger than needed debt service. Bond issue refundings during the biennium may cause differences depending on whether or not the refunding was anticipated when the budget was enacted.
>
> One specific concern dealt with the Economic Development Cabinet, where the debt service appropriation is greater than information in the Supplementary Information. Project 40, the bond issue related to the Toyota Project, does not include the entire amount of the appropriated debt for the project. The Kentucky Turnpike Authority issued $32 million of the total $92 million authorization. In that particular project all debt service for all bonds issued for Toyota is paid from the Economic Development Cabinet. Both Project 40 and Turnpike Authority, Economic Development Road Bond, Series 1987A must be looked at in the Supplementary Information in order to get back to the figure appropriated in the Economic Development Cabinet.

An examination of the Commerce Cabinet budget for fiscal year 1988-89 supports this explanation. However, it also demonstrates the unreliability of the reporting mechanism for debt service by project in the enacted budget. The Toyota Project involves two bond issues - Project 40, issued by the State Property and Building Commission through the Commerce Cabinet in October, 1987, and 1987 Series D Economic Development Road Bonds, issued by the Kentucky Turnpike Authority in November 1987. The appropriation for the Toyota Project in the Commerce Cabinet budget is $9,780,200. Debt service in the Supplementary Information for Project 40 is $6,390,282, and for 1987 Series D it is $3,689,868. The total debt service is $10,080,150. This creates a $299,950 budgetary deficit for the Toyota Project. The deficit is obviously made up from some other financial source, but that source is not identified. The same situation exists, both deficit and surplus appropriations, for many bond projects. For fiscal year 1988-89, the consolidated appropriation for debt service in the enacted budget is $307,053,800 and the principal and interest obligation is $305,358,128. These figures do not take into consideration trustee fees or interest income on debt service reserve funds. There were no new bonds issued or refunded during the fiscal year. Disregarding appropriations for non-issued bonds, this would appear to leave a surplus of $1,695,672. Trustee fees and interest income projections for fiscal year 1988-89 to be applied to offset revenue needed for debt service are not reported in detail in the budget.

It should also be noted that the financial components of the state bond program are administered by the Office for Investment and Debt Management (OIDM). All funding necessary to support debt service is appropriated directly to the program cabinet, which selects projects for distribution of bond proceeds. The debt service appropriation is then transferred to OIDM, which handles payment of all outstanding obligations. The actual appropriations are listed, where applicable, in the program cabinet as debt service. The figures may include a specific detailed listing of the project number which corresponds to the bonds issued by the cabinet; the figures may include a series of related projects which are consolidated for reporting purposes; or they may include a figure which does not identify a specific project or series of related projects.

SCR 83 staff have been advised that there is not a shared data base or other centralized data source which reflects the total appropriation/budgetary needs and expenditure schedules for debt service. This information should be developed for use by the Legislative Research Commission Budget Review Office, the Governor's Office for Policy and Management, the Office for Investment and Debt Management, the Finance and Administration Cabinet, Department for Administration, bond issuing cabinets, and other legislative and executive committees, task forces or study groups which deal with bond issues. In summary, there is a great deal of technical financial data relating to bond issues which is segregated in selected government offices. The development of a shared comprehensive information system on bond issues would be extremely helpful for decision making by the legislative and executive branches of government.

The system should include, at a minimum, for all outstanding bond issues, the revenue sources and allocation of funds for debt service, on and off budget items (specific government fund involved, income from debt reserve trust fund and funds held by trustees),

and total expenses relating to the bonds and their schedule of payment (principal, interest, trustee fees, legal fees and other related expenses). This information would be presented in the proposed and enacted budget by specific bond project with an appropriation which corresponds more accurately to actual debt service.

In a somewhat radical departure from the traditional method of appropriating debt service in the program cabinets, it may be more realistic to place all debt service activities in the Office for Investment and Debt Management, where the appropriation is ultimately expended. This would eliminate some of the fund transfers which now occur in large dollar volumes, and centralize budgeting and accounting for debt service.

TABLE 14.1

General Fund
Comparison of Revenue Estimates
With Actual Receipts

Fiscal Year	Estimate From Executive Budget	Change From Prior Fiscal Year		Actual Receipts	Change From Prior Fiscal Year		Variance from Estimate
72-73	$ 705,000,000	$ 97,000,000	15.95%	$ 726,286,082	$ 79,527,416	12.3 %	$ 21,286,082
73-74	750,000,000	45,000,000	6.38%	818,908,696	92,622,614	12.75%	69,908,696
74-75	830,000,000	80,000,000	10.66%	983,046,382	164,137,686	20.04%	153,046,382
75-76	920,000,000	90,000,000	10.84%	1,081,007,205	97,960,823	9.97%	11,007,205
76-77	1,208,000,000	288,000,000	31.3 %	1,208,521,775	127,514,570	11.79%	521,775
77-78	1,324,000,000	116,000,000	9.6 %	1,476,114,586	267,592,811	22.14%	152,114,587
78-79	1,650,000,000	326,000,000	24.6 %	1,698,527,239	222,412,653	15.06%	48,527,239
79-80	1,850,000,000	200,000,000	12.12%	1,782,037,298	83,510,059	4.91%	(67,962,702)
80-81	2,035,000,000	185,000,000	10.0 %	1,894,864,503	112,827,205	6.33%	(140,135,497)
81-82	2,305,000,000	270,000,000	13.27%	2,098,529,055	203,664,552	10.74%	(206,470,945)
82-83	2,351,400,000	46,400,000	2.01%	2,208,016,969	109,487,914	5.21%	(143,383,031)
83-84	2,615,800,000	264,400,000	12.24%	2,364,404,058	156,387,089	7.08%	(251,395,942)
84-85	2,494,438,385	(121,361,615)	(4.64%)	2,545,866,925	181,462,767	7.67%	51,428,540
85-86	2,655,958,585	161,520,200	6.48%	2,736,839,766	190,972,841	7.50%	80,881,181
86-87	2,991,605,000	335,646,415	12.63%	2,874,881,542	138,041,777	5.04%	(116,723,457)
87-88	3,206,565,000	214,960,000	7.19%	3,030,225,721	155,344,178	5.40%	(176,339,279)
88-89	3,276,939,200	70,374,200	2.19%	3,289,923,473	259,697,752	8.57%	12,984,273

TABLE 14.2

Consolidation of Revenue Shortfall Data from Secretary's Orders

Fiscal Year	Secretary's Order	Projected Revenue Shortfall	General Fund Appropriation Reductions	Other Fund Reallocations	Total Reductions/ Reallocations
80-81	81-151	$114,000,000	$ 64,083,900	$ 49,916,100	$114,000,000
81-82	82-96	281,500,000	236,608,300	41,100,000	277,708,300
82-83	83-325	123,020,000	59,850,000	72,320,400	132,170,400
83-84	83-325	163,700,000	88,341,400	83,240,800	171,582,200
	84-160	118,090,000	45,830,000	77,092,174	122,922,174
		281,790,000	134,171,400	160,332,974	294,504,374
86-87	87-462	88,505,000	55,250,700	33,254,300	88,505,000
	87-831	31,976,200	19,892,800	12,083,400	31,976,200
		120,481,200	75,143,500	45,337,700	120,481,200
87-88	87-881	129,791,200	74,295,300	55,495,900	129,791,200
	88-432	53,698,300	25,730,800	27,967,500	53,698,300
		183,489,500	100,026,100	83,463,400	183,489,500
Total		$1,104,280,700	$669,883,200	$452,470,574	$1,122,353,774
Variance of Shortfall with Actual Reductions					+18,073,074
Distribution by Funding Source			59.7%	40.3%	100%

TABLE 14.3

General Fund Appropriation Reductions and Other Fund Rellocations By Budget Unit

Fiscal Year	80-81	81-82	82-83	83-84		86-87		87-88		
Secretary's Order	**81-151**	**82-96**	**83-325**	**83-325**	**84-160**	**87-462**	**87-331**	**87-881**	**88-432**	
Date of Order	**8/28/80**	**8/13/81**	**3/31/83**	**3/31/83**	**10/20/83**	**1/7/87**	**5/28/87**	**6/25/87**	**1/27/88**	
Branch of Government										**Total Reductions**
Legislature	$ 220,000	$ 827,600	$ 269,700		$ 292,700	$ 317,200		$ 386,900		$ 2,314,100
Judiciary	750,000	659,600			250,000	1,406,300		1,541,700		4,607,600
General Government										
General Fund	1,373,400	4,182,300	911,000	$ 968,100	717,100	398,400		459,200	$1,119,900	10,129,400
Other Funds		2,200,000	3,000,000		3,267,000	645,800		278,300	1,957,500	11,348,600
Total										21,478,000
Commerce										
General Fund	215,000	6,575,500	2,965,300	8,034,400	298,000	13,527,700	$2,110,000	7,833,800	1,122,600	42,682,300
Other Funds	250,000				1,994,900	1,673,000	861,700		1,559,400	6,339,000
Total										49,021,300
Corrections	450,000	4,744,000	3,100,000	159,200		1,214,600	156,100	1,356,900	408,800	11,589,600
Eduation & Humanities										
General Fund	18,764,900	93,428,100	2,405,200	1,111,500	10,101,700	5,692,700	3,560,700	6,908,700	12,454,700	154,428,200
Other Funds					2,393,700					2,393,700
Total										156,821,900
Energy										
General Fund	130,000	4,474,400	720,000	456,900	1,260,500	692,500		954,700	120,500	8,809,500
Other Funds	175,000				208,900	64,800		45,300	30,000	524,000
Total										9,333,500
Finance & Administration										
General Fund	1,152,400	17,365,800	25,069,100	51,394,100	6,542,200	7,032,400	3,080,000	10,390,000	165,300	122,191,300
Other Funds		1,800,000	1,703,000	203,000	5,846,800	291,000		700,000		10,543,800
Total										132,735,100
Higher Education										
General Fund	29,865,100	44,527,100	1,894,000	365,100	61,000	11,795,600	1,002,000	16,074,700	4,880,500	110,465,100
Other Funds						1,000,000		2,000,000		3,000,000
Total										113,465,100
Human Resources										
General Fund	5,135,900	33,950,000	15,474,800	18,765,500	16,400,000	9,135,300	9,000,000	22,321,100	3,584,000	133,766,600
Other Funds	8,550,900				14,982,700	1,725,000		5,105,800	1,766,000	32,130,400
Total										165,897,000

Fiscal Year	80-81	81-82	82-83	83-84		86-87		87-88		
Secretary's Order	**81-151**	**82-96**	**83-325**	**83-325**	**84-160**	**87-462**	**87-331**	**87-881**	**88-432**	
Date of Order	**8/28/80**	**8/13/81**	**3/31/83**	**3/31/83**	**10/20/83**	**1/7/87**	**5/28/87**	**6/25/87**	**1/27/88**	
Branch of Government										**Total Reductions**
Justice										
General Fund	943,700	368,100	1,788,700	1,900,800		1,371,000	250,000	2,615,000	631,000	9,868,300
Other Funds					3,083,300			35,000		3,118,300
Total										12,986,600
Labor	36,300	159,700	41,400	45,100		32,200		50,000	16,300	381,000
Natural Resources										
General Fund	496,200	2,451,000	644,700	703,500	1,095,400	402,000	200,000	1,048,800	302,800	7,345,300
Other Funds					498,600	428,900			445,300	1,372,800
Total										8,718,100
Public Protection & Regulation										
General Fund	842,500	2,084,900	2,594,000	2,783,200	1,044,100	156,500		208,700	302,800	10,016,700
Other Funds					3,056,100	540,800	1,000,000	576,400	11,831,200	17,004,500
Total										27,021,200
Revenue										
General Fund	560,000	3,248,900	962,700	1,039,300	1,008,200	902,000	534,000	1,150,000	343,000	9,748,100
Other Funds			400,000	400,000		860,000	116,000	600,000		2,376,000
Total										12,124,100
Tourism										
General Fund	2,678,400	12,935,100	775,800	354,300	424,300	1,054,300		858,100	252,500	19,332,800
Other Funds									2,000,000	2,000,000
Total										21,332,800
Transportation										
General Fund	470,100	4,625,300	233,600	260,400	6,334,800	120,000		137,000	26,100	12,207,300
Other Funds		21,000,000	21,750,000	21,750,000	300,000					64,800,000
Total										77,007,300
Budget Reserve Trust Fund			18,235,800	40,980,400		25,000,000	4,175,700	44,155,100		132,547,000
General Fund Beginning Balance	8,581,000			11,907,400	20,960,174				6,845,600	75,525,774
Capital Construction	32,359,200	16,100,000	27,231,600	8,000,000	20,500,000	1,125,000	5,930,000	2,000,000	1,532,500	87,446,700
Total	114,000,000	277,708,300	132,170,400	171,582,200	122,922,174	88,505,000	31,976,200	129,791,200	53,698,300	1,122,353,774

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APPENDIX 1

GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

REGULAR SESSION 1988

SENATE CONCURRENT RESOLUTION NO. 83

FRIDAY, MARCH 11, 1988

A CONCURRENT RESOLUTION concerning the programs and functions of State Government.

WHEREAS, the government of the Commonwealth of Kentucky has repeatedly over the past eight years faced revenue shortfalls which curtailed the delivery of vital services to our citizenry; and

WHEREAS, a meaningful and comprehensive review of the structure and functions of state government has not been undertaken in recent years; and

WHEREAS, the Kentucky General Assembly believes a thorough review of the structure and functions of the executive branch is warranted and desirable in the face of our current revenue problems; and

WHEREAS, such a comprehensive undertaking is necessary to assure the citizens that the present structure and functions of its government are efficient, productive and needed;

NOW, THEREFORE,

Be it resolved by the Senate of the General Assembly of the Commonwealth of Kentucky, the House of Representatives concurring therein:

1 Section 1. There is hereby created the Commission on
2 Kentucky's Government and its related committees.
3 Section 2. The purpose of the Commission is to

1 thoroughly study each executive agency and its programs,
2 functions and mission to determine that it is serving a
3 legitimate public end, that it is functioning in the most
4 efficient manner and that it is in fact effectively
5 serving the citizens of the Commonwealth. The Commission
6 shall make such recommendations as it deems appropriate to
7 insure the most effective and wise expenditures of tax
8 dollars.

9 Section 3. The Commission shall consist of fourteen
10 (14) members:

11 (a) The co-chairs of the Legislative Research
12 Commission shall serve as the co-chairs of the Commission;

13 (b) The Secretary of the Cabinet;

14 (c) The director of the Office of Policy and
15 Management;

16 (d) The chairs of six (6) committees of the
17 Commission on Kentucky's Government;

18 (e) The chairs of the House and Senate
19 Appropriations and Revenue Committee; and

20 (f) The chairs of the House and Senate State
21 Government Committee.

22 Section 4. The Commission shall receive reports and
23 recommendations from the six (6) committees of the
24 Commission on Kentucky's Government. The Commission shall
25 resolve all questions of jurisdiction. The Commission is
26 charged to make final recommendations to the Legislative

1 Research Commission by September 1, 1989.
2 Section 5. There are hereby created six (6)
3 committees of the Commission on Kentucky's Government.
4 Each committee will be composed of no more than fifteen
5 (15) members with those members not herein designated to
6 be appointed by the co-chairs of the Legislative Research
7 Commission. In making such appointments, the co-chairs of
8 the Legislative Research Commission will not appoint more
9 than one (1) executive officer to each committee. The
10 co-chairs of the Legislative Research Commission shall, in
11 making their appointments, draw from the private sector,
12 constituent groups of the various programs, former cabinet
13 officers, and citizenry at large. The co-chairs of the
14 Legislative Research Commission shall appoint the chair of
15 each committee from the non-legislative members. Committee
16 chairmen have the prerogative of forming subcommittees.
17 Section 6. The six (6) committees and their
18 jurisdictions shall be as follows:
19 (1) The committee on general government, finance and
20 public protection whose jurisdiction shall include the
21 following agencies, programs and functions:
22 1. The governor.
23 2. Lieutenant governor.
24 3. Department of state.
25 (a) Secretary of state.
26 (b) Board of elections.

1 4. Department of law.

2 (a) Attorney general.

3 5. Department of the treasury.

4 (a) Treasurer.

5 6. Department of agriculture.

6 (a) Commissioner of agriculture.

7 (b) Kentucky council on agriculture.

8 7. Auditor of public accounts.

9 8. Railroad commission.

10 9. Finance and administration cabinet:

11 (a) Office of legal and legislative services.

12 (b) Office of management services.

13 (c) Office of historic properties.

14 (d) Department for administration.

15 (e) Department of facilities management.

16 (f) Department of information systems.

17 (g) State property and buildings commission.

18 (h) Office of revenue estimating and economic

19 analysis.

20 (i) Kentucky pollution abatement authority.

21 (j) Kentucky savings bond authority.

22 (k) Deferred compensation systems.

23 (l) Office of equal employment opportunity contract

24 compliance.

25 (m) Capital plaza authority.

26 (n) County officials compensation board.

1 (o) Financial disclosure review commission.
2 (p) Kentucky employes retirement systems.
3 (q) Commonwealth credit union.
4 (r) State investment commission.
5 (s) Kentucky housing corporation.
6 (t) Governmental services center.
7 (u) Kentucky local correctional facilities
8 construction authority.
9 (v) Kentucky turnpike authority.
10 (w) Historic properties advisory commission.
11 10. Labor cabinet:
12 (a) Department of workplace standards.
13 (b) Department of workers' claims.
14 (c) Kentucky labor-management advisory council.
15 (d) Occupational safety and health standards board.
16 (e) Prevailing wage review board.
17 (f) Workers' compensation board.
18 (g) Kentucky employes insurance association.
19 (h) Apprenticeship and training council.
20 (i) State labor relations board.
21 (j) Kentucky occupational safety and health review
22 commission.
23 (k) Office of administrative services.
24 (l) Office of labor management relations.
25 (m) Office of general counsel.
26 11. Revenue cabinet:

1 (a) Department of property taxation.
2 (b) Department of processing and enforcement.
3 (c) Department of professional and support services.
4 12. Department of personnel.
5 13. Department of local government.
6 14. Kentucky commission on human rights.
7 15. Kentucky commission on women.
8 16. Department of military affairs.
9 17. Public protection and regulation cabinet:
10 (a) Public service commission.
11 (b) Department of insurance.
12 (c) Department of housing, buildings, and
13 construction.
14 (d) Department of financial institutions.
15 (e) Department of mines and minerals.
16 (f) Department of public advocacy.
17 (g) Department of alcoholic beverage control.
18 (h) Kentucky harness racing commission.
19 (i) Kentucky state racing commission.
20 (j) Registry of election finance.
21 (k) Board of claims.
22 (l) Crime victims compensation board.
23 (m) Kentucky board of tax appeals.
24 (n) Backside improvement commission.
25 (2) The committee on justice, corrections and
26 judiciary whose jurisdiction shall include the following

1 agencies, programs and functions:

2 1. Corrections cabinet:

3 (a) Parole board.

4 (b) Commission on corrections and community services.

5 (c) Department of adult correctional institutions.

6 (d) Department of community services and facilities.

7 (e) Office of administrative services.

8 (f) Office of corrections training.

9 (g) Office of general counsel.

10 2. Justice cabinet:

11 (a) Department of state police.

12 (b) Department of criminal justice training.

13 (c) Office of administration.

14 (3) The committee on human resources whose

15 jurisdiction shall include the following agencies,

16 programs and functions:

17 1. Cabinet for human resources:

18 (a) Department for health services.

19 (b) Department for employment services.

20 (c) Department for social insurance.

21 (d) Department for social services.

22 (e) Department for medicaid services.

23 (f) Department for mental health and mental

24 retardation services.

25 (g) Unemployment insurance commission.

26 (h) Commission for handicapped children.

1 (i) Public assistance appeals board.
2 (j) Office of administrative services.
3 (k) Office of communications and council affairs.
4 (l) Office of general counsel.
5 (m) Office of inspector general.
6 (n) Office of policy and budget.
7 (o) Office of the ombudsman.
8 (4) The committee on transportation whose
9 jurisdiction shall include the following agencies,
10 programs and functions:
11 1. Transportation cabinet:
12 (a) Department of highways.
13 (b) Department of vehicle regulation.
14 (c) Department of administrative services.
15 (d) Department of fiscal management.
16 (e) Department of rural and municipal aid.
17 (f) Office of aeronautics.
18 (g) Office of general counsel.
19 (h) Office of public relations.
20 (i) Office of personnel management.
21 (j) Office of minority affairs.
22 (5) The committee on education and humanities whose
23 jurisdiction shall include the following agencies,
24 programs and functions:
25 1. Education and humanities cabinet:
26 (a) Department for the blind.

1 (b) Department of education.
2 i. Superintendent of public instruction.
3 ii. State board of education.
4 (c) Department for libraries and archives.
5 (d) Governor's council on vocational education.
6 (e) Kentucky industries for the blind.
7 (f) Kentucky educational television.
8 (g) Kentucky historical society.
9 (h) Kentucky teachers retirement system board of
10 trustees.
11 (i) Kentucky school building authority.
12 (j) Commission for deaf and hearing impaired.
13 (k) Kentucky literacy commission.
14 (l) Oral history commission.
15 (m) Council on higher education.
16 (6) The committee on commerce, energy and natural
17 resources whose jurisdiction shall include the following
18 agencies, programs and functions:
19 1. Commerce cabinet:
20 (a) Department of economic development.
21 (b) Department of the arts.
22 (c) Tobacco research board.
23 (d) Kentucky development finance authority.
24 (e) Office of business and technology.
25 2. Energy cabinet:
26 (a) Department of energy production and utilization.

1 (b) Department of energy research and development.
2 (c) Office of administration.
3 (d) Office of energy policy and evaluation.
4 3. Natural resources and environmental protection
5 cabinet:
6 (a) Environmental quality commission.
7 (b) Kentucky nature preserves commission.
8 (c) Department for environmental protection.
9 (d) Department for natural resources.
10 (e) Department for surface mining reclamation and
11 enforcement.
12 (f) Office of general counsel.
13 (g) Office of communications and community affairs.
14 4. Tourism cabinet:
15 (a) Department of travel development.
16 (b) Department of parks.
17 (c) Department of fish and wildlife resources.
18 (d) Kentucky horse park commission.
19 (e) State fair board.
20 (f) Office of administrative services.
21 (g) Office of general counsel.
22 Section 7. Each committee shall have the following
23 designated members:
24 (1) Committee on General Government, Finance and
25 Public Protection:
26 Chairs of House and Senate Business Organizations and

1 Professions Committee; Chairs of House and Senate Banking
2 and Insurance Committee; 1 member each from House and
3 Senate State Government Committee.
4 (2) Committee on Justice, Corrections and Judiciary:
5 Chairs of House and Senate Judiciary-Civil Committee;
6 Chairs of House and Senate Judiciary-Criminal Committee.
7 (3) Committee on Human Resources:
8 Chairs of House and Senate Health and Welfare
9 Committee; Chairs of House and Senate Labor and Industry
10 Committee.
11 (4) Committee on Transportation:
12 Chairs of House and Senate Transportation Committee;
13 Chairs of House and Senate Counties Committee; Chairs of
14 House and Senate Cities Committee.
15 (5) Committee on Education and Humanities:
16 Chairs of House and Senate Education Committee.
17 (6) Committee on Commerce, Energy and Natural
18 Resources:
19 Chairs of House and Senate Energy Committee; Chairs
20 of House and Senate Natural Resources Committee; Chairs of
21 House and Senate Agriculture Committee.
22 Section 8. Any appointed member who fails to attend
23 two (2) consecutive meetings shall be deemed to have
24 resigned and the co-chairs of the Legislative Research
25 Commission shall replace the same.
26 Section 9. The director of the Legislative Research

1 Commission shall serve as chief of staff for the
2 commission and its committees and will supply such staff
3 assistance from the Legislative Research Commission to the
4 commission and its committees as necessary to perform the
5 reviews mandated.
6 Section 10. All state agencies shall supply in a
7 timely fashion and without charge such information as is
8 requested by the commission or its committees.
9 Section 11. Staff services to be utilized in
10 completing this study are estimated to cost $200,000.
11 These staff services shall be provided from the regular
12 commission budget and are subject to the limitations and
13 other research responsibilities of the commission.

11.040. Personnel for governor's office — Office of secretary of the governor's executive cabinet. — (1) The governor may appoint such persons as he deems necessary for the proper operation of his office to perform such duties as the governor may require of them. The persons so appointed shall hold office at the pleasure of the governor. None of the provisions of KRS 64.640 shall be applicable to persons appointed under this subsection.

(2) There is hereby created an agency of the state government to be known as the office of the secretary to the governor's executive cabinet. The office of the secretary to the governor's executive cabinet shall not be part of the office of the governor, but shall constitute a separate agency of state governement. The secretary so appointed shall have such rights, duties and responsibilities as may be assigned by the governor.

(3) The position of secretary to the governor's executive cabinet shall be filled by appointment of the governor and shall serve at the pleasure of the governor. The secretary shall be responsible for implementing all policies of the governor, coordinating all activities of the governor's executive cabinet, and advising and consulting with the governor on all policy matters affecting the state.

(4) The office of the secretary to the governor's executive cabinet shall include such principal assistants, appointed by the secretary of the cabinet pursuant to KRS 12.050, as may be necessary to execute the functions of the office.

11.060. Governor's general cabinet. — (1) The heads of the constitutional and statutory administrative departments and program cabinet secretaries enumerated in KRS 12.020 shall constitute the governor's general cabinet, which shall meet upon the call of the governor. The governor shall be the chairman and the governor's private secretary shall serve as secretary of the general cabinet. The general cabinet shall be attached to the office of the governor and shall not constitute a separate department or agency of the state.

(2) The cabinet shall consider such matters involving general administrative policies and procedure, relations between departments and other agencies and desirable measures of cooperation between departments and other agencies, as the governor or any member may place before it; shall advise and consult with the governor at his request on all matters affecting the welfare of the state and relating to the several departments, program cabinets and other agencies.

11.065. Governor's executive cabinet. — (1) The secretaries of the Justice Cabinet, the Education and Humanities Cabinet, the Natural Resources and Environmental Protection Cabinet, the Transportation Cabinet, the Cabinet for Economic Development, the Public Protection and Regulation Cabinet, the Cabinet for Human Resources, the Finance and Administration Cabinet, the Corrections Cabinet, the Revenue Cabinet, the Tourism Cabinet, the Labor Cabinet, the secretary of the Governor's Executive Cabinet, and the Lieutenant Governor shall constitute the Governor's Executive Cabinet. There shall be a vice chairman appointed by the Governor who shall serve in an advisory capacity to the Executive Cabinet. The Governor shall be the chairman and the secretary of the Finance and Administration Cabinet shall be a second vice chairman of the Executive Cabinet. The Governor may designate others to serve as vice chairman.

(2) The cabinet shall meet not less than once every two (2) months and at other times on call of the Governor. The Executive Cabinet shall be a part of the Office of the Governor and shall not constitute a separate department or agency of the state. Members of the cabinet shall be the major assistants to the Governor in the administration of the state government and shall assist the Governor in the proper operation of his office and perform such other duties as the Governor may require of them.

(3) The cabinet shall consider such matters involving policies and procedures as the Governor or any member may place before it. The cabinet shall advise and consult with the Governor on all matters affecting the welfare of the state.

CHAPTER 12

ADMINISTRATIVE ORGANIZATION

12.010. Definitions. — In this chapter, and throughout the Kentucky revised statutes where applicable and appropriate unless the context requires otherwise:

(1) "Organizational unit" means any unit of organization in the executive branch of the state government that is not an administrative body, including but not limited to any agency, program cabinet, department, bureau, division, section or office.

(2) "Department" means that basic unit of administrative organization of state government, by whatever name called, designated by statute or by statutorily authorized executive action as a "department," such organization to be headed by a commissioner;

(3) "Division" means a major subdivision of a department established by statute or by statutorily authorized administrative action, such to be headed by a director;

(4) "Branch" means a small grouping of logical work force personnel, such to be headed by a manager;

(5) "Section" means a smaller grouping within a branch, such to be headed by a supervisor;

(6) "Unit" means the smallest grouping of coordinated employes, such to be headed by a leader;

(7) "Office" means a staff support or administrative function and shall be a major subdivision of a program cabinet only, such to be headed by an executive director;

(8) "Administrative body" means any multi-member body in the executive branch of the state government, including but not limited to any board, council, commission, committee, authority or corporation, but does not include "branch," "section," "unit" or "office";

(9) "Program cabinet" means a group of departments, or departments and administrative bodies, designated by statute or statutorily authorized executive action as a "program cabinet."

12.015. Administrative bodies to be included in department or program cabinet. — Unless specifically provided otherwise, each administrative body established by statute or statutorily authorized executive action shall be included for administrative purposes in an existing department or program cabinet. When an administrative body is established and the law establishing it does not specify the department or program cabinet within which the body is to be included, the governor shall assign the body to an existing department or program cabinet in accordance with this chapter.

12.020. Departments, program cabinets, and administrative bodies enumerated. — Departments, program cabinets (and their departments), and the respective major administrative bodies that they include are enumerated in this section. It is not intended that this enumeration of administrative bodies be all-inclusive. Every authority, board, bureau, interstate compact, commission, committee, conference, council, office, or any other form of organization shall be included in or attached to the department or program cabinet in which they are included or to which they are attached by statute or statutorily-authorized executive order, provided, however, in the case of the Personnel Board, and where the attached department or administrative body is headed by a constitutionally elected officer, such attachment shall be solely for the purpose of dissemination of information and coordination of activities and shall not include any authority over the functions, personnel, funds, equipment, facilities, or records of such department or administrative body.

I. Cabinet for General Government — Departments headed by elected officers:

1. The Governor.
2. Lieutenant Governor.
3. Department of State.
(a) Secretary of State.
(b) Board of Elections.
4. Department of Law.

(a) Attorney General.
5. Department of the Treasury.
(a) Treasurer.
6. Department of Agriculture.
(a) Commissioner of Agriculture.
(b) Kentucky Council on Agriculture.
*7. **[Effective until July 1, 1991.]** Department of Education.
(a) Superintendent of Public Instruction.
(b) State Board for Elementary and Secondary Education.
*7. **[Effective July 1, 1991.]** Superintendent of Public Instruction.
8. Auditor of Public Accounts.
9. Railroad Commission.

II. Program cabinets headed by appointed officers:

1. Justice Cabinet:
(a) Department of State Police.
(b) Department of Criminal Justice Training.
(c) Office of Administration.
2. Education and Humanities Cabinet:
(a) Department of Education.
(1) State Board for Elementary and Secondary Education.
(2) Education Professional Standards Board.
(b) Department for Libraries and Archives.
(c) Kentucky Educational Television.
(d) Kentucky Historical Society.
(e) Kentucky Teachers' Retirement System Board of Trustees.

3. Natural Resources and Environmental Protection Cabinet:
(a) Environmental Quality Commission.
(b) Kentucky Nature Preserves Commission.
(c) Department for Environmental Protection.
(d) Department for Natural Resources.
(e) Department for Surface Mining Reclamation and Enforcement.
(f) Department of Law.
(g) Office of Communications and Community Affairs.
4. Transportation Cabinet:
(a) Department of Highways.
(b) Department of Vehicle Regulation.
(c) Department of Administrative Services.
(d) Department of Fiscal Management.
(e) Department of Rural and Municipal Aid.
(f) Office of Aeronautics.
(g) Office of General Counsel.
(h) Office of Public Relations.
(i) Office of Personnel Management.
(j) Office of Minority Affairs.
5. Cabinet for Economic Development:
(a) Department for Existing Business and Industry.
(b) Department of the Arts.
(c) Tobacco Research Board.
(d) Kentucky Development Finance Authority.
(e) Office of Business and Technology.
(f) Office of Industrial Development.
6. Public Protection and Regulation Cabinet:
(a) Public Service Commission.
(b) Department of Insurance.
(c) Department of Housing, Buildings and Construction.
(d) Department of Financial Institutions.
(e) Department of Mines and Minerals.
(f) Department of Public Advocacy.
(g) Department of Alcoholic Beverage Control.
(h) Kentucky Harness Racing Commission.
(i) Kentucky State Racing Commission.
(j) Registry of Election Finance.
(k) Board of Claims.
(l) Crime Victims Compensation Board.
(m) Kentucky Board of Tax Appeals.
(n) Backside Improvement Commission.
7. Cabinet for Human Resources:
(a) Department for Health Services.
(b) Department for Employment Services.
(c) Department for Social Insurance.
(d) Department for Social Services.
(e) Department for Medicaid Services.
(f) Department for Mental Health and Mental Retardation Services.
(g) Unemployment Insurance Commission.
(h) Commission for Handicapped Children.
(i) Public Assistance Appeals Board.
(j) Office of Administrative Services.
(k) Office of Communications.
(l) Office of General Counsel.
(m) Office of Inspector General.
(n) Office of Policy and Budget.
(o) Office of the Ombudsman.
8. Finance and Administration Cabinet:
(a) Office of Legal and Legislative Services.
(b) Office of Management and Fiscal Affairs.
(c) Office of Historic Properties.
(d) Office of Financial Management and Economic Analysis.
(e) Office of Risk Management.
(f) Department for Administration.

(g) Department of Facilities Management.
(h) Department of Information Systems.
(i) State Property and Buildings Commission.
(j) Kentucky Pollution Abatement Authority.
(k) Kentucky Savings Bond Authority.
(*l*) Deferred Compensation Systems.
(m) Office of Equal Employment Opportunity Contract Compliance.
(n) Capital Plaza Authority.
(o) County Officials Compensation Board.
(p) Financial Disclosure Review Commission.
(q) Kentucky Employees Retirement Systems.
(r) Commonwealth Credit Union.
(s) State Investment Commission.
(t) Kentucky Housing Corporation.
(u) Governmental Services Center.
(v) Kentucky Local Correctional Facilities Construction Authority.
(w) Kentucky Turnpike Authority.
(x) Historic Properties Advisory Commission.
9. Corrections Cabinet:
(a) Parole Board.
(b) Commission on Corrections and Community Services.
(c) Department of Adult Correctional Institutions.
(d) Department of Community Services and Facilities.
(e) Office of Administrative Services.
(f) Office of Corrections Training.
(g) Office of General Counsel.
10. Labor Cabinet:
(a) Department of Workplace Standards.
(b) Department of Workers' Claims.
(c) Kentucky Labor-Management Advisory Council.
(d) Occupational Safety and Health Standards Board.
(e) Prevailing Wage Review Board.
(f) Workers' Compensation Board.
(g) Kentucky Employees Insurance Association.
(h) Apprenticeship and Training Council.
(i) State Labor Relations Board.
(j) Kentucky Occupational Safety and Health Review Commission.
(k) Office of Administrative Services.
(*l*) Office of Labor Management Relations.
(m) Office of General Counsel.
11. Revenue Cabinet:
(a) Department of Property Taxation.
(b) Department of Tax Compliance.
(c) Department of Administrative Services.
12. Tourism Cabinet:
(a) Department of Travel Development.
(b) Department of Parks.
(c) Department of Fish and Wildlife Resources.
(d) Kentucky Horse Park Commission.
(e) State Fair Board.
(f) Office of Administrative Services.
(g) Office of General Counsel.
13. Cabinet for Workforce Development:
(a) Department for Adult and Technical Education.
(b) Department of Vocational Rehabilitation.
(c) Department for the Blind.
(d) State Board for Adult and Technical Education.
(e) Governor's Council on Vocational Education.
(f) Governor's Commission on Literacy.
(g) The State Board for Proprietary Education.
(h) The GED Foundation.
(i) The Kentucky Occupational Information Coordinating Committee.
(j) The Kentucky Job Training Coordinating Council.

III. Other departments headed by appointed officers:
1. Department of Military Affairs.
2. Department of Personnel.
3. Council on Higher Education.
4. Department of Local Government.
5. Kentucky Commission on Human Rights.
6. Kentucky Commission on Women.

12.023. Organizational units and administrative bodies attached to the governor's office. — The following organizational units and administrative bodies shall be attached to the office of the governor:

(1) Council on higher education (The state universities and colleges shall report through the council on higher education);

(2) Department of military affairs;

(3) Department of local government;

(4) Kentucky commission on human rights; and

(5) Kentucky commission on women.

12.027. Temporary reorganization orders. — When the governor or another elected official effects a temporary reorganization under KRS 12.028, he shall do so by executive order filed with the legislative research commission and the secretary of state, and he shall clearly designate the order as one relating to reorganization. The secretary of state shall keep a copy of all executive orders relating to organization.

12.028. Governor and elected state executive officers to submit proposals for change to general assembly — Review of temporary changes by interim joint legislative committee — Restrictions on changes — Reorganization plans — Committee action — Termination of temporary reorganization — Legislative monitoring — Lapsed funds. — (1) Recognizing the necessity for grouping related functions of organizational units and administrative bodies in order to promote greater economy, efficiency and improved administration, the governor and other elected state executive officers may propose to the general assembly, for its approval, changes in the state government organizational structure which may include the creation, alteration or abolition of any organizational unit or administrative body and the transfer of functions, personnel, funds, equipment, facilities and records from one (1) organizational unit or administrative body to another.

(2) Recognizing that changes in the state government organizational structure may need to be made as rapidly as possible to achieve greater economy, efficiency and improved administration as the needs of government dictate, the governor and other elected state executive officers may, between sessions of the general assembly, temporarily effect a change in the state government organizational structure as described in subsection (1) of this section if such temporary reorganization plan is first reviewed by the interim joint legislative committee with appropriate jurisdiction. The governor may not effect a temporary reorganization plan under this subsection that would change the organizational structure of an organizational unit or administrative body headed by another elected state executive officer unless requested in writing by that officer. An elected state executive officer other than the governor may only change the organizational structure of an organizational unit or administrative body that he heads.

(3) Any reorganization proposed under subsection (1) or (2) of this section shall be set forth in a reorganization plan which shall be filed with the legislative research commission. The plan shall include:

(a) An explanation of each proposed change, including the need for the change;

(b) An estimate of any reduction or increase in expenditures, itemized as far as practicable, which the promulgating officer expects will result from the reorganization;

(c) A description of any improvements in the management, delivery of state services, and efficiency of state government operations which the promulgating officer expects will be realized as a result of the reorganization; and

(d) Specification of the effects of the reorganization on the budget and personnel of each affected organizational unit or administrative body, including but not limited to the amount of funds and the number of employes that will be transferred from one (1) organizational unit or administrative body to another, any reductions in the state work force resulting from the reorganization, and the methods to be utilized to achieve such reductions.

(4) When a proposed reorganization plan is submitted for review under subsection (2) of this section the presiding co-chairmen of the legislative research commission shall determine which interim joint legislative committee has appropriate jurisdiction and shall refer the plan to such committee within ten (10) days after the director of the legislative research commission receives the proposal. The interim joint legislative committee to which it is referred shall review the plan to determine whether the plan can reasonably be expected to achieve greater economy, efficiency or improved administration in state government. The committee shall report its findings to the legislative research commission. The committee shall review and report on the plan within sixty (60) days after it is filed with the legislative research commission. If the committee does not report on a proposed plan within the time specified in this subsection, the plan shall be considered reviewed by the interim joint legislative committee with appropriate jurisdiction.

(5) A temporary reorganization effected under subsections (2) to (4) of this section shall be terminated ninety (90) days after sine die adjournment of the next regular session of the general assembly unless otherwise specified by the general assembly. The governor or other officer who promulgated a temporary reorganization plan under this section shall recommend legislation to the general assembly to confirm the temporary reorganization plan. The subject matter of each executive order relating to reorganization shall be presented to the general assembly in a separate bill. If the general assembly fails to enact the temporary reorganization plan or an alternative to such plan, the organizational structure that existed immediately prior to the implementation of the temporary plan shall be reinstated upon the termination of the temporary plan. If the general assembly fails to enact a temporary reorganization plan, the governor and other elected state executive officers shall not effect the plan prior to the next succeeding session of the general assembly.

(6) The legislative research commission or the legislative program review and investigations committee may monitor the implementation of any reorganization plan to determine the extent to which the anticipated improvements in economy, efficiency or administration have been realized as

a result of the reorganization and shall report its findings to the general assembly.

(7) Funds transferred due to reorganization shall be maintained in separately designated accounts. Any excess funds resulting from a reorganization shall lapse to the general fund surplus account.

12.029. Governor's advisory committee on reorganization. — The governor may appoint advisory or study committees to assist and recommend to him on problems concerning the various functions, organizational units and administrative bodies of state government. Members of such committees shall serve without pay, but shall be reimbursed for necessary and actual expenses.

12.040. Heads of departments. — (1) The heads of departments shall have direction and control of their respective departments, and through their departments shall exercise the powers and perform the duties vested in the departments under their direction and control. Except as otherwise expressly provided by law, the heads of departments shall be appointed by the governor for terms not exceeding four (4) years on the basis of their merit and fitness to perform the duties of their respective offices.

(2) Each department head shall maintain a pattern of organization capable of receiving the attachment of administrative bodies that have functions related to the general function of his department.

(3) Within the resources of his department, each department head shall provide administrative bodies in his department with such facilities and services as will enable those bodies to carry out the functions with which they are charged.

(4) The heads of all departments shall exercise supervision over the personnel and financial records of their respective departments.

(5) In case of a vacancy or in the absence or disability of the head of a department, the governor may authorize the head of a division or other administrative officer to act as head of the department.

12.050. Deputy heads of departments and directors of divisions and institutions. — Unless otherwise provided by law, deputy heads of departments, and directors of divisions and institutions shall be appointed by the heads of the departments and in statutory departments the appointment of deputy heads of departments, and heads of divisions shall be with the prior written approval of the governor. In departments each division head shall report to the head of the department to which the division is assigned.

12.060. Department staffs. — (1) The heads of statutory departments, with the approval of the secretary of the finance and administration cabinet, may establish such subordinate positions as may be necessary and make appointments thereto, within the limitations of their appropriations, and removals therefrom. All appointees to such positions shall be under the supervision, direction and control of the heads of the respective departments and shall perform such duties as the heads of the departments prescribe. The appointment of all employes not otherwise provided for shall be made by the heads of the departments.

(2) The head of any department, with the approval of the secretary of the finance and administration cabinet, may abolish unnecessary offices and positions, transfer officers and employes between positions, and change the duties, titles and compensation of existing offices and positions, subject to any provision of law in relation thereto.

12.070. Appointments to boards and commissions — Reimbursement for expenses when compensation not provided. — (1) Except as otherwise expressly provided by law, the members of each administrative board or commission shall be citizens of Kentucky appointed by the governor from the state at large on the basis of their interests in public affairs, their good judgment, and their knowledge and ability in the field of action of the department for which appointed, with a view to providing diversity of interests and points of view in the membership and without regard to their political or religious opinions or affiliations. Before entering upon the duties of their office, all members of administrative boards and commissions shall take the oath of office prescribed by section 228 of the Constitution. Where appointments to administrative boards and commissions are made from lists submitted to him, the governor may reject the list and require that other lists be submitted.

(2) When a board, commission or similar administrative body is established and no provision is made for compensation of members, members shall serve without pay, but may receive reimbursement for their actual and necessary expenses.

12.080. Administrative rules. — The governor, with the approval of his executive cabinet, may prescribe such general rules for the conduct of the administrative departments as he deems necessary or expedient to give effect to the provisions of law relating to the administrative organization of state agencies. The head of each department may likewise prescribe such rules as he deems expedient for the proper conduct of the work of the department and for making effective the provisions of law, and not inconsistent therewith or with the general rules prescribed by the governor.

12.090. Cooperation between departments. — Subject to rules prescribed by the secretary of the finance and administration cabinet pursuant to law, any agency shall furnish to any other agency such services, labor and materials, as are requisitioned by the head of the other agency, and as its own facilities provide, through the same procedure and subject to the same measures of audit and control as other proposed expense. The expense shall be billed and charged to the agencies served, by transfers between appropriations. Agencies shall, so far as practicable, cooperate with each other in the use of services, quarters and equipment.

12.100. Determination of conflicts between agencies. — In all cases where questions arise between agencies as to their respective functions, or where agencies issue conflicting orders or make conflicting rules, the governor with the advice of the governor's executive cabinet shall determine the questions, and action shall be taken in accordance with such determination.

12.110. Annual and biennial reports. — (1) The governor shall prepare and submit to the Legislative Research Commission annual reports of the finances and operations of the state and such other reports as the general assembly may prescribe or as the governor may desire. The head of each statutory department shall make to the governor an annual report and may at any time be required by the governor to make any special report concerning the work under his charge, with his observations and recommendations thereon and pertinent statistics concerning the work of the department, each of which the governor shall transmit to the Legislative Research Commission with such comments as he may desire to make.

All such annual reports shall observe the fiscal year of the state as the reporting year, and shall be published to the extent ordered in writing by the governor. Twenty-five (25) copies of each report shall be filed with the Legislative Research Commission for availability to the members of the general assembly upon request. Additional copies of any report shall be made available to the Legislative Research Commission at no charge if the request for said report exceed twenty-five (25).

(2) Agencies shall file all annual and biennial reports required by law to be made by agencies with the governor, and a copy thereof in the office of the secretary of state, which shall be preserved as a public record.

12.120. Power to swear and examine witnesses. — The head of each administrative department and any representative authorized by him may administer oaths and examine witnesses under oath relative to any matter properly subject to inquiry, hearing or investigation in the conduct of the work of the department.

12.130. Systematized plan of filing, bookkeeping and accounting. — The governor shall cause each agency to keep a carefully systematized and well-devised plan of filing, bookkeeping and accounting as prescribed by the finance and administration cabinet.

12.250. Program cabinets established. — There are established within state government the following program cabinets:

(1) Justice Cabinet.
(2) Education and Humanities Cabinet.
(3) Natural Resources and Environmental Protection Cabinet.
(4) Transportation Cabinet.
(5) Cabinet for Economic Development.
(6) Public Protection and Regulation Cabinet.
(7) Cabinet for Human Resources.
(8) Finance and Administration Cabinet.
(9) Corrections Cabinet.
(10) Tourism Cabinet.
(11) Revenue Cabinet.
(12) Labor Cabinet.

12.255. Office of secretary for each program cabinet established. — There is hereby established the office of secretary for each of the program cabinets listed in KRS 12.250. Each of these program cabinets shall be headed by a secretary appointed by the governor, and each secretary shall be chairman of the related cabinet.

12.260. Deputy secretary and ombudsman in office of secretary for public protection and regulation. — There is hereby established in the office of secretary for public protection and regulation:

(1) A deputy secretary, appointed by the secretary pursuant to KRS 12.050, who shall be responsible for and engaged in operations of the cabinet and any other duties as assigned by the secretary, and in the absence of the secretary, have authority over cabinet affairs; and

(2) The position of ombudsman. The ombudsman shall be appointed by the governor on the advice of the secretary for public protection and regulation. The ombudsman shall provide a review of complaints by citizens with regard to services rendered by the agencies in the cabinet for public protection and regulation that cannot be resolved through normal administrative remedies. The files of the ombudsman shall be made available to the secretary in order to guide the correction of operational difficulties and other causes of citizen complaint.

12.265. Composition of cabinets. — The cabinets established in KRS 12.250 shall be composed of departments, boards and commissions as set forth in KRS 12.020.

12.270. Cabinet secretaries — Authority, powers and duties. — (1) The secretary of each cabinet shall:

(a) Be a member of the governor's cabinet and shall serve as the governor's liaison in carrying out the responsibilities for overall direction and coordination of the departments, boards and commissions included in the related cabinet;

(b) Recommend to the governor desired reorganization affecting the related cabinet;

(c) Advise the governor on executive actions, legislative matters and other steps that may be desirable for better program service;

(d) Evaluate and pass upon all budget requests originated by the departments, boards and commissions within such related cabinet;

(e) Advise the governor on the appointment of commissioners and heads of units included in the related cabinet, except for those whose election or selection is otherwise provided for by law.

(2) Each secretary is authorized to accept and expend funds from any source, whether public or private, in support of the duties and responsibilities of the related cabinet.

(3) Each secretary shall have any and all necessary power and authority, subject to appropriate provisions of the statutes, to create such positions and to employ the necessary personnel in such positions to enable the secretary to perform the functions of his office.

APPENDIX 3

90 RS SB 355/GA

GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

REGULAR SESSION 1990

SENATE BILL NO. 355

THURSDAY, MARCH 15, 1990

The following bill was reported to the House from the Senate and ordered to be printed.

AN ACT relating to reorganization.

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

1 Section 1. KRS 12.028 is amended to read as follows:
2 (1) Recognizing the necessity for grouping related
3 functions of organizational units and administrative
4 bodies in order to promote greater economy, efficiency and
5 improved administration, the Governor and other elected
6 state executive officers may propose to the General
7 Assembly, for its approval, changes in the state
8 government organizational structure which may include the
9 creation, alteration or abolition of any organizational
10 unit or administrative body and the transfer of functions,
11 personnel, funds, equipment, facilities and records from
12 one (1) organizational unit or administrative body to
13 another.
14 (2) Recognizing that changes in the state government
15 organizational structure may need to be made as rapidly as
16 possible to achieve greater economy, efficiency and
17 improved administration as the needs of government
18 dictate, the Governor and other elected state executive
19 officers may, between sessions of the General Assembly,
20 temporarily effect a change in the state government
21 organizational structure as described in subsection (1) of

1 this section if such temporary reorganization plan is
2 first reviewed by the interim joint legislative committee
3 with appropriate jurisdiction. The Governor may not effect
4 a temporary reorganization plan under this subsection that
5 would change the organizational structure of an
6 organizational unit or administrative body headed by
7 another elected state executive officer unless requested
8 in writing by that officer. An elected state executive
9 officer other than the Governor may only change the
10 organizational structure of an organizational unit or
11 administrative body that he heads.
12 (3) Any reorganization proposed under subsection (1)
13 or (2) of this section shall be set forth in a
14 reorganization plan which shall be filed with the
15 Legislative Research Commission. The plan shall include:
16 (a) An explanation of each proposed change,
17 including the need for the change;
18 (b) An estimate of any reduction or increase in
19 expenditures, itemized as far as practicable, which the
20 promulgating officer expects will result from the
21 reorganization;
22 (c) A description of any improvements in the
23 management, delivery of state services, and efficiency of
24 state government operations which the promulgating officer
25 expects will be realized as a result of the
26 reorganization; and

1 (d) Specification of the effects of the
2 reorganization on the budget and personnel of each
3 affected organizational unit or administrative body,
4 including but not limited to the amount of funds and the
5 number of employees that will be transferred from one (1)
6 organizational unit or administrative body to another, any
7 reductions in the state work force resulting from the
8 reorganization, and the methods to be utilized to achieve
9 such reductions.
10 (4) When a proposed reorganization plan is submitted
11 for review under subsection (2) of this section the
12 presiding co-chairman of the Legislative Research
13 Commission shall determine which interim joint legislative
14 committee has appropriate jurisdiction and shall refer the
15 plan to such committee within ten (10) days after the
16 Director of the Legislative Research Commission receives
17 the proposal. The interim joint legislative committee to
18 which it is referred shall review the plan to determine
19 whether the plan can reasonably be expected to achieve
20 greater economy, efficiency or improved administration in
21 state government <u>and whether it complies with the</u>
22 <u>requirements of subsection (3) of this section</u>. The
23 committee shall report its findings to the Legislative
24 Research Commission. The committee shall review and report
25 on the plan within sixty (60) days after it is filed with
26 the Legislative Research Commission. If the committee does

1 not report on a proposed plan within the time specified in
2 this subsection, the plan shall be considered reviewed by
3 the interim joint legislative committee with appropriate
4 jurisdiction.
5 (5) A temporary reorganization effected under
6 subsections (2) to (4) of this section shall be terminated
7 ninety (90) days after sine die adjournment of the next
8 Regular Session of the General Assembly unless otherwise
9 specified by the General Assembly. The Governor or other
10 officer who promulgated a temporary reorganization plan
11 under this section shall recommend legislation to the
12 General Assembly to confirm the temporary reorganization
13 plan. The subject matter of each executive order relating
14 to reorganization shall be presented to the General
15 Assembly in a separate bill. The House and Senate standing
16 committees to which is referred legislation confirming a
17 temporary reorganization plan shall take into
18 consideration whether the plan when presented for review
19 to an interim joint committee complied with the
20 requirements of subsection (3) of this section. The
21 committees shall not give favorable recommendation to, nor
22 shall the General Assembly enact, a temporary
23 reorganization plan, until the committees have determined
24 that the plan meets the requirements of subsection (3) of
25 this section. If the General Assembly fails to enact the
26 temporary reorganization plan or an alternative to such

1 plan, the organizational structure that existed
2 immediately prior to the implementation of the temporary
3 plan shall be reinstated upon the termination of the
4 temporary plan. If the General Assembly fails to enact a
5 temporary reorganization plan, the Governor and other
6 elected state executive officers shall not effect the plan
7 prior to the next succeeding session of the General
8 Assembly.
9 (6) The Legislative Research Commission or the
10 Legislative Program Review and Investigations Committee
11 may monitor the implementation of any reorganization plan
12 to determine the extent to which the anticipated
13 improvements in economy, efficiency or administration have
14 been realized as a result of the reorganization and shall
15 report its findings to the General Assembly.
16 (7) Funds transferred due to reorganization shall be
17 maintained in separately designated accounts. Any excess
18 funds resulting from a reorganization shall lapse to the
19 general fund surplus account.
20 Section 2. KRS 12.027 is amended to read as follows:
21 When the Governor or another elected official effects
22 a temporary reorganization under KRS 12.028, he shall do
23 so by executive order filed with the Legislative Research
24 Commission and the Secretary of State, and he shall
25 clearly designate the order as one relating to
26 reorganization. The Secretary of State shall keep a copy

1 of all executive orders relating to organization. Each
2 executive order filed with the Legislative Research
3 Commission under this section shall have its complete text
4 printed in The Administrative Register.
5 Section 3. KRS 13A.050 is amended to read as follows:
6 (1) The Legislative Research Commission shall
7 compile, publish and distribute the administrative
8 regulations filed by administrative bodies. This
9 compilation shall be known as the Kentucky Administrative
10 Regulations Service and shall constitute the official
11 state publication of administrative regulations.
12 (2) There is hereby created a publication known as
13 "The Administrative Register" to be printed and published
14 on a monthly basis by the Legislative Research Commission
15 for the purpose of giving notice of proposed
16 administrative regulations filed in accordance with this
17 chapter and notice of executive orders filed in accordance
18 with KRS 12.027. Every administrative regulation and
19 executive order effecting a temporary reorganization
20 forwarded to the Legislative Research Commission shall
21 have its complete text printed in The Administrative
22 Register along with the accompanying statements required
23 by KRS 13A.190 and 13A.210 through 13A.250.
24 (3) The Administrative Register shall be published
25 the first day of each month and shall include all proposed
26 administrative regulations, and all executive orders

1 effecting a temporary reorganization, received by the
2 Legislative Research Commission by 12:00 noon, eastern
3 time, on the fifteenth day of the preceding month. When
4 the fifteenth day falls on a Saturday, Sunday, or holiday
5 the deadline is the working day which immediately precedes
6 the Saturday, Sunday, or holiday.
7 (4) The compiler shall cause to be prepared a
8 certificate to the effect that the text of the
9 administrative regulations as printed in this service is
10 correct. One (1) copy of the Kentucky administrative
11 regulations service with the original certificate therein
12 shall be maintained in the Office of the Secretary of
13 State. All other copies shall contain a printed copy of
14 the certificate and shall constitute prima facie evidence
15 of the law in all courts and proceedings.
16 (5) The commission shall prescribe reasonable fees
17 for subscription to the Kentucky administrative
18 regulations service and The Administrative Register. All
19 fees paid to the commission for these publications shall
20 be placed in the State Treasury to the credit of a
21 revolving, trust or agency fund account, for use by the
22 Legislative Research Commission in carrying out the
23 provisions of this section.
24 (6) Copies of regulatory impact analysis shall be
25 made available to any interested party upon request to the
26 Legislative Research Commission. The commission may

1 prescribe reasonable fees for duplication services and all
2 fees paid to the commission for duplication services shall
3 be placed in the state treasury to the credit of a
4 revolving trust or agency fund account, for use by the
5 Legislative Research Commission in carrying out the
6 provisions of this subsection.
7 Section 4. KRS 12.060 is amended to read as follows:
8 (1) The heads of statutory departments, with the
9 approval of the secretary of the Finance and
10 Administration Cabinet, may establish such subordinate
11 positions as may be necessary and make appointments
12 thereto, within the limitations of their appropriations,
13 and removals therefrom. All appointees to such positions
14 shall be under the supervision, direction and control of
15 the heads of the respective departments and shall perform
16 such duties as the heads of the departments prescribe. The
17 appointment of all employees not otherwise provided for
18 shall be made by the heads of the departments.
19 (2) The head of any department, with the approval of
20 the secretary of the Finance and Administration Cabinet,
21 may abolish unnecessary [~~offices and~~] positions,
22 transfer officers and employees between positions, and
23 change the duties, titles and compensation of existing
24 [~~offices and~~] positions, subject to any provision of law
25 in relation thereto.
26 Section 5. KRS 194.040 is amended to read as follows:

1 (1) [The secretary shall, subject to the provisions
2 of KRS Chapter 12, establish the internal organization of
3 the offices and bureaus not established in 1974 Acts ch.
4 74, Art. VI, and shall organize the cabinet into such
5 offices, divisions, regions, districts, and other
6 administrative units as the secretary deems necessary to
7 perform the functions, exercise the powers, and fulfill
8 the duties of the cabinet.
9 (2) The secretary shall have any and all necessary
10 powers and authority subject to appropriate provisions of
11 the statutes to create such positions and employ the
12 necessary personnel in such positions to enable the
13 cabinet to fulfill all functions assigned to it.] The
14 secretary shall designate a person to act as deputy for
15 him in the exercise of his duties in his absence.
16 (2)[(3)] The secretary shall with the approval of
17 the Governor elect coverage for employees of the cabinet
18 under the unemployment insurance law when required by
19 federal law.
20 Section 6. KRS 216.593 is amended to read as follows:
21 The provisions of KRS 12.028 [and 194.040(1)] shall
22 not apply to KRS 216.537 to 216.590.
23 Section 7. The following KRS sections are repealed:
24 15A.090 Internal organization.
25 174.035 Internal organization -- Divisions.
26 224.014 Organization of cabinet.

GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

REGULAR SESSION 1990

SENATE BILL NO. 363

THURSDAY, MARCH 15, 1990

The following bill was reported to the House from the Senate and ordered to be printed.

AN ACT relating to reorganization.

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

1 Section 1. KRS 12.255 is amended to read as follows:
2 There is hereby established the office of secretary
3 for each of the program cabinets listed in KRS 12.250.
4 Each of these program cabinets shall be headed by a
5 secretary appointed by the Governor, [*and*] each
6 secretary shall be chairman of the related cabinet, and
7 each secretary shall be bonded as required by KRS 62.160.
8 Section 2. KRS 12.260 is amended to read as follows:
9 There is hereby established in the office of
10 secretary for public protection and regulation [*(*
11 *(1)*] a deputy secretary, appointed by the secretary
12 pursuant to KRS 12.050, who shall be responsible for and
13 engaged in operations of the cabinet and any other duties
14 as assigned by the secretary, and in the absence of the
15 secretary, have authority over cabinet affairs[*; and*
16 *(2) The position of ombudsman. The ombudsman shall*
17 *be appointed by the Governor on the advice of the*
18 *secretary for public protection and regulation. The*
19 *ombudsman shall provide a review of complaints by citizens*
20 *with regard to services rendered by the agencies in the*
21 *Cabinet for Public Protection and Regulation that cannot*

1 be resolved through normal administrative remedies. The
2 files of the ombudsman shall be made available to the
3 secretary in order to guide the correction of operational
4 difficulties and other causes of citizen complaint].
5 Section 3. KRS 12.270 is amended to read as follows:
6 (1) The secretary of each cabinet shall:
7 (a) Be a member of the Governor's Cabinet and shall
8 serve as the Governor's liaison in carrying out the
9 responsibilities for overall direction and coordination of
10 the departments, boards and commissions included in the
11 related cabinet;
12 (b) Recommend to the Governor desired reorganization
13 affecting the related cabinet;
14 (c) Advise the Governor on executive actions,
15 legislative matters and other steps that may be desirable
16 for better program service;
17 (d) Evaluate and pass upon all budget requests
18 originated by the departments, boards and commissions
19 within the [such] related cabinet;
20 (e) Advise the Governor on the appointment of
21 commissioners and heads of units included in the related
22 cabinet, except for those whose election or selection is
23 otherwise provided for by law.
24 (2) Each secretary is authorized to accept and
25 expend funds from any source, whether public or private,
26 in support of the duties and responsibilities of the

1 related cabinet.

2 (3) Each secretary shall have any and all necessary
3 power and authority, subject to appropriate provisions of
4 the statutes, to create such positions and to employ the
5 necessary personnel in such positions to enable the
6 secretary to perform the functions of his office.

7 (4) Each secretary shall have exclusive control and
8 direction over the administration of the related cabinet
9 programs as required by law.

10 Section 4. KRS 42.012 is amended to read as follows:

11 The secretary of the Finance and Administration
12 Cabinet shall be the chief financial officer of the state
13 and the adviser of the Governor and the General Assembly
14 in financial matters, and shall at all times protect the
15 financial interests of the state. [He shall be
16 responsible to the Governor for the administration of the
17 cabinet.]

18 Section 5. KRS 42.013 is amended to read as follows:

19 (1) The office of the secretary of the Finance and
20 Administration Cabinet [which is hereby created] shall
21 include a deputy secretary who shall be appointed by the
22 secretary with the approval of the Governor. The deputy
23 secretary shall be responsible to and have such authority
24 to sign for the secretary as the secretary designates in
25 writing.

26 (2) [The secretary may employ and maintain, subject

1 to the provisions of KRS Chapter 18A, such other
2 supporting staff as he deems necessary to execute the
3 functions, duties, and responsibilities of the cabinet.]
4 The secretary may organize the office into such additional
5 administrative units as he deems necessary to perform the
6 functions and fulfill the duties of the cabinet, subject
7 to the provisions of KRS Chapter 12.
8 (3) All appointments under this chapter to positions
9 not in the classified service shall be made pursuant to
10 KRS 12.050 and such appointees shall be major assistants
11 to the secretary and shall assist in the development of
12 policy.
13 Section 6. KRS 131.020 is amended to read as follows:
14 (1) [The Revenue Cabinet shall be headed by the
15 secretary of revenue, who shall be the executive officer
16 and shall have sole charge of the administration of the
17 cabinet, and shall perform all functions of the cabinet.
18 (2)] The Revenue Cabinet shall be organized into
19 the following functional units:
20 (a) Office of the secretary. The office of the
21 secretary shall include such principal assistants and
22 personnel appointed by the secretary pursuant to KRS
23 Chapter 12 as are necessary to enable the secretary to
24 perform functions of his office;
25 (b) Department of Property Taxation. The Department
26 of Property Taxation shall be headed by a commissioner.

1 The functions and duties of the department shall include
2 mapping, providing assistance to property valuation
3 administrators, supervising the property valuation process
4 throughout the Commonwealth, valuating the property of
5 public service companies, and administering intangible
6 taxes;
7 (c) Department of Processing and Enforcement. The
8 Department of Processing and Enforcement shall be headed
9 by a commissioner. The functions and duties of the
10 department shall include recordkeeping, providing data
11 services, conducting audits, providing liaison with
12 federal and state agencies, rendering taxpayer assistance,
13 and collecting delinquent taxes;
14 (d) Department of Professional and Support Services.
15 The Department of Professional and Support Services shall
16 be headed by a commissioner. The functions and duties of
17 the department shall include reviewing audits, conducting
18 conferences, issuing final rulings, administering taxpayer
19 protests, establishing Revenue Cabinet tax policies,
20 representing the Revenue Cabinet in legal and
21 administrative actions, providing management analysis,
22 preparing publications, and providing personnel, fiscal
23 and word processing services.
24 (2)[(3)] The Revenue Cabinet shall be organized
25 for administrative convenience into divisions in
26 accordance with KRS Chapter 12.

1 (3)[~~(4)~~] The Revenue Cabinet shall fully cooperate
2 with and make information on tax receipts available to the
3 Finance and Administration Cabinet's Office of Revenue
4 Estimating and Economic Analysis as necessary for the
5 office to perform its duties.
6 Section 7. KRS 148.522 is amended to read as follows:
7 (1) ~~[There is hereby created an agency of state~~
8 ~~government to be known as the tourism cabinet. The cabinet~~
9 ~~shall be headed by a secretary who shall be appointed by~~
10 ~~the Governor pursuant to the provisions of KRS 12.040. The~~
11 ~~secretary shall appoint such principal assistants and~~
12 ~~personnel pursuant to the provisions of KRS Chapters 12~~
13 ~~and 18A as are necessary to enable him to perform the~~
14 ~~functions of his office.~~
15 ~~(2)~~] The Tourism Cabinet shall consist of the
16 office of the secretary, the Office of General Counsel,
17 the Office of Administrative Services, the Department of
18 Travel Development, the Department of Parks, and such
19 other divisions and sections as are from time to time
20 deemed necessary for the proper and efficient operation of
21 the cabinet, subject to the provisions of KRS Chapter 12.
22 (2)[~~(3)~~] The Office of General Counsel shall be
23 headed by a general counsel appointed by the secretary
24 pursuant to KRS 12.210, shall provide legal services for
25 the cabinet and shall be directly responsible to the
26 secretary.

1 (3)[(4)] The Department of Travel Development
2 shall be headed by a commissioner appointed by the
3 Governor pursuant to the provisions of KRS 12.040. The
4 commissioner shall have the authority and responsibility
5 for the promotion, development, and support services for
6 the tourism industry within the Commonwealth.
7 (4)[(5)] The Divisions of Tourism Services and
8 Marketing and Advertising Services are created within the
9 Department of Travel Development. Each division shall be
10 headed by a division director who shall be appointed by
11 the commissioner of the department pursuant to the
12 provisions of KRS 12.050. The Division of Tourism Services
13 shall operate the highway welcome centers, conduct a
14 hospitality education program for the tourism industry,
15 coordinate the provision of mail and telephone information
16 services to visitors, and generate sales revenue to the
17 tourism industry of the Commonwealth through participation
18 in trade shows and markets. The Division of Marketing and
19 Advertising Services shall be responsible for state
20 tourism advertising, the state matching fund tourism
21 advertising program, the development and maintenance of a
22 marketing and research data base on tourism, market survey
23 programs and special studies related to the tourism
24 industry.
25 Section 8. KRS 194.010 is amended to read as follows:
26 The Cabinet for Human Resources, [(]hereinafter

1 referred to in this chapter as the "cabinet,"[~~) is hereby~~
2 ~~created as a new department of state government. The~~
3 ~~cabinet~~] shall be the primary state agency responsible
4 for the development and operation of human services,
5 health, income supplement, manpower training, employment
6 and unemployment programs, facilities, and other related
7 services, including all such federal programs in which the
8 state elects to participate. The cabinet shall promote,
9 supervise, and regulate local, public, and private
10 programs, services, and facilities, which protect, develop
11 and maintain the health, welfare, personal dignity,
12 integrity, and sufficiency of the individual citizens of
13 the Commonwealth.
14 Section 9. KRS 194.025 is amended to read as follows:
15 (1) The secretary <u>for human resources</u> and his
16 designated representatives in the discharge of the duties
17 of the secretary [~~for human resources~~] may administer
18 oaths and affirmations, take depositions, certify official
19 acts, and issue subpoenas to compel the attendance of
20 witnesses and production of books, papers, correspondence,
21 memoranda and other records considered necessary and
22 relevant as evidence at hearings held in connection with
23 the administration of the cabinet.
24 (2) The secretary may delegate any duties of his
25 office to employees of the cabinet as he deems necessary
26 and appropriate, unless otherwise prohibited by statutes.

1 (3) The secretary may enter into such contracts and
2 agreements with individuals, colleges, universities,
3 associations, corporations, municipalities, and other
4 units of government as may be deemed necessary and
5 advisable to carry out the general intent and purposes of
6 the cabinet.
7 Section 10. KRS 196.035 is amended to read as
8 follows:
9 The secretary shall, except as otherwise provided in
10 KRS 439.250 to 439.560 and KRS Chapter 13A, have the power
11 and authority to adopt, amend or rescind administrative
12 [such rules and] regulations [as] he deems necessary
13 or suitable for the proper administration of the functions
14 of the cabinet or any division in the cabinet [therein],
15 including qualification for the receipt of federal funds
16 and for cooperation with other state and federal agencies.
17 [The secretary is authorized, subject to the provisions
18 of KRS Chapters 12, 42 and 45, to appoint, fix the
19 compensation and prescribe the duties and powers of such
20 officers and employees as may be necessary in the
21 performance of his duties.] The secretary may delegate to
22 any [such] person appointed the [such] power and
23 authority as he deems reasonable and proper for the
24 effective administration of the cabinet.
25 Section 11. KRS 336.015 is amended to read as
26 follows:

1 (1) [There is hereby created a cabinet of state
2 government to be named the labor cabinet. The cabinet
3 shall be headed by a secretary who shall be appointed by
4 the Governor pursuant to KRS 12.040.] The secretary of
5 labor shall have the duties, responsibilities, power and
6 authority relating to labor, wages and hours, occupational
7 safety and health of employees, child labor,
8 apprenticeship, and all other matters except workers'
9 compensation previously [heretofore] under the
10 jurisdiction of the commissioner and Department of Labor.
11 (2) The Labor Cabinet shall consist of the offices
12 of the secretary, General Counsel, Administrative Services
13 and Labor-Management Relations, and the Departments of
14 Workplace Standards and of Workers' Claims. The
15 commissioner of the Department of Workplace Standards
16 within the Labor Cabinet shall be under the direction and
17 control of the secretary of the Labor Cabinet.
18 (3) The secretary may [appoint such personnel,
19 including an ombudsman, as are necessary to perform the
20 duties of the cabinet provided, however, the secretary of
21 labor may] not appoint personnel necessary to perform the
22 functions of the Department of Workers' Claims.
23 Section 12. KRS 62.160 is amended to read as follows:
24 (1) The state officers elected by the voters of the
25 state at large, [(]except the Governor and Lieutenant
26 Governor[)], the heads of departments and cabinets of

1 the state government, the adjutant general, the members of
2 the Public Service Commission, the members of the State
3 Fair Board and Fish and Wildlife Resources Commission, and
4 the members of the Kentucky Board of Tax Appeals and the
5 Alcoholic Beverage Control Board, shall each give bond.
6 The amounts of the bonds shall be fixed by the Governor,
7 which amounts as to those offices set forth in subsection
8 (2) of this section shall be not less than the amounts set
9 forth for the respective offices. At any time when it
10 appears to be to the interest of the Commonwealth the
11 Governor may increase the penal sum of any bond or require
12 a renewal <u>of the bond</u> [~~thereof~~] with other or additional
13 surety.
14 (2) The minimum sum of the bond for the following
15 offices shall be as follows:
16 Secretary of State.....$10,000
17 Attorney General..... 10,000
18 State Treasurer.....300,000
19 Secretary for <u>economic</u> development..... 10,000
20 Commissioner of Agriculture..... 10,000
21 Secretary for education and [~~the~~] humanities.....
22 10,000
23 Superintendent of Public Instruction..... 50,000
24 Auditor of Public Accounts..... 25,000
25 [~~Clerk of Court of Appeals..... 10,000~~]
26 Adjutant general..... 10,000

1 Secretary of finance and administration.....100,000
2 Secretary of revenue..... 50,000
3 Secretary of transportation..... 50,000
4 Commissioner of highways..... 50,000
5 Secretary of justice..... 50,000
6 Secretary of corrections..... 25,000
7 Commissioner for health services..... 10,000
8 Secretary of labor..... 5,000
9 Commissioner of surface mining..... 50,000
10 State librarian..... 5,000
11 Commissioner of mines and minerals..... 5,000
12 Commissioner of alcoholic beverage control..... 10,000
13 Commissioner of financial institutions..... 25,000
14 Secretary for natural resources and environmental
15 protection..... 10,000
16 Commissioner of insurance..... 50,000
17 Commissioner of vehicle regulation..... 10,000
18 Commissioner of fish and wildlife resources..... 5,000
19 Secretary for human resources..... 20,000
20 Commissioner for environmental quality..... 10,000
21 Secretary for public protection and regulation..... 10,000
22 Secretary of tourism..... 25,000
23 Commissioner of social insurance..... 20,000
24 Member of the Public Service Commission..... 10,000
25 Member of State Fair Board..... 10,000
26 Member of Fish and Wildlife Resources

1 Commission..... 1,000
2 Member of Kentucky Board of Tax Appeals..... 10,000
3 Associate member of Alcoholic Beverage Control
4 Board..... 5,000
5 Commissioner of local government.....100,000
6 Section 13. The following KRS sections are repealed:
7 15A.010 Department of justice established --
8 Secretary.
9 42.011 Finance and Administration cabinet created --
10 Office of secretary.
11 174.010 Transportation cabinet established --
12 Secretary.
13 194.020 Secretary as chief officer.
14 224.011 Natural resources and environmental
15 protection cabinet -- Secretary.

APPENDIX 4

AGENCY RESPONSES TO THE RECOMMENDATIONS BEFORE THE COMMISSION ON KENTUCKY'S GOVERNMENT

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Commonwealth of Kentucky
Cabinet for Economic Development
Capital Plaza Office Tower
Frankfort, KY U.S.A. 40601

Wallace G. Wilkinson, Governor
Gene C. Royalty, Secretary

December 6, 1989

Mr. Greg Freedman
Legislative Research Commission
State Capitol
Frankfort, KY 40601

Dear Greg:

Thank you for the opportunity to respond to the proposed recommendations of the Commission on Kentucky's Government. We agree with the recommendations that the Cabinet for Economic Development involve the Natural Resources and Environmental Protection Cabinet in the process of locating industry in Kentucky, because there is a certain amount of involvement already.

I would like to point out that it is the policy of the Cabinet now to involve other appropriate agencies such as the Department of Local Government, Natural Resources and Human Resources in the deliberations connected with locating industries in Kentucky. Environmental protection issues are also given consideration in cases where state and federal funds are used. Moreover, we try to attract responsible, technically advanced firms through our industrial marketing efforts.

The Cabinet supports the development of an environmental policy for the state with input from the Governor's Office and this Cabinet.

Again, I appreciate the opportunity to respond to the Commission's recommendation.

Sincerely,

Gene C. Royalty

Gene C. Royalty

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CARL H. BRADLEY
SECRETARY

WALLACE G. WILKINSON
GOVERNOR

COMMONWEALTH OF KENTUCKY
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET
OFFICE OF THE SECRETARY
FRANKFORT, KENTUCKY 40601
TELEPHONE (502) 564-3350

November 16, 1989

Senator John A. "Eck" Rose, Co-Chairman
Representative Donald J. Blandford, Co-Chairman
Commission on Kentucky's Government
Legislative Research Commission
State Capitol
Frankfort, Kentucky 40601

Gentlemen:

Thank you for the opportunity to respond to the recommendations of your Commission in its review of our Cabinet, its functions and its makeup.

I am heartened by the comment, "don't fix what isn't broken," which was used in your report following the study of the activities and effectiveness of this Cabinet. I enthusiastically concur.

However, the suggestion that our Department of Law be abolished certainly violates that tenet and I feel I must vigorously respond to such a notion.

Interestingly, the report cites testimony which buttressed the Commission's thinking about the Cabinet's organization, except in the instance of the notion that the Department of Law be done away with. There is no citation of any testimony which puts the Department under a cloud. Further, the recommendation to disband the Department of Law carries no evidence that the Department is not functioning well.

The report does not reflect any consideration of the fact that the Department was created as a result of the growth in the Cabinet's legal staff over 11 years from 15 to its current level of nearly 100.

I must tell you that I consider the Department of Law an appropriate designation for a very necessary policy-making element of this Cabinet. The report does not indicate that the Commission is aware of the effectiveness and efficiency of the Department, which are standards against which your recommendations were to be made.

The Department of Law has very capably protected the interests of the Commonwealth and its citizens in matters having to do with the detrimental effects of unreclaimed strip mine sites and the dangers of air, water and waste pollution.

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Further, the report seems unduly concerned with the role of the Commissioner of the Department of Law as a policy maker. He should be. Were he, instead, still the head of the Office of General Counsel, he would continue in a policy-making role. Surely you would agree that no matter what he is called, the Cabinet's chief attorney should be a policy-making official.

Finally, let me call your attention to the real need in the Cabinet's legal section, with its many attorneys and support staff, of levels of supervision and management capability which would not exist in an office structure. The Department now provides supervisory levels which allow effective management and maximize the talents and resources of the agency.

Again, I urge your re-examination of this very troubling recommendation for reorganization. I do so in the interest of recognizing the immense contribution of the Department of Law as a competent and effective agency integral to the protection of the people and the environment. I ask that you retain the thought expressed in your report that this Cabinet be left as it is currently constructed.

Respectfully,

Carl H. Bradley

CHB/srw

WALLACE G. WILKINSON
GOVERNOR

MARY RAY OAKEN
SECRETARY

TOURISM CABINET
CAPITAL PLAZA TOWER
24TH FLOOR
FRANKFORT, KY 40601

November 8, 1989

Mr. Greg Freedman
Legislative Research Commission
State Capitol
Frankfort, Kentucky 40601

Dear Mr. Freedman:

I have read the Response to Recommendations before the Commission on Kentucky's Government and concur with the findings. The Tourism Cabinet is now in the process of drafting legislation which would define the duties of the Secretary of Tourism.

If this office can be of further assistance, please let us know.

Sincerely,

Mary Ray Oaken

Mary Ray Oaken
Secretary

WALLACE G. WILKINSON
GOVERNOR

EDUCATION AND HUMANITIES CABINET
OFFICE OF THE SECRETARY

JACK D. FOSTER, PH.D.
SECRETARY

November 22, 1989

Mr. Greg Freedman
Legislative Research Commission
State Capitol
Frankfort, Kentucky 40601

Dear Mr. Freedman:

This is in response to the memorandum concerning the recommendations of the Commission on Kentucky's Government.

The Governor believes the current Cabinet structure is a useful and effective means of developing and managing education and related policies and programs in Kentucky. However, notwithstanding the executive perspective on this issue, we believe decisions regarding this Cabinet would be more appropriately reviewed and resolved as part of the ongoing study process of the Task Force on Education Reform. The Task Force is charged with a comprehensive mandate to examine and recommend a complete system of education governance and services. In that regard, we believe any decisions pertaining to organizational changes and the restructuring of the education delivery system in Kentucky should be deferred to the Task Force on Education Reform for appropriate resolution.

Sincerely,

Jack D. Foster

Jack D. Foster, Ph.D.

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Kentucky Department of Education

John H. Brock, Superintendent of Public Instruction
Capital Plaza Tower, Frankfort, Kentucky 40601

MEMORANDUM

TO: Greg Freedman
Staff Coordinator

FROM: Dan H. Branham
Deputy Superintendent for
Research and Planning

DATE: November 22, 1989

SUBJECT: Commission on Kentucky's Government Recommendations

The attached document was prepared and submitted to the Commission on Kentucky's Government in September 1989. This document still accurately represents the Department of Education's reaction to the recommendations before the Commission.

In addition, the following suggestions are presented:

1. Recommendations #10 and #11 should be combined to broaden the description of services.

2. Establish a free standing agency for adult and technical education.

3. The term "Manpower Services" should be changed to "Employment Services" to be consistent with the current agency title.

If you have any questions please give me a call.

COMMISSION ON KENTUCKY'S GOVERNMENT: SCR 83

Impact of Committee Recommendations on the Kentucky Department of Education

1. Eliminate the Division of Surplus Property in the Department of Education.

   No Impact. *The Division must operate on agency receipts and has difficulty meeting expenses. It can be merged with the State Surplus Property operation.*

2. Support legislation to remove the high school athletic appeals process from the State Board of Elementary and Secondary Education if an appeals process is provided in some fashion.

   No Impact

3. Recommend an external study of the Department of Education to determine the appropriate organizational structure and the level of resources required for the Department to meet its mission as established by the General Assembly.

   No Impact. *However, the results of such a study could have* great impact.

4. Recommend a computerized communications system designed to provide teachers with instant access to performance and program information, and link the Department of Education and the local districts for the transference of reports.

   Positive Impact. *The Department of Education needs such a network and requested money from the 1988 Legislature to establish a KENS system. Funding was denied.*

5. Recommend that the Department of Education be post-audited on personnel and expenditures rather than receiving prior approval from the Department of Finance and Administration and the Department of Personnel for all transactions.

   Positive Impact

6. Recommend that a statewide job placement service be made available by the Department of Education for instructional and administrative personnel.

   No Impact

7. **Recommend that the state's accreditation process and the Southern Association of Colleges and Schools' accreditation process occur at the same time in districts that belong to the Southern Association.**

   No Impact

8. **Recommend that the General Assembly set standards for schools and implement a stringent monitoring process which will require a level of quality in every individual school that is acceptable by the Southern Association of Colleges and Schools.**

   No Impact. *The state accreditation process is now more stringent than accreditation from the Southern Association of Colleges and Schools. Everything the state now mandates is in the Department of Education accreditation standards. However,* **positive impact** *would result if the state would fund everything that is mandated.*

9. **Expand opportunities for highly qualified individuals to enter teaching as a career.**

   No Impact *on Department of Education.* **Positive Impact** *on education throughout state.*

10. **Recommend the establishment of a separate free-standing board for post-secondary education. The board would administer programs and services related to areas of post-secondary education which would include vocational schools, community colleges, adult basic and adult literacy programs, and programs funded by the Office of Vocational Rehabilitation, Bluegrass State Skills Corporation and Manpower Services.**

    No Impact *on Department of Education.* **Positive Impact** *on Vocational Education if it is placed with the agencies named. Merely moving post-secondary vocational education out of the Department of Education, as has been recommended many times in the past, would not give it the viability it needs. By placing it with these other agencies, it would have the political strength to secure the funding for the delivery of services necessary to impact economic development throughout the Commonwealth. This organizational structure would give the state three distinct organizations responsible for education: higher education, post-secondary education and elementary and secondary education.*

11. **Organize programs for adult basic education into one agency to improve coordination of programs.**

    No Impact *on Department of Education.* **Positive Impact** *on adult education programs in coordinated delivery of services to the citizens of the Commonwealth by combining the Department's GED and literacy programs, the Literacy Commission, the GED Foundation, KET's GED program and Martha's GED Army into one Department or Office.*

SPW 9/21/89

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE
FRANKFORT, 40601-3493

BREMER EHRLER
SECRETARY OF STATE

(502) 564-3490
FAX: (502) 564-4075

November 22, 1989

Hand-delivered

Mr. Greg Freedman
Legislative Research Commission
State Capitol
Frankfort, KY 40601

RE: Response to Recommendations Before the Commission on Kentucky's Government

Dear Mr. Freedman:

This letter is in response to a memo received from Senator John A. "Eck" Rose, Co-Chair and Representative Donald J. Blandford, Co Chair of the Commission on Kentucky Government, dated November 3, 1989, a copy of which is attached hereto. This will serve as my official response to said recommendations. Specifically I wish to respond to the first proposal outlined on page three of the final report of the Committee on General Government, Finance and Public Protection which states:

Proposed Constitutional Amendments
Relating to Statewide Elected Officials

(1) The General Assembly should place upon the ballot a constitutional amendment which would reduce the number of officers elected statewide to four: the Governor, the Lieutenant Governor, the Attorney General and the Auditor of Public Accounts. The Governor and Lieutenant Governor should be slated as a team prior to the primary election."

My response will be limited to the above item. First, the reduction of the elected statewide officials to four from the current number of eight is a weakening of the checks and balances system as set forth between the various branches of government. There should be at least eight elected officials the voting public can hold accountable for the job they do. This accountability is oftentimes what makes the difference between good and bad government. The proposed constitutional amendment takes the accountability away from elected officials, and weakens the current government in the Commonwealth of Kentucky.

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If it is the decision of our General Assembly to reduce the number of elected statewide officials, it is my opinion based upon the experience of other states and the current duties and responsibilities of existing elected offices in Kentucky, that the Secretary of State's position should remain, with the Lieutenant Governor's position being abolished. The Secretary of State maintains corporate, legislative and executive branch records for the Commonwealth, is chairman of the State Board of Elections and responsible for a staff of 57 employees. The importance of the continuous daily activities of the Office of Secretary of State has been recognized by seven sister states: Arizona, Maine, New Hampshire, New Jersey, Oregon, West Virginia, and Wyoming. These states do not have a Lieutenant Governor, but have a Secretary of State. Only Alaska, Hawaii, and Utah do not have a Secretary of State. Furthermore, the recent impeachment of the the Governor of Arizona, resulting in the succession of the Arizona Secretary of State into governorship, clearly shows that gubernatorial succession can be resolved satisfactorily without a lieutenant governor.

I trust the commission looks at my response as set forth above with the understanding it is offered with a desire to improve state government. Thank you very much.

Sincerely,

Bremer Ehrler

Bremer Ehrler
Secretary of State

jlh
Enclosure

WARD "BUTCH" BURNETTE
COMMISSIONER

OFFICE TELEPHONE
502-564-4696

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF AGRICULTURE
CAPITAL PLAZA TOWER
FRANKFORT, KENTUCKY 40601

November 21, 1989

Commission on Kentucky's Government
c/o Mr. Greg Freedman
Legislative Research Commission
State Capitol Building
Frankfort, Kentucky 40601

Dear Commission Members:

This is in response to the recommendations before the Commission pertaining to the executive branch of state government.

I am opposed to a constitutional amendment that could prohibit the voters of the Commonwealth from determining who serves as Commissioner of Agriculture. I favor a constitutional amendment that would allow constitutional officers to serve two consecutive terms.

During my term as commissioner, I have often contemplated the issue as to whether the agriculture department and agricultural interests would be better served by an appointed commissioner. Proponents have underscored the need for continuity and the desire to remove politics from the department.

It is my judgment that continuity is indeed a problem, but that there is no possible manner in which to appoint a commissioner without a high degree of political influence. I cannot foresee a scenario whereby any commission responsible for appointing the commissioner would be void of political influences. Under such a system, governors, legislators, special interest groups and bureaucrats would, in effect, be prone to making a decision that is in their best interest, rather than that of the citizens of our Commonwealth.

Statistics reveal that the rural population is declining. As a result, the rural community is greatly concerned that their voice will not be heard in state government. The agriculture commissioner historically has been that voice for rural Kentuckians. Removing their right to choose who serves their interest would further weaken rural Kentucky's voice in public policy and administrative issues.

Moreover, a large section of the commissioner's responsibilities include administration of consumer safety programs that affect all Kentuckians. Therefore, all Kentuckians have a stake in the performance of the agriculture department and should justifiably retain the right to determine its leadership.

Additionally, the voters of the Commonwealth repeatedly have expressed a negative feeling on the issue of abolishing a constitutional office. The most recent defeat of such a proposed amendment came in 1986, and in a convincing fashion. Voters have been afforded the opportunity to address this issue. Resurrecting what should be regarded as a dead issue would amount to an unwarranted expense of government resources.

Conversely, there is ample evidence that a succession amendment would serve the best interest of our Commonwealth. There can be no question that succession would pave the way to greater continuity and more effective administration in state government. My greatest fear as commissioner is that my successor will not share my enthusiasm and dedication for the many programs implemented in this administration. The success of many of these programs, such as our efforts in international marketing, a strong brucellosis program, and our hay grading and marketing program, hinges on a continuing commitment.

In the absence of the ability to seek another term, I can only fear a demise of programs which our department has worked tirelessly to implement and to promote growth.

Succession of the agriculture commissioner is a proven success in many states, most notably in Texas, North Carolina, Virginia and Florida. The National Association of State Departments of Agriculture has repeatedly recognized the departments in those states for excellence in marketing and regulatory functions. Because of succession, those departments have had the ability to set long-range objectives, establish programs and carry them through to fruition.

In summation, I hope the commission will recognize that the citizens of Kentucky have already spoken on their right to choose constitutional officers, but deserve an opportunity to determine whether they have a right to retain those officials.

Respectfully,

Ward "Butch" Burnette

WALLACE G. WILKINSON
GOVERNOR

OFFICE OF THE SECRETARY
FINANCE AND ADMINISTRATION CABINET
301 CAPITOL ANNEX
FRANKFORT, KENTUCKY 40601
(502) 564-4240

L. ROGERS WELLS, JR.
SECRETARY

November 22, 1989

Mr. Greg Freedman
Legislative Research Commission
The Capitol
Frankfort, Kentucky 40601

Dear Mr. Freedman:

As requested by the November 3, 1989, Memorandum from the Co-Chairmen of the Legislative Research Commission, the Finance and Administration Cabinet's responses to the recommendations before the Commission on Kentucky's Government are attached for circulation to the members of the Commission for their consideration.

We wish to express to the Commission our appreciation for the opportunity to comment on the proposals.

Sincerely,

L. Rogers Wells, Jr.
Secretary

Attachments

An Equal Opportunity Employer M/F/H

Response by the Finance and Administration Cabinet
to the Final Report of the
Committee on General Government,
Finance and Public Protection

Committee Recommendation:

Proposed constitutional amendments relating to Statewide Elected Officals.

The General Assembly should propose amending the constitution to reduce the number of Statewide elected officers to four: the Governor, the Lieutenant Governor, the Attorney General, and the Auditor of Public Accounts, and providing that such officers, beginning with those elected in 1995, will be eligible to succeed themselves for one additional four year term.

Finance and Administration Cabinet Response:

Governor Wilkinson has proposed that the Constitution be amended to allow constitutional officers elected at the general election in November 1987, and those elected after them, to succeed themselves for a term following their initial term. The amendments proposed by the Committee authorize, inter alia, successive terms for the Governor, Lieutenant Governor, Auditor of Public Accounts, and the Attorney General. This proposal has considerable merit and we can support it, but why make it effective in 1995? Why exclude the incumbents of those offices? Such amendments should be effective when the voters have approved them, not years later.

Committee Recommendation:

Office of the Attorney General

(1) The General Assembly should authorize the Attorney General to direct local prosecutors to investigate allegations of local government corruption, or to appoint a special prosecutor to conduct the investigation if the local prosecutor asks to be excused.

(2) The General Assembly should enact an Administrative Procedures Act so hearing procedures will be consistent throughout State Government.

(3) A committee should be appointed by the General Assembly or by the Governor, to be chaired by the Attorney General, to evaluate the salaries of attorneys employed by Executive Department and attorneys employed under contract with the Department of Public Advocacy, and make recommendations that would make the salaries competitive with similarly situated attorneys in surrounding states.

Finance and Administration Cabinet Response:

The Cabinet takes no position with respect to the first of the Committee's recommendations under the heading, Office of the Attorney General, nor does it have any objection to the third proposal, recommending appointment of a committee to study the compensation of attorneys employed by the State, we think, however, since the attorneys who will be the subject of the study are Executive Department employees, that the committee should be appointed by the Governor rather than by the General Assembly.

As respects the Committee's second proposal, that the General Assembly enact an Administrative Procedures Act, based on considerations of cost, and the fact that anyone aggrieved by administrative action has available an adequate judicial remedy, the Cabinet has historically opposed the adoption of an Administrative Procedures Act; for the same reasons, it continues to adhere to that view.

Committee Recommendation:

Office of the Auditor of Public Accounts

(1) The General Assembly should require local governments to submit to the Auditor plans to correct audit findings of noncompliance.

(2) The General Assembly should authorize the Auditor to charge agencies for financial and compliance audits and require agencies to pay for such audits, with receipts being deposited in the Auditor's agency account.

(3) The General Assembly should authorize the Auditor to randomly select sample county clerks for annual motor vehicle registration fees, provided, however, that each clerk should be audited at least once every three years.

(4) The General Assembly should review the necessity of requiring annual fee audits of county officials.

Finance and Administration Cabinet Response:

The Finance and Administration Cabinet accepts without objection Committee recommendations (1), (3), and (4), regarding the Auditor of Public Accounts, but takes exception to proposal (2), that the Auditor be authorized to charge, and State agencies be required to pay for financial and compliance audits by the Auditor. Such a law would be difficult to administer for two very sound reasons. First, agencies would have no control over the extent of audit services delivered by the Auditor. Therefore, there is no feasible way for agencies to accurately budget for or limit the cost of audits like there is for such optional services as data processing and printing. Second, unlike projected data procesing and printing costs, the expense of financial and compliance audits performed by the Auditor are not currently budgeted. Thus, existing agency budgets must either be increased by the projected costs of audits or other agency services and programs will have to be curtailed or eliminated to pay for the audits.

The Finance and Administration Cabinet believes for these reasons, that the Auditor's state audit functions should continue to be financed through General Fund appropriations according to the relative priority of the Auditor's functions among all other Executive agencies as set forth in the Governor's budget recommendations, subject to the General Assembly's authority to revise and reorder such budgetary priorities.

Committee Recommendation:

Finance and Administration Cabinet

(1) The General Assembly should propose an amendment eliminating the $500,000 limit on the issuance of general obligation bonds.

(2) The General Assembly should create a Commission on Capital Budgeting and Planning to annually review plans for state spending on capital projects and any projects to be financed by the issuance of bonds or other indebtedness.

(3) The General Assembly should consider consolidating some or all of the administrative services of the occupational and professional licensing boards and require them to be performed by the Division of Occupations and Professions; each board and commission to retain policy-making authority.

Finance and Administration Cabinet Response:

(1) Eliminating the cap on issuance of general obligation bonds.

The Finance and Administration Cabinet takes no position with respect to the Commission's recommendations regarding the elimination of the cap on incurrence of debt contained in Kentucky Constitution, Section 49, noting, however, that while there some fiscal advantages could accrue from this, elimination of the cap also would have the effect of allowing the General Assembly to borrow money in a manner similar to Congress, with potentially similar results. Implicit in this proposal is a recommendation to repeal Section 50 of the Constitution, requiring voter approval of the incurrence of general obligation debt in excess of $500,000.

(2) Commission on Capital Budgeting and Planning.

The Finance and Administration Cabinet shares concerns voiced by former State Budget Director Kevin Hable in testimony before the Debt Capacity Task Force about the recommendation for the creation of a commission or board to establish the State's capital project priorities. We believe such a board or commission would usurp a Gubernatorial prerogative conferred by Section 79 of the Kentucky Constitution to "recommend" to the General Assembly "such measures as he may deem expedient."

A commission to study capital projects and planning is unneeded, and is duplicative of planning functions already reposed in the Governor's cabinet by KRS 147.075. Such a commission will merely add to the bureaucracy and red-tape that is a bane to Government, complained about by all, but is mistaken for accountability by some. (Indeed, the Debt Capacity Task Force has proposed the establishment of a Capital Planning Advisory Board that will carry with it authorization for both the bureaucracy and the red-tape.) We have serious misgivings about the effectiveness of such a board. The board advocated by the task force will meet only occasionally and its functions will perforce have to be carried out by staff. The staff is to be responsive to a hydra-headed body that falls somewhere in the cracks between the constitutional departments of the government. To whom will it be ultimately responsible? The Constitution clearly gives the Governor the right to propose to the General Assembly "such measures as he may

deem expedient" and this clearly includes recommendations for capital projects that he considers are worthwhile and needed for the betterment of the State. The seeds of discord and constitutional confrontation are present in the proposal since it clearly will affect the right of a Governor to propose capital projects that are different from those the board may propose.

A board representative of the three departments of Government is not needed to plan capital projects. Legislation enacted during the 1979 Extraordinary Session of the General Assembly, directs that a recommended program of capital construction and purchases of major items of equipment be set out in the Governor's budget proposals. KRS 45.750 et seq. The Governor's recommendations are explained, discussed, and voted up or down during the legislative review and enactment of the Executive Budget. This is how the Constitution views the process of the Executive proposing and the Legislative disposing. This process has worked and should be allowed to work.

(3) Consolidation of administrative services for all occupational and professional licensing boards in the Division of Occupations and Professions.

The Finance and Administration Cabinet has no objection to this recommendation, provided adequate provisions are made for financing the division's operations. Some of the boards lack the financial resources to pay for their administrative services, and without funding in an amount sufficient to cover the costs of operations of the Division of Occupations and Professions, the Finance and Administration Cabinet must oppose this recommendation.

Committee Recommendation:

Public Protection and Regulation Cabinet

The General Assembly should require members of the Board of Claims/Crime Victim Compensation Board to be paid on a per diem basis for time spent attending meetings or reviewing case files.

Finance and Administration Cabinet Response:

The Finance and Administration Cabinet takes no position on this recommendation.

Committee Recommendation:

Labor Cabinet

The Committee recommends that the General Assembly direct that the Finance Cabinet's Office for Investment and Debt Management (now the Office of Financial Management and Economic Analysis) "be responsible for investing money received from workers' compensation premiums."

Finance and Administration Cabinet Response:

The Finance and Administration Cabinet concurs in this recommendation.

Committee Recommendation:

Department of Personnel

The General Assembly should amend KRS Chapter 18A to give the Department of Personnel the sole authority for promulgating State personnel regulations.

Finance and Administration Cabinet Response:

The Finance and Administration Cabinet concurs with this recommendation.

Staff Recommendation

Kentucky Development Finance Authority - Japanese Bond Issue.

> "From a policy point of view, any debt issued by the Commonwealth, whether supported by the General Fund, other state funds or bond proceed loan repayments, should be specifically authorized by the legislature if a checks and balances system of government is to operate properly and the financial stability and standing of the Commonwealth is to be maintained." (Emphasis added.)

Finance and Administration Cabinet Response:

The so-called Japanese Bond issue was a revenue bond issue by the Kentucky Development Finance Authority, sold in Japan, to finance loans to small and developing businesses in Kentucky. As the staff paper points out, a question was raised as to whether the General Assembly's approval of the issue was required. The issue was put to the Attorney General who concluded, properly, that since a General Fund appropriation was not needed to pay interest and principal on the bonds, under the provisions of KRS 56.870 et seq., General Assembly approval of the bond issue was unnecessary.

The Kentucky Development Finance Authority (KDFA) is what is known in the field of public finance as a "Conduit Authority." It exists to foster economic development by making money available to sectors targeted by the General Assembly in the enabling legislation at rates or on terms below what may be available commercially. According to KRS 154.005, KDFA exists and operates:

> ". . . to help diversify the economy of this state, to develop and expand existing and alternative sources of energy and the conservation of energy, to assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, to reduce the cost of business and production, to foster export activity, to foster economic development on surface mining land and to alleviate and prevent unemployment. . . ."

Members of the General Assembly, and LRC staff who questioned whether legislative approval was required for the Japanese bond issue are concerned about the effect such bond sales may have on the Commonwealth's financial position. Such bonds, which are sometime characterized as "limited liability" obligations, do not affect the "financial stability and standing of the Commonwealth." The payment of principal and interest on such obligations is secured soley by the particular assets pledged, or in some cases, by letters of credit or insurance policies obtained by the borrowers. To require General Assembly approval of every KDFA issue will emasculate an economic development tool that has been a driving force for more than 30 years in the Commonwealth's struggle for economic advancement.

The Kentucky Infrastructure Authority (KIA) would be equally affected by the proposal. KIA's primary program in the past has been its community loan program through which has provided local units of government access to more economical financing by pooling their needs. While KIA can reasonably predict that it will issue an annual series of community loan program bonds, the size of such a bond issue could not possibly be predicted with any certainty. If adopted, the proposal would also limit KIA's flexibility in responding to the needs of local governments. For example, in the spring of 1988, the United States government offered local governments an opportunity to discharge FmHA loans made to them by the Federal Government. The prepayment could be made at a substantial discount, if made before July 1. KIA offered local governments the opportunity to borrow the necessary funds to discharge the Federal loans at a substantial debt service savings to the local governments. Since this program was not announced until after the adjournment sine die of the General Assembly, KIA could not have assisted the local governments in taking advantage of the program's benefits if General Assembly approval had been required.

It is not always possible to plan ahead for such contingencies. KDFA and KIA should not be hamstrung in taking action that will promote the State's economy and the quality of life of its citizens by a requirement for legislative approval of the issuance of bonds that do not constitute a charge, legal or moral, against the State treasury.

Staff Recommendation:

Appropriation Supported Debt Service.

. . . In developing legislative policy for appropriation supported debt service, a compatible accounting system and clearly defined revenue sources should be used in establishing a formula which will control the allocation of financial resources for debt supported programs.

Finance and Administration Cabinet Response:

While it is true that the calculations of debt service to "revenue" is made by various agencies using different definitions of debt service and revenue, this is in no way a "breach of the integrity of the accounting systems." The Comprehensive Annual Fiancial Report prepares revenue figures in three different formats: GAAP, Budgted, and Cash actual receipts. All figures come from the same accounting system, are accurate and presented for different urposes. A reader simply needs to be sure which date set he is using. Numbers are not manipulated for "political objectives."

There are two component data sources for debt service information. The Budget provides prospective debt service and the STARS system records information for debt service actually paid. The Office of Financial Management and Economic Analysis (OFMEA) (formerly the Office for Investment and Debt Management), provides the Governor's Office for Policy and Management with a listing of debt service requirements for outstanding bond issues of the State Property and Buildings Commission, Turnpike Authority of Kentucky, Kentucky Infrastructure Authority, and General Obligation Bonds of the Commonwealth. This report estimates trustee fees and debt service credits. Universities and other entities are treated separately. Centralization of all debt service requirements for all agencies would require an examination of the cost and location of the administering entity. The current system evolved into what it is today, and it works!

The report recommends that "all debt service activities" be placed in OFMEA, to eliminated fund transfers. This would not eliminate fund transfers because existing bond indentures and lease sublease agreements securing the bonds provide for using agencies to request the funds to service the debt. While the author or authors of the report apparently consider the current system confusing at best, and misleading at worse, the accounting problems stemming from consolidation likely would be worse.

Staff Recommendation:

Personal Service Contract Hearing Officers.

> . . . [From time to time] when economy and efficiency studies of state government are . . . [conducted, consideration is given to] the creation of a state agency responsible for the conduct of administrative hearings. A related subject is adoption of a uniform administrative procedures act."

Finance and Administration Cabinet Response:

The cost of an administrative hearing apparatus, paralleling the Court system, with Administrative Law Judges, clerks, secretaries, stenographers, data processing equipment, office space, furniture, reasonable compensation for all, fringe benefits, etc., will not necessarily be less expensive than continuing to hire hearing officers on contract. The Finance and Administration Cabinet has historically viewed an administrative procedures act as a costly venture that will result in an increase in bureacracy and cost of government, but not necessarily an increase in the quantum of "justice" available administratively. "Due process" hearings are not required in all instances in which agencies determine factual questions, and the Court system remains as the ultimate avenue for review of the acts of State agencies, officers, and employees, and this remedy is available regardless of an administrative procedures act.

Staff Recommendations:

Comments on revenue forecasting and the revenue shortfall crisis.

1) Revenue forecasting has become an extremely important and complex process.

2) Revenue forecasting is an economic science inherent with some degree of uncertainty.

3) The establishment and maintenance of a budget reserve trust fund cannot be over emphasized.

4) Various Secretary's Orders have resulted in reductions more than the projected revenue shortfalls.

Finance and Administration Cabinet Responses::

The "Revenue Forecasting and the Revenue Shortfall Crisis" seems to have two concerns intertwined - - a slowing in the rate of growth and accuracy in revenue forecasting.

The rate of nominal growth has declined dynamically for both the state and national economies and state revenue receipts. This was caused by the decline in the rate of inflation and the back-to-back recession that occurred in the early to mid-eighties. In Kentucky these trends were exacerbated by a reversal in the relationship between national and state economic growth.

The impact of these factors on real General Fund collections are shown in the attached graph. In the 1973-79 period, the General Fund, after adjusting for inflation, was growing very rapidly with an average annual growth of 6.9 percent. Real growth in the 10 year period since 1979 declined to 2.1 percent annually.

This situation undoubtedly presents real problems for those developing budgets but is not caused by inaccurate revenue estimates. The current state economy simply will not support the rate of growth in public service expenditures that was experienced in the 1973-79 period.

Most of the focus of the revenue forecasting analysis is on nominal growth and nominal variances. With growth in the series, you get increasingly large nominal errors. You get a very

different view if you examine the percent of error.

The average error for the past five years, ignoring the sign, is 3.0 percent. The average error for the remaining 12 years shown in their table is 8.1 percent (FY73-FY84).

The Finance and Administration Cabinet concurs with the conclusions reached by the Committee. Efforts to strengthen the revenue estimating process in Kentucky began in 1988 and continue to be made today. Changes made and being made include:

1) The revenue estimating function of state government has been transferred from the Revenue Cabinet to the Finance and Administration Cabinet. The reasons for this are very clear. The Revenue Cabinet has primary responsibility for tax collection and tax enforcement. The Revenue Cabinet, while very knowledgeable on tax policy, has little quantitative or economic expertise. The Finance and Administration Cabinet and its various financial programs has the talent and expertise in the quantitative and the financial areas of state government. Therefore, the transfer of this function to the Finance and Administration Cabinet brings together and merges the talents needed to make the revenue estimating process a stronger process.

2) A Governor's Economic Roundtable has been created. The members of this roundtable are economists from General Electric, Ashland Oil, the University of Kentucky, the University of Louisville, Western Kentucky University, Eastern Kentucky University, Morehead State University and Kentucky Utilities. These individuals are knowledgeable professionals on the national and state economy and their mandate is to meet quarterly and advise the Finance and Administration Cabinet on national and state economic trends. During the period of the analysis of the current report, no such efforts had been made.

3) The Finance and Administration Cabinet co-hosts with the University of Kentucky's College of Business and Economics an annual economic symposium where national experts on the national and state economy come together to discuss the economic assumptions to be used as part of the biennial budgetary process. This process has been a valuable input into the revenue estimating process.

4) The Finance and Administration Cabinet has developed a tracking system for monitoring state revenues that has not existed in the past. The publication and distribution to every member of the General Assembly of the quarterly economic report is a visible means of tracking every tax source and better monitoring surpluses or shortfalls.

5) The Finance and Administration Cabinet has made a determined effort to recruit highly qualified professional staff, For example, the Cabinet has recruited a staff econometrician with a PhD from Oklahoma State University. Other efforts have been made

to upgrade both the quality and quantity of professionals. For example, during much of the 1980's the Revenue Estimating staff in the Revenue Cabinet consisted of only three professionals. Today, the Revenue Estimating staff when fully staffed will consist of six professionals.

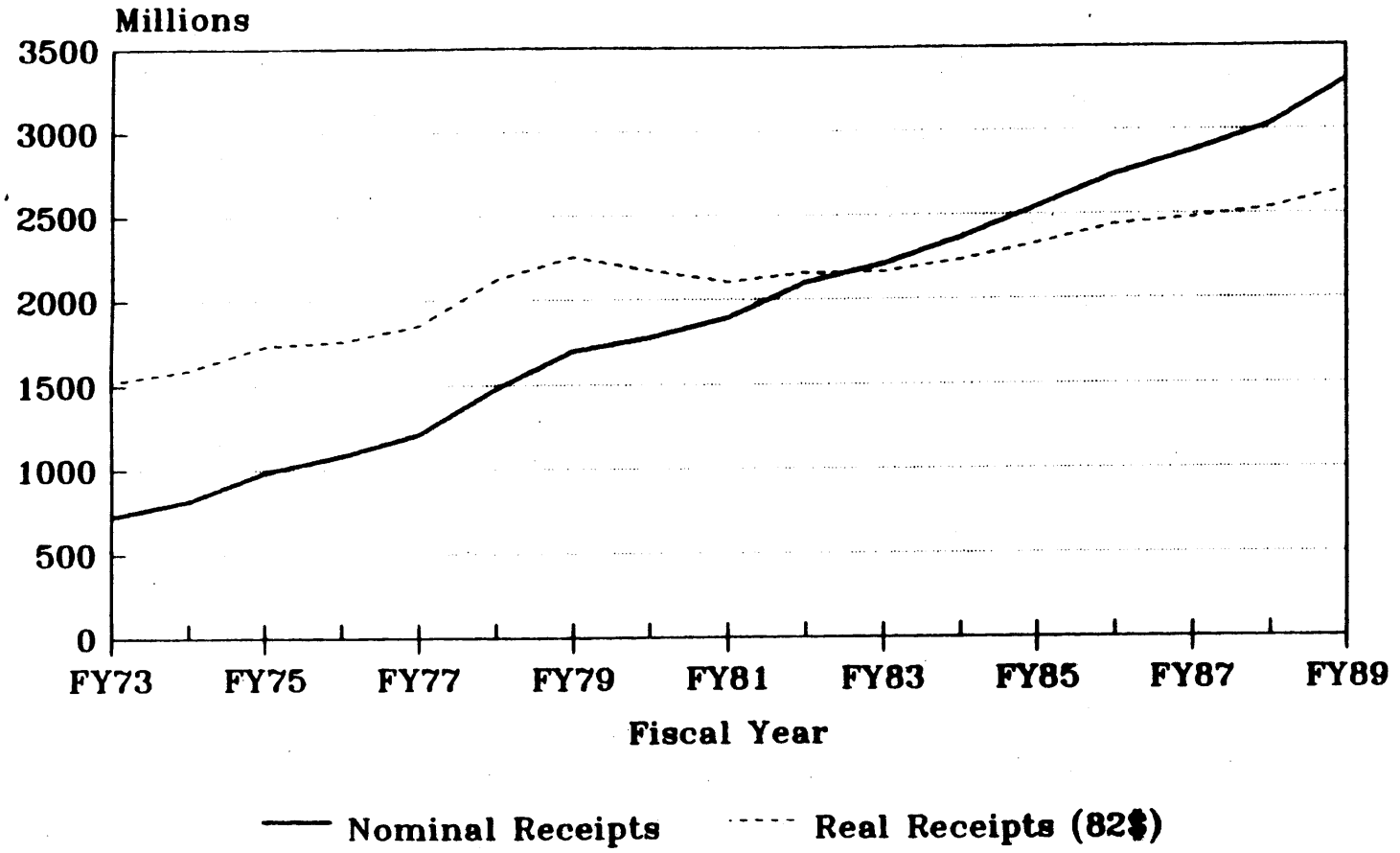
6) The Finance and Administration Cabinet has entered into agreements with the Economics Departments at both the University of Kentucky and the University of Louisville to provide ongoing professional assistance and input in studies used in the revenue estimating process. Such studies go beyond the scope of the normal work of the revenue estimating staff. For example, an analysis of the impact of acid rain on state revenues was performed. As a result of these agreements, the revenue estimating staff has greater professional capability to analyze special exogenous events that may impact state revenues.

7) The Finance and Administration Cabinet has successfully developed its own macro-model for tracing the state's economy. The Finance and Administration Cabinet is the only unit within Kentucky, including universities, businesses, or otherwise, which has a macro-econometric model of state economic activity.

8) Reorganization within the Finance and Administration Cabinet has made all the positions within the Division of Revenue Estimating merit positions. It is felt that by doing this, any perceived political influence is taken out of the revenue estimating process.

In conclusion, revenue estimating is extremely complicated, is both a difficult and complex process and, in all candor, a thankless process. It is prudent to recognize that errors are a part of any forecast. Large economic aggregates normally incorporate a + or -2.5 percent in a 12 month forecast and about double that for 24 months. Small statistical mistakes that might be acceptable, such as a 2 1/2 percent error,(which is a standard normal statistical error) results in revenue shortfalls or surpluses of approximately $100,000,000. Revenue estimating is important, and in the last two years, many positive changes have been made to strengthen the revenue estimating process. Percentage errors have been reduced by almost three fold going from 8.1 percent in the FY73-84 period to 3.0 percent in the FY 85-89 period. The revenue estimating process in the Commowealth of Kentucky is currently stronger than it has ever been. It is strongly believed by the Finance and Administration Cabinet that no further changes would be needed at this time.

General Revenue Fund
Actual Receipts: Nominal vs. Real



Staff Recommendation:

Space Needs of State Government in Frankfort/Franklin County, Kentucky

Finance and Administration Cabinet Response:

The Finance and Administration Cabinet has commented in other contexts on the space study conducted by the LRC staff and elects to submit no comment on it to the Commission on Kentucky's Government. Suffice it to say, however, that while there are parts of this study with which we agree, there are other parts of it with which we must perforce disagree because, among they are not considered "doable." We will re-state our position on the issues raised by the study before the legislative committee of appropriate subject matter jurisdiction when the study is being considered by the General Assembly.

DEPARTMENT OF MINES AND MINERALS
P.O. BOX 14080
LEXINGTON, KENTUCKY 40512-4080
(606) 254-0367

WALLACE G. WILKINSON
GOVERNOR

WILLARD STANLEY
COMMISSIONER

November 17, 1989

Mr. Greg Freedman
Legislative Research Commission
State Capitol
Frankfort, Kentucky 40601

Dear Mr. Freedman:

Reference is made to the Memorandum of November 3, 1989, from Senator Rose and Representative Blandford to Commissioner Stanley, concerning the recommendations regarding this agency made by the Committee on Economic Development, Energy and Natural Resources.

While the Department of Mines and Minerals does not object to such recommendations, this letter is intended to serve as clarification of our status with respect to Recommendation No. 2, i.e., coordination between the Department of Mines and Minerals and the Natural Resources and Environmental Protection Cabinet, which the Committee recommended "be formalized by the adoption of memorandum of understanding (MOU) between the two agencies addressing permitting and licensing responsibilites as they are now."

I am attaching a copy of a Memorandum of Agreement, dated June 25, 1984, in which the above-referenced agencies commit themselves to the performance of certain reciprocal acts with regard to the permitting and licensing of coal mines; such commitment would appear to satisfy, at least in part, the subject recommendation. You may therefore elect to acknowledge the attachment - and the cooperative spirit which I believe it evidences - in the final report of the Commission on Kentucky's Government.

This agency appreciates the opportunity to have appeared before the Committee and to comment upon its recommendations in advance of the preparation of the Commission's final report.

An Equal Opportunity Employer M/F/H

Please advise me if I may be of further assistance or provide additional information in this matter.

Very truly yours,

Eugene D. Attkisson
General Counsel

EDA:st

Attachment

cc: Willard Stanley, Commissioner
Department of Mines & Minerals

MEMORANDUM OF AGREEMENT
BETWEEN
DEPARTMENT OF MINES AND MINERALS
AND
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT

GENERAL BACKGROUND

Both agencies involved in this agreement have ongoing responsibilities in permitting and licensing coal operators within the Commonwealth of Kentucky. The purpose of this Memorandum of Agreement is to insure that both agencies coordinate their efforts to assure that the requirements of the law are met. Occasionally, operators have claimed ignorance of the requirement to secure a permit, once a license was obtained. Although the claim is invalid in most cases, it was, however, in some instances, used as a mechanism to lessen the effectiveness of enforcement actions sought by the Department for Surface Mining Reclamation and Enforcement.

AGREEMENT

The Department of Mines and Minerals will require of any coal operator seeking a license from that Department, a copy of his surface mining permit prior to issuance of a license. Copies of all Mines and Minerals licenses will give the exact location of the mine by longitude and latitude. If an applicant for a license states that he intends to mine less than two hundred fifty (250) tons of coal in Kentucky during twelve (12) successive months and therefore need not obtain a permit, the Department of Mines and Minerals will indicate "less than 250 tons" under the item on the license application requesting "Reclamation Permit No."

COORDINATION

The Department of Mines and Minerals agrees to provide to the Office of Special Investigations, Department for Surface Mining Reclamation and Enforcement, a monthly listing of licenses issued by it. The Department for Surface Mining Reclamation and Enforcement agrees to provide to the Department of Mines and Minerals any information which would assist it in performing its responsibilities for issuance of licenses to operators. Listings of surface mining permits will be provided to the Department of Mines and Minerals upon request.

Willard Stanley — June 25-1984
Willard Stanley, Commissioner
Department of Mines and Minerals
Date

Charlotte E. Baldwin — June 25, 1984
Charlotte E. Baldwin, Secretary
Natural Resources and
Environmental Protection Cabinet
Date

THE SECRETARY FOR HUMAN RESOURCES
COMMONWEALTH OF KENTUCKY
FRANKFORT 40621

WALLACE G. WILKINSON
GOVERNOR

HARRY J. COWHERD, M.D.
SECRETARY

November 21, 1989

Senator John A. "Eck" Rose, Co-Chairman
Representative Donald J. Blandford, Co-Chairman
Commission on Kentucky's Government
Legislative Research Commission
State Caiptol
Frankfort, Kentucky 40601

Dear Mr. Co-Chairmen:

Attached are the Cabinet's comments to the report prepared by the SCR-83 Committee on Human Resources.

I would like to commend the efforts of this committee and the cooperative and positive attitude exhibited in this process.

In many instances, the Cabinet had already implemented or is in the process of implementing many of the recommendations presented in the report. During the timeframe the Committee was in existence, the Cabinet was undertaking the first phase of a long range planning process which has generated a number of Cabinet actions to improve the service delivery system.

If any additional information is needed, please feel free to contact my office.

Sincerely,

Harry J. Cowherd, M.D.
Secretary

Attachments

cc: Greg Freedman

AN EQUAL OPPORTUNITY EMPLOYER M/F/H

OPB
Nov. 10, 1989

CABINET REVIEW OF THE
"SCR-83-Final Report of the Commission
on Human Resources"

RECOMMENDATIONS -- AFDC FAMILIES

(1) DEVELOP AND IMPLEMENT A CASE MANAGEMENT SYSTEM FOR AFDC RECIPIENTS DESIGNED TO COORDINATE SERVICES AND PROMOTE INDIVIDUAL SELF SUFFICIENCY.

Case managers to assist AFDC recipients in finding adequate child care, education, and employment are an integral part of the Cabinet's proposal to implement the Family Support Act of 1988. Transitional child care will begin in April 1990. The JOBS program will be phased in with 18 counties participating beginning October 1, 1990, and an additional 13 counties entering the program October 1, 1991. The program is scheduled to be statewide by October 1992. The Department for Social Insurance has requested 99 additional staff to function as case managers with smaller caseloads.

(2) GIVE PRIORITY TO THE FULL AND EFFECTIVE IMPLEMENTATION OF CHILD SUPPORT ENFORCEMENT STATUTES. AT A MINIMUM THIS SHOULD INCLUDE:

(A) DEVELOPMENT OF AN OPERATIONAL AUTOMATED RECORD KEEPING SYSTEM TO ALLOW EASY TRACKING OF CASES;

(B) ESTABLISHMENT OF PERFORMANCE STANDARDS FOR COUNTY ATTORNEYS AND CONTRACT ATTORNEYS FOR PROCESSING CHILD SUPPORT CASES;

(C) INTERVENTION BY CHR WHEN PERFORMANCE STANDARDS ARE NOT MET; AND

(D) ELIMINATION OF BACKLOGGED CASES AS A TOP PRIORITY.

An automated record keeping system for tracking of cases will be piloted in April 1990 with statewide implementation by October of 1990. A task force, including county attorneys, has been formed to review performance standards. Future contracts with attorneys will include performance standards and penalties for failure to meet standards.

The Division for Child Support Enforcement continues to open new offices and to increase staff statewide in an effort to keep pace with increasing caseloads. A total of 19 field offices will be opened by June 1990. As in the past, the elimination of backlogged cases is a top priority and an achievable goal with the addition of staff. A traget date of July of 1990 has been set to address the backlogged cases. Cases should be under the 30 day time frames at that time.

(3) TRANSFER THE LEGAL ASPECTS OF THE PROGRAM TO THE OFFICE OF THE ATTORNEY GENERAL, IF THE REVIEW OF THE CHILD SUPPORT ENFORCEMENT PROGRAM AS MANDATED BY 88 HB 586 DETERMINES PROGRESS IN THE PROGRAM IS NOT SATISFACTORY.

The Child Support Program has made a number of positive steps, including a 30 percent increase in child support collections from FY 1988 to FY 1989, and an estimate of a 60 percent increase from FY 1988 to FY 1990. Staff has increased by 30 percent from July 1988 to July 1989. The Child Support system will soon be ready to be implemented and will begin with a pilot in April 1990. The Division of Child Support Enforcement faced a $1,000,000 sanction for not meeting the required percentage of paternity establishments in 1984; however, during a follow-up audit this past year, the Division was determined to be in compliance. This audit was completed by the Federal agency for Child Support Enforcement.

Federal regulations state that there must be a single state agency responsible for program administration; therefore transfer of a component of the program would create fragmentation and result in possible compliance problems.

(4) IMPLEMENT THE CONCEPT OF FAMILY DAY CARE REGISTRATION IN ORDER TO INCREASE CHILD CARE RESOURCES AND STRENGTHEN THE FAMILY UNIT. FAMILY DAY CARE IS CARE PROVIDED IN THE PRIVATE RESIDENCE OF THE PROVIDER FOR SIX OR FEWER CHILDREN WHO ARE NOT THE PROVIDER'S OWN CHILDREN, GRANDCHILDREN, OR CHILDREN OF WHOM THE PROVIDER HAS LEGAL CUSTODY.

Voluntary family day care certification by CHR/DSS began on August 16, 1989 through Administrative Regulation 905 KAR 2:070. The Cabinet supports continuing voluntary registration of family day care rather than a mandatory registration to promote participation although, a revision to increase the number of children from 3 to 5 should be considered only if those homes which participate above 3 children are "mandatory" for Family Day Care certification.

(5) DEVELOP STANDARDS FOR DAY CARE PROVIDED BY RELATIVES OF THE CHILDREN WHEN THE STATE IS PAYING FOR THE CARE AS PERMITTED BY THE FEDERAL FAMILY SUPPORT ACT.

Voluntary registration for relative care will be encouraged by CHR staff whenever feasible in addition to use of licensed child care. Relatives can voluntarily meet state certification requirements for a small family day care home provider.

(6) PROVIDE MORE PROGRAMMATIC SUPPORT TO REGULATED DAY CARE PROVIDERS, ESPECIALLY AS RELATES TO SERVICES AND PROGRAMS; SUPPORT SHOULD COME FROM PERSONNEL WITHIN CHR WHO SPECIALIZE IN CHILD DEVELOPMENT.

Consideration has been given to the need for increased focus by CHR, with the inclusion of funding for additional personnel for FY 1990-92. The Cabinet is establishing, by Administrative Order, a Child Care Branch effective April 1, 1990. Program staff in this Branch will address a wide range of current child care areas including those issues mentioned in the recommendation.

(7) CONSIDERATION SHOULD BE GIVEN TO THE DEVELOPMENT OF A MORE IDENTIFIABLE PROGRAM FOCUS IN CHR TOWARDS CHILD DAY CARE, INCLUDING THE DEVELOPMENT OF LICENSURE STANDARDS, DEVELOPMENT OF EARLY CHILDHOOD EDUCATION PROGRAMS SERVING AT RISK CHILDREN, RESOURCE DEVELOPMENT, PROGRAM SUPERVISION AND PAYMENT.

Consideration has been given to the need for increased focus by CHR, with the inclusion of funding for additional personnel for FY 1990-92. The Cabinet is establishing, by Administrative Order, a Child Care Branch effective April 1, 1990. Program staff in this Branch will address a wide range of current child care program areas including those issues mentioned in the recommendation.

ADDITIONAL RECOMMENDATIONS--AFDC FAMILIES

(1) INCREASE THE COMBINED VALUE OF AFDC AND FOOD STAMP BENEFITS ON A REGULAR BASIS WITH THE GOAL OF REACHING THE FEDERAL POVERTY LEVEL AS A STANDARD OF LIVING BY THE YEAR 2000.

The Food Stamp levels are set by FNS and are not under the jurisdiction of the state. Food Stamp Benefit levels are adjusted periodically by Congress.

In accordance with H.B.381, Kentucky implemented a ratable reduction budget methodology effective July 1, 1989. Kentucky set a standard of need as the poverty level minus the value of Food Stamps and Medicaid. This new standard along with Ratable Reduction allows people to be eligible with higher income levels. Ratable reduction is only applicable for cases with income.

If AFDC grants were based on the above formula, a three person household with no income would qualify for a grant of $838.33 per month. For 52,993 cases with no income, the annual cost for such an increase would be $387,908,760 in total funds. This does not project new eligibles nor does it reflect an increase for the 10,117 cases with income. The total cost including Medicaid benefits, additional eligibles, program administration, etc could cost over one billion dollars in total funds.

(2) FULLY IMPLEMENT THE FEDERAL FAMILY SUPPORT ACT TO ENCOURAGE AFDC RECIPIENTS TO SEEK EMPLOYMENT AND BECOME SELF-SUFFICIENT.

The Department for Employment Services, under contract with the Department for Social Insurance, would be responsible for providing full employment assessment of all eligible AFDC clients as well as assisting in the development of an Employability Plan.

There would also be the development of Employment Counseling and referral of recipients to Education, Skills, Training, On-the-Job Training (OJT), Job Search Component and placement into unsubsidized jobs. Placement into jobs would be for both those considered job ready and/or those completing a training component.

The Department for Employment Services already provides all of the services listed above.

The Cabinet has begun implementation of the Family Support Act beginning in October 1989 with the development of Child Support guidelines. Transitional Child Care, administered by DSS, will begin in April of 1990. The JOBS program will be implemented in 18 counties in FY 1991 and an additional 13 counties in FY 1992, with plans to be statewide thereafter. By October 1990, an AFDC unemployed parent program must be implemented. Extended Medicaid benefits will be available for 12 months after families lose AFDC due to earned income. The families involved in the JOBS program will have a range of job activities or educational and training opportunities available for them to pursue. This is where Case managers from DSI will be assigned to work with these families to get services needed to remove barriers to employment and training.

RECOMMENDATIONS--CHILDREN AND FAMILIES AT RISK

(1) DEVELOP AND IMPLEMENT THE CASE MANAGER CONCEPT TO COORDINATE ALL SERVICES NEEDED BY HIGH RISK MULTIPLE PROBLEM FAMILIES.

The Department for Social Services currently provides case management services to each of its active clients. The Cabinet is proposing the use of specific case management services in mental health and mental retardation.

(2) DEVELOP ADDITIONAL COMMUNITY ALTERNATIVES AS AN EXTENSION OF INSTITUTIONAL SERVICES WITH PRIORITY ON CARE FOR EMOTIONALLY DISTURBED CHILDREN (HIGHEST PRIORITY SHOULD BE GIVEN TO CHILDREN COMMITTED TO THE CARE OF THE CABINET).

The Cabinet has addressed the need to develop additional community alternatives for emotionally disturbed children in several ways: 1) The Department for Social Services, the Department for Mental Health and Mental Retardation and The Department for Medicaid Services have developed a plan that addresses community-based alternatives for Severely Emotionally Disturbed Youth; 2) The recommendations included in a special report by a special Children's Residential Services Advisory Committee calls for Community Alternatives; and, 3) Funding has been requested in the Cabinet's biennial budget request to carry out the recommendations in the SED plan and the Children's Residential Services Advisory Committee Report.

(3) GIVE PRIORITY TO THE FULL AND EFFECTIVE IMPLEMENTATION OF CHILD SUPPORT ENFORCEMENT STATUTES. AT A MINIMUM THIS SHOULD INCLUDE:

(A) DEVELOPMENT OF AN OPERATIONAL AUTOMATED RECORD KEEPING SYSTEM TO ALLOW EASY TRACKING OF CASES;

(B) ESTABLISHMENT OF PERFORMANCE STANDARDS FOR COUNTY ATTORNEYS AND CONTRACT ATTORNEYS FOR PROCESSING CHILD SUPPORT CASES;

(C) INTERVENTION BY CHR WHEN PERFORMANCE STANDARDS ARE NOT MET; AND

(D) ELIMINATION OF BACKLOGGED CASES AS A TOP PRIORITY.

An automated record keeping system for tracking of cases will be piloted in April 1990 with statewide implementation by October of 1990. A task force, including county attorneys, has been formed to review performance standards. Future contracts with attorneys include performance standards and penalties for failure to meet standards.

The Division for Child Support Enforcement continues to open new offices and to increase staff statewide in an effort to keep pace with increasing caseloads. A total of 19 field offices will be opened by June 1990. As in the past, the elimination of backlogged cases is a top priority and an achievable goal with the addition of staff. A traget date of July of 1990 has been set to address the backlogged cases. Cases should be under the 30 day time frames at that time.

(5) IMPLEMENT THE CONCEPT OF FAMILY DAY CARE REGISTRATION IN ORDER TO INCREASE CHILD CARE RESOURCES AND STRENGTHEN THE FAMILY UNIT. FAMILY DAY CARE IS CARE PROVIDED IN THE PRIVATE RESIDENCE OF THE PROVIDER FOR SIX OR FEWER CHILDREN WHO ARE NOT THE PROVIDER'S OWN CHILDREN, GRANDCHILDREN, OR CHILDREN OF WHOM THE PROVIDER HAS LEGAL CUSTODY.

Voluntary family day care certification by CHR/DSS began on August 16, 1989 through Administrative Regulation 905 KAR 2:070. The Cabinet supports continuing voluntary registration of family day care rather than a mandatory registration to promote participation although, a revision to increase the number of children from 3 to 5 should be considered only if those homes which participate above 3 children are "mandatory" for Family Day Care Certification.

(6) PROVIDE MORE PROGRAMMATIC SUPPORT TO REGULATED DAY CARE PROVIDERS, ESPECIALLY AS RELATES TO SERVICES AND PROGRAMS; SUPPORT SHOULD COME FROM PERSONNEL WITHIN CHR WHO SPECIALIZE IN CHILD DEVELOPMENT.

Consideration has been given to the need for increased focus by CHR, with the inclusion of funding for additional personnel for FY 1990-92. The Cabinet is establishing, by Administrative Order, a Child Care Branch effective April 1, 1990. Program staff in this Branch will address a wide range of current child care areas including those issues mentioned in the recommendation.

(7) CONSIDERATION SHOULD BE GIVEN TO THE DEVELOPMENT OF A MORE IDENTIFIABLE PROGRAM FOCUS IN CHR TOWARDS CHILD DAY CARE, INCLUDING THE DEVELOPMENT OF LICENSURE STANDARDS, DEVELOPMENT OF EARLY CHILDHOOD EDUCATION PROGRAMS SERVING AT RISK CHILDREN, RESOURCE DEVELOPMENT, PROGRAM SUPERVISION AND PAYMENT.

Consideration has been given to the need for increased focus by CHR, with the inclusion of funding for additional personnel for FY 1990-92. The Cabinet is establishing, by Administrative Order, a Child Care Branch effective April 1, 1990. Program staff in this Branch will address a wide range of current child care areas including those issues mentioned in the recommendation.

(8) INCREASE REGULATED DAY CARE SLOTS, ESPECIALLY SUBSIDIZED DAY CARE SLOTS FOR LOW-INCOME NON-AFDC WORKING FAMILIES TO INCLUDE THOSE CHILDREN CURRENTLY ON THE WAITING LIST.

The proposed budget for Department for Social Services includes a request for an additional $2 million in funding that will allow some increase in the number of low-income non-AFDC working families receiving child care services. In addition, under the provisions of the Family Support Act and ratable reduction, child care will be recognized in determining program eligibility for an additional 10,200 families representing 27,800 children plus extended eligibility for two parent families representing approximately 21,000 children, many of whom will participate in a structured child care arrangement.

The Cabinet is reviewing a number of strategies to encourage expanded early childhood programs in child care facilities. In addition, schools will be encouraged to offer after school programs.

ADDITIONAL RECOMMENDATIONS--CHILDREN AND FAMILIES AT RISK

(1) THE GENERAL ASSEMBLY SHOULD INVOLVE CHR IN THE DEVELOPMENT OF COMPREHENSIVE EARLY CHILDHOOD DEVELOPMENT PROGRAMS, INCLUDING PUBLICLY FUNDED PRESCHOOL PROGRAMS, AS MANY CHILDREN IN NEED OF SUCH PROGRAMS ARE AT RISK OR CURRENTLY BEING SERVED BY THE CABINET.

The Cabinet supports this recommendation due to the close relationships of many of these programs and the multiple needs of these families.

(2) EXPAND MEDICAID TO GROUPS POTENTIALLY ELIGIBLE UNDER FEDERAL LAW--SUCH AS PREGNANT WOMEN AND CHILDREN UP TO AGE ONE WITH INCOMES UP TO 185% OF THE FEDERAL POVERTY LEVEL--WITH THE EXPECTATION THAT EARLY DIAGNOSIS AND TREATMENT WILL BENEFIT FAMILIES AND CHILDREN AT RISK AND REDUCE LONG-TERM MEDICAID COSTS.

The Cabinet agrees with this recommendation and has requested funding in the 1990-92 Biennial Budget request to expand Medicaid to cover this group.

(3) INCREASE THE NUMBER OF FAMILY SERVICE WORKERS; ASSIGN CASELOADS APPROPRIATE TO THE KINDS OF CASES INVOLVED; ESTABLISH GOALS IN THE TREATMENT PLAN FOR EACH FAMILY AND EVALUATE TO DETERMINE IF THESE GOALS WERE REACHED AS A MEANS TO INTERJECT MORE ACCOUNTABILITY INTO THE SYSTEM.

The Cabinet supports the need for additional family service workers to maintain caseloads at the level required by statute. The Department for Social Services current treatment planning process calls for establishment of specific goals for the family. DSS staff are required to hold provider conferences with the clients to determine progress toward the goals.

(4) IDENTIFY CREATIVE APPROACHES TO THE DEVELOPMENT OF COMMUNITY BASED ALTERNATIVES FOR SEVERELY EMOTIONALLY DISTURBED CHILDREN, SUCH AS THE USE OF MEDICAID WAIVERS, CHALLENGE GRANTS, SPECIALIZED FOSTER CARE AND GROUP HOMES.

The Cabinet fully supports this recommendation and has requested funding in the 1990-92 Biennial Budget request to implement a coordinated interagency plan to develop and provide community based services for approximately 4,000 SED youth in order to reduce unnecessary institutionalization.

RECOMMENDATIONS--ELDERLY POPULATION

(1) DEVELOP AND IMPLEMENT A CASE MANAGEMENT SYSTEM FOR THE ELDERLY WHO ARE AT HIGH RISK OF BEING INSTITUTIONALIZED.

The Division of Aging Services currently has a case management system for the elderly in the Homecare Program. We strongly support expanding this case management system to better serve the increasing number of elderly at risk of institutionalization. To the extent that the aged are eligible for and receive Home and Community Based Waiver services under Medicaid, they already receive case management services to assist them in determining and accessing needed services for maintaining them in their own home.

(2) PROVIDE GREATER SUPERVISION OF COMMUNITY BASED CARE PROVIDERS TO IMPROVE THE QUALITY AND EFFECTIVENESS OF SERVICES FUNDED BY CHR.

The Cabinet should intensify its quality assurance initiative of community-based care. However, such an effort would require additional staff. The Cabinet is studying methods to implement such a system.

(3) DEVELOP CAREGIVER ALTERNATIVES THAT REIMBURSE FAMILY OR NEIGHBORS FOR PROVIDING PERSONAL CARE SERVICES IN ORDER TO ENCOURAGE A CONTINUUM OF CARE. THIS WOULD ALLOW THE SERVICE TO BE PERSONALIZED AT A REDUCED COST WITH EXPANDED CAPACITY. INDIVIDUAL CAREGIVERS SHOULD BE TRAINED AND PAID TO PROVIDE FOUR OR FIVE GENERAL TYPES OF SERVICES TO ASSIST PERSONS IN REMAINING IN THEIR HOMES.

Federal regulations preclude family members from being paid for personal care services under the Medicaid program. Personal care services can be provided under the Home and Community Based Services Waiver through home health agencies; the home health agencies may hire neighbors to provide personal care type services if they desire.

Current State Supplementation policy indicates a recipient can receive Caretaker benefits to pay a relative only when the relative <u>does not</u> live with the recipient. The relative must come to the recipient's home to provide care.

If the current State Supplementation policy was revised to allow a spouse living with a recipient to receive caretaker payments, the policy change would have the following negative impact. If the spouse is an SSI recipient, the SSA would consider the caretaker payment as income. Deductions could be allowed by SSI on a case by case basis. However, the payment would never be totally excluded. Therefore, the spouse's SSI payment would be reduced accordingly, this would require an increase in State Supplementation. The increase to State Supplementation would, in effect, replace current federal benefits on a dollar to dollar basis with General Fund with no financial gain to the recipient.

CHR does support researching alternatives which would be financially feasible, such as reimbursing neighbors or family who do not live with their elderly relatives. It would be especially important in the case of Alzheimer's Disease patients for care to be provided by people whom the patient knows. Continuity of care would be enhanced as well."

(4) DEVELOP A PILOT PROGRAM TO ALLOW OLDER PERSONS TO PURCHASE SERVICES WITH VOUCHERS, TO GIVE THE CLIENT CONTROL IN MAKING CAREGIVER SELECTIONS.

The Cabinet supports the pilot program, but need to reverse order of focus; the focus should be on "client control" (where the client, along with the case manager, has control), with the voucher system as one of a number of potential methods to client control.

ADDITIONAL RECOMMENDATIONS--ELDERLY POPULATION

(1) CHR SHOULD BE GIVEN A ROLE IN THE DEVELOPMENT OF HOUSING POLICY IN KENTUCKY, THAT ENCOURAGES THE EXPANSION OF HOUSING ALTERNATIVES FOR OLDER PERSONS SUCH AS CONGREGATE LIVING CENTERS TO PREVENT OR DELAY THE NEED FOR INSTITUTIONALIZATION.

The Cabinet concurs with the intent of this recommendation to better coordinate and meet service needs.

RECOMMENDATIONS--CASE MANAGEMENT

(1) CHR SHOULD ESTABLISH A CABINET-WIDE PROGRAM OF COMPUTER ASSISTED CASE MANAGEMENT FOR VARIOUS HIGH RISK, MULTIPLE PROBLEM TARGET POPULATIONS (SUCH AS AFDC FAMILIES, FAMILIES WITH MEMBERS EXPERIENCING ABUSE/NEGLECT, SUBSTANCE ABUSE, MENTAL HEALTH NEEDS) AND ELDERLY PERSONS.

The Cabinet strongly supports the concept of case management. We also feel that case management is an important service component for all Departments within the Cabinet when utilized as applicable. However, the concept of a single case manager for every client served by CHR with the authority to control access to all services across organizational lines is, from our view, virtually impossible. The large size of the agency and the complexities of the myriad of programs would be a deterrent to such an initiative. The Cabinet currently is actively seeking an automated case management system which could be transfered from another State to reduce cost and expedite implementation. A automated case management system offers economics to better coordinate services while minimizing additional personnel costs and focusing any new staff to targeted high risk program needs.

(2) CASE MANAGERS SHOULD HAVE AUTHORITY TO ACCESS AND COORDINATE NEEDED SERVICES ACROSS ORGANIZATIONAL LINES.

The Cabinet concurs in this recommendation, Subject to #1.

(3) WHERE POSSIBLE, EXISTING STAFF SHOULD BE USED AS CASE MANAGERS WITH AN INFUSION OF NEW STAFF AS NECESSARY.

The Cabinet concurs with this recommendation. It should be noted that, in many instances, case management is viewed as a solution to what in fact, is a situation created by high caseloads. Case Management will not solve high caseloads.

(4) A SINGLE DATA MANAGEMENT SYSTEM SHOULD BE DEVELOPED THAT WOULD PERMIT THE CASE MANAGER TO ACCESS INFORMATION ABOUT A CLIENT FROM ALL PERTINENT PROGRAM AREAS, WITH APPROPRIATE SAFEGUARDS TO PROTECT CLIENT CONFIDENTIALITY.

Currently, the Cabinet is actively seeking an automated case management system implemented in another state which can be transferred to reduce cost and expedite implementation.

RECOMMENDATIONS--HEALTH CARE COST CONTAINMENT

(1) A COORDINATING GROUP SHOULD BE ESTABLISHED WITHIN THE EXECUTIVE BRANCH TO IMPLEMENT, REVISE AND MONITOR COST CONTAINMENT STRATEGIES FOR ALL STATE HEALTH EXPENDITURES, I.E., MEDICAID, STATE EMPLOYEE HEALTH CONTRACT, SERVICES PROVIDED THROUGH HEALTH DEPARTMENTS, AND ANY OTHER MEDICAL SERVICES PURCHASED OR PROVIDED THROUGH STATE FUNDS.

See #5

(2) SUCH A GROUP SHOULD RECOMMEND SUITABLE MONITORING STRATEGIES AND UTILIZATION REVIEW PROGRAMS EMPLOYED BY PRIVATE PAYERS OF HEALTH CARE, SUCH AS QUALITY SCREENS AND PHYSICIAN PROFILES, TO ENSURE QUALITY CARE BY IDENTIFYING THOSE PROVIDERS WHO OVERUTILIZE OR UNDERUTILIZE SERVICES.

See #5

(3) THE COORDINATING GROUP SHOULD ALSO ATTEMPT TO PROMOTE THE MOST COST EFFECTIVE SERVICES IN STATE HEALTH PROGRAMS, SUCH AS PRIMARY, PREVENTIVE AND COMMUNITY BASED CARE, INSTEAD OF INSTITUTIONAL CARE.

See #5

(4) CHR SHOULD CONTINUE INTERNAL EFFORTS TO CONTAIN HEALTH CARE COSTS IN MEDICAID (SUCH AS AUDITS AND INCREASED SURVEILLANCE AND UTILIZATION REVIEW) AND OTHER PROGRAMS IT ADMINISTERS DIRECTLY.

See #5

(5) HEALTH CARE PRACTITIONERS SHOULD BE ENCOURAGED TO EXPAND THE UTILIZATION OF REGULATED ALLIED HEALTH CARE PERSONNEL.

This response is applicable to recommendation 1-5 above. The issue of health care cost containment has been the subject of countless advisory groups, commissions, councils etc. at the state, local and national level in this decade. Unfortunately, the primary cause of health care inflation is no secret. The fundamental public policy decision to address these issues are only now being discussed, such as in Oregon. However, at a time when expensive single procedures of $150,000 or more are performed, access to basic preventive services such as prenatal care, immunizations, etc. are not universally available. In a quest for medical technology, basic lifestyle and preventive action still falter and are ignored.

If the Commission truly wishes to pursue this matter, the complex process of allocating public and private health care resources can be accomplished.

The current health care system in Kentucky and the nation is, by any definition, a rationed system of care. For many reasons, we seek to avoid this admission. Unlike a system of rationing where selected groups receive only partial services, the American Model seems to be more of an "all or nothing model".

ADDITIONAL RECOMMENDATIONS--HEALTH CARE COST CONTAINMENT

(1) WE ENCOURAGE THE DEPARTMENT OF INSURANCE TO CONTINUE TO REVIEW HEALTH INSURANCE RATE INCREASE REQUESTS AND THE ROLE OF PRIVATE INSURANCE CARRIERS WHO ARE ALSO PROVIDERS OF HEALTH SERVICES.

RECOMMENDATIONS--DATA PROCESSING AND SYSTEMS MANAGEMENT

(1) THE GENERAL ASSEMBLY SHOULD CALL FOR A PROGRAM REVIEW OF ALL DATA SYSTEM CONTRACTS INITIATED BY THE CABINET FOR THE PAST SIX YEARS TO DETERMINE THE OUTCOME OF SUCH CONTRACTS AND CURRENT OR FUTURE VALUE OF THE PRODUCT TO THE CABINET, THE CLIENTS AND THE TAXPAYER.

The Cabinet can provide any information in this area which may be requested although, other than a review of current status, a review of six years of historical data appears to utilize scarce resources unnecessarily.

(2) THE SECRETARY SHOULD NAME A FULL-TIME PROFESSIONAL TO PROVIDE POLICY DIRECTION FOR THE CABINET'S DATA SYSTEMS, AS REQUIRED BY REGULATIONS OF THE KENTUCKY INFORMATION SYSTEMS COMMISSION.

The Cabinet, due to increasing demand and reliance in data processing is establishing a Division of Management System within the Office of Administrative Services.

(3) THE INFORMATION RESOURCES PLAN, SUBMITTED BIENNIALLY TO THE KENTUCKY INFORMATION SYSTEMS COMMISSIONS PURSUANT TO 14 KAR 1:010, SHOULD INCLUDE AT A MINIMUM, A READILY ASSESSABLE SUMMARY OF AT LEAST THE FOLLOWING INFORMATION:

(A) THE CURRENT STATUS OF EACH MAJOR SYSTEM AND ANY PROPOSED SYSTEM;

(B) THE COST TO COMPLETE, MAINTAIN OR UPDATE EACH SYSTEM;

(C) HOW EACH SYSTEM LINKS WITH OTHER SYSTEMS WITHIN THE CABINET FOR CASE MANAGEMENT:

(D) THE PRECISE OUTCOME EXPECTED FOR EACH CONTRACT WITH A PRIVATE VENDOR, INCLUDING TIME FRAMES, PERFORMANCE STANDARDS AND ACCOUNTABILITY; AND

(E) NEEDS FOR ANY NEW SYSTEMS.

This recommendation requires action by the General Assembly and the Commission. The Cabinet can comply with such requirement if adopted.

RECOMMENDATIONS--LONG RANGE PLANNING

(1) A STRATEGIC LONG RANGE PLANNING PROCESS IS NEEDED WHICH IS NOT TIED TO LEADERSHIP AND MANAGEMENT CHANGES IN THE EXECUTIVE BRANCH.

The Cabinet has developed a long range plan which was an integral part of the Cabinet's budget and legislative preparation efforts. The intent of the plan was to develop a frame work to conduct ongoing program review and future program recommendations which can be updated in future years. Any long range plan must recognize that management changes occur and must be accommodated since managers are ultimately charged with day-to-day plan implementation. A plan must be supported and understood by management at all levels to be successful.

A key consideration in the planning process was that the Secretary's Office provided the mechanism and coordination activity for the process and that plans were generated at the program/department level. This process places planning at the level which enhances continuity over time. It has been the Cabinet's experience and position that to create a seperate planning function results in a lack of commitment from the operational units and a planning process which does not integrate and evolve from the actual program and policy issues. It is critical that key management personnel be part of such a planning effort rather than an organizational unit detached from the mainstream of the agency.

(2) THE KENTUCKY GENERAL ASSEMBLY SHOULD ENACT LEGISLATION REQUIRING CONTINUOUS LONG RANGE PLANNING AND PROGRAM ASSESSMENT WITHIN CHR.

The Cabinet fully supports the concept but would recommend that the budget process be redesigned to accomplish this recommendation.

(3) CHR IS ENCOURAGED TO IMPLEMENT THIS CONCEPT BY:

(A) DESIGNATING AN EXPERIENCED TOP LEVEL EXECUTIVE AS THE FULL TIME MANAGER OF THE PROCESS:

(B) ALLOCATING ADEQUATE PROFESSIONAL STAFF SUPPORT;

(C) FORMALLY ADOPTING A LONG RANGE PLANNING AND ASSESSMENT PROCESS INCLUDING REALISTIC TIME FRAMES; AND

(D) REQUIRING THE FULL COOPERATION AND PARTICIPATION OF ALL COMMISSIONERS AND OTHER KEY MANAGERS.

This Cabinet concurs and has, in fact, followed a similar process.

(4) THE CABINET SHOULD TAKE INTO CONSIDERATION THE AVAILABILITY OF FAVORABLE FEDERAL MATCHING FUNDS WHEN DEVELOPING PROGRAM PROPOSALS, BUT SHOULD ALSO TAKE INTO CONSIDERATION DOCUMENTED HUMAN SERVICE NEEDS WHEN DEVELOPING PROGRAM PRIORITIES.

The Cabinet has followed the intent of this recommendation in its budget request.

(5) CHR SHOULD CONTINUE TO WORK WITH THE LEADERSHIP OF THE GENERAL ASSEMBLY AND APPROPRIATE COMMITTEES TO GAIN CONCURRENCE ON HUMAN SERVICE PRIORITIES, PROGRAM EXPECTATIONS AND SERVICE OUTCOMES, INCLUDING FUTURE REVENUE REQUIREMENTS. SUCH GOALS SHOULD BE INCORPORATED IN STATUTES WHERE FEASIBLE.

The Cabinet recognizes the importance of a positive and interactive relationship with the General Assembly. The Cabinet would like to clarify that revenue needs are more adequately addressed by the Governor's Office of Policy & Management. The General Assembly has many options other than enacting statutes to prescribe program goals.

(6) CHR SHOULD ADOPT REALISTIC BUT CHALLENGING OUTCOME GOALS FOR PROGRAMS AND ESTABLISH ACCOUNTABILITY FOR PERFORMANCE WITHIN THE ADMINISTRATIVE STRUCTURE. CASE MANAGERS SHOULD ALSO SET MEASURABLE OUTCOME GOALS FOR CLIENTS.

The Cabinet concurs with this recommendation.

(7) CHR INFORMATION AND MANAGEMENT SYSTEMS SHOULD BE DESIGNED TO COLLECT CLEAR, CONCISE, COMPREHENSIBLE FACTS AND PROGRAM OUTCOMES ON CURRENT PROGRAMS.

The Cabinet concurs with this recommendation. A review of all data elements in all systems is currently underway.

(8) CHR SHOULD REVIEW THE NUMBER OF ADVISORY GROUPS AND ELIMINATE THOSE THAT ARE NOT WORKING OR WHOSE FUNCTIONS COULD BE COMBINED, AND RECOMMEND STATUTORY CHANGES WHERE NECESSARY.

The Cabinet is currently completing this review.

(9) CHR AND THE GOVERNOR SHOULD SOLICIT PERSONS WHO ARE STRONG AND INDEPENDENT THINKERS FOR APPOINTMENTS TO REMAINING CITIZENS ADVISORY BODIES AND PROVIDE THESE GROUPS WITH ADEQUATE AND CAPABLE STAFF SUPPORT AND SEEK THEIR ADVICE ON A REGULAR BASIS AS PART OF THE PLANNING AND ASSESSMENT PROCESS.

The Cabinet supports this recommendation but wishes to state that it is our feeling that current appointments meet this criteria. It should also be noted that many of the SCR-83 recommendations will require additional management staff. In recent years, the Cabinet has been strongly directed to reduce such staffing and focus all available resources in direct care and services. This recommendation and several others represent a fundamental shift in philosophy by the General Assembly if adopted.

RECOMMENDATIONS--LONG RANGE PLANNING

ADDITIONAL RECOMMENDATIONS

(1) IT IS THE IMPRESSION OF THE COMMITTEE ON HUMAN RESOURCES THAT LONG RANGE PLANNING AND PROGRAM ASSESSMENT ARE MAJOR WEAKNESSES THROUGHOUT STATE GOVERNMENT. THE COMMITTEE SUGGESTS THAT THE COMMISSION ON KENTUCKY'S GOVERNMENT CONSIDER THIS ISSUE FOR POSSIBLE ACTION ON A BROAD SCALE BASIS.

RECOMMENDATIONS--VOLUNTEERS

(1) VOLUNTEER SERVICES SHOULD HAVE CABINET-WIDE EMPHASIS WITH OVERALL COORDINATION AND POLICY EMANATING FROM THE SECRETARY'S OFFICE.

The Cabinet agrees that volunteer services should have a Cabinet-wide emphasis with policy set at the Secretary's Office level.

(2) THE DEPARTMENTS FOR SOCIAL SERVICES, HEALTH SERVICES, MENTAL HEALTH AND MENTAL RETARDATION SERVICES AND SOCIAL INSURANCE SHOULD EACH HAVE A COORDINATOR OF VOLUNTEER SERVICES.

The Cabinet supports intent.

(3) PRIMARY ROLE OF THE CABINET-WIDE COORDINATOR OF VOLUNTEER SERVICES SHOULD BE TO SERVE AS AN ENABLER FOR THE USE OF VOLUNTEERS AND TO ASSIST COMMISSIONERS, DEPARTMENTAL COORDINATORS AND PROGRAM STAFF IN:

(A) IDENTIFYING OPPORTUNITIES FOR UTILIZATION OF VOLUNTEER SERVICES;
(B) DEVELOPING STRATEGIES FOR RECRUITMENT AND TRAINING OF VOLUNTEERS;
(C) DEVELOPING OUTCOME MEASURES FOR VOLUNTEER SERVICE PROVIDERS; AND
(D) PROVIDING APPROPRIATE PUBLIC RECOGNITION OF VOLUNTEER SERVICES.

The Cabinet supports the overall intent of this recommendation.

(4) THE CABINET COORDINATOR OF VOLUNTEER SERVICES SHOULD COORDINATE WITH OTHER AGENCIES IN STATE GOVERNMENT AND THE PRIVATE SECTOR TO MAXIMIZE THE SERVICES OF VOLUNTEERS IN HUMAN SERVICES AS WELL AS OTHER ASPECTS OF STATE GOVERNMENT.

The Cabinet supports this recommendation.

COMMONWEALTH OF KENTUCKY
CORRECTIONS CABINET
FRANKFORT

WALLACE G. WILKINSON
GOVERNOR

JOHN T. WIGGINTON
SECRETARY

November 22, 1989

Mr. Greg Freedman
Legislative Research Commission
State Capitol
Frankfort, Kentucky 40601

Dear Mr. Freedman:

In response to Senator Rose and Representative Blandford's memorandum dated November 3, 1989 the Corrections Cabinet appreciates the opportunity to respond to the recommendations of the Commission on Kentucky's Government. The following recommendations with our responses are:

RECOMMENDATION: THE JUSTICE AND CORRECTIONS CABINET SHOULD BE COMBINED.

Response: The issues facing Corrections presently are far more complex than when the two Cabinets were previously merged. The inmate population has more than doubled in this timeframe with a tremendous amount of litigation resulting from inmate lawsuits. The administration, planning and attention demanded by these issues clearly justifies retaining Corrections in "Cabinet" status.

RECOMMENDATION: AT PRESENT WE DO NOT HAVE ENOUGH PRISON FACILITIES. IT IS RECOMMENDED THAT THE CORRECTIONS CABINET GIVE PREFERENCE TO BUILDING PRISON FACILITIES IN THOSE COUNTIES IN WHICH THE PUBLIC WANTS THEM BUILT, BUT THAT THE CABINET NOT BE LIMITED THERETO.

Response: We concur with locating prisons in those counties in which the public desires them; however, it is important that the availability of support services such as medical, educational, and utilities be given equal consideration.

"AN EQUAL OPPORTUNITY EMPLOYER M/F/H"

RECOMMENDATION: THE EXPANSION OF CURRENT PRISONS WITHOUT ADEQUATE SUPPORT FACILITIES AND DOUBLE CELLING AT FACILITIES DESIGNED FOR SINGLE OCCUPANCY SHOULD BE AVOIDED.

Response: We wholeheartedly concur.

RECOMMENDATION: IDLENESS IN PRISONS SHOULD BE REPLACED BY INCENTIVE FOR WORK, PRISON INDUSTRIES, AND EDUCATIONAL OPPORTUNITIES.

Response: We concur and continually work toward reducing idleness in prison by implementing worthwhile activities and programs for inmates.

If additional information is needed, please contact my office.

Sincerely,

John T. Wigginton
Secretary

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