

HOUSE OF REPRESENTATIVES

KENTUCKY GENERAL ASSEMBLY BUDGET AMENDMENT FORM  
2016 REGULAR SESSION  
**Unofficial Document**

Amend printed copy of HB 303/HCS 1

**PART I**

**KENTUCKY RETIREMENT SYSTEM**

Beginning on page 20, line 6, through page 21, line 11, delete all language and insert the following in lieu thereof:

**"25. KENTUCKY RETIREMENT SYSTEMS**

	<b>2016-17</b>	<b>2017-18</b>
Restricted Funds	38,965,500	39,094,000

**(1) Operations and Transparency:** Notwithstanding KRS 16.505 to 16.652, 61.510 to 61.705, 78.510 to 78.852, and 161.220 to 161.716, or any other statute to the contrary, for the 2016-2018 fiscal biennium:

(a) The Kentucky Retirement Systems shall be subject to the provisions of KRS Chapters 45, 45A, 56, and 57 for the procurement of goods, services, and property;

(b) No funds paid by, for, or on behalf of the Kentucky Retirement Systems shall be used to pay fees and commissions to placement agents. Fees and commissions paid to an investment manager who manages system assets, fees and commissions paid to a private fund that manages system assets, and fees and commissions paid to a company issuing securities that manages system assets shall not be used or diverted to pay fees and commissions to placement agents. For purposes of this subsection, "placement agent" means a third-party individual or firm who solicits investments on behalf of an investment manager, private fund, or company issuing securities;

Amendment No. HFA 11

Sponsor: Rep. Jeff Hoover

Committee Amendment: \_\_\_\_\_

Signed: \_\_\_\_\_

Floor Amendment: \_\_\_\_\_

LRC Drafter: Bondurant, James

Adopted: \_\_\_\_\_

Date: \_\_\_\_\_

Rejected: \_\_\_\_\_

Doc. ID: XXXXXX

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(c) For any gubernatorial appointments or reappointments to the Kentucky Retirement Systems Board of Trustees that occur on or after July 1, 2016, and before June 30, 2018, that are required to have investment experience as provided by KRS 61.645(1)(e)5., the required investment experience shall not include the provisions of KRS 61.645(1)(e)5.f. or a university professor teaching economics as provided by KRS 61.645(1)(e)5.e.;

(d) The Board of Trustees of the Kentucky Retirement Systems shall post the following information to their Web site and make available to the public:

1. Investment returns, net of fees, on any documents, reports, or other publicly available investment-related information where investment returns are reported;

2. All investment holdings, including fees and commissions incurred, paid, charged, or accrued, for each fund administered by the board, which shall be updated on a quarterly basis. Investment holdings, fees, and commissions shall be disclosed by each individual manager, including underlying individual managers in fund of funds and individual underlying holdings. Investment fees and commissions shall include any profit sharing, carried interest, or any other partnership incentive arrangements or agreements; and

3. All contracts or offering documents for services, goods, or property purchased or utilized by the Kentucky Retirement Systems. Notwithstanding the provisions of this paragraph, the Kentucky Retirement Systems shall not be required to furnish contract or offering document information that the Secretary of the Finance and Administration Cabinet determines is exempt under KRS 61.878 or that, if disclosed, would compromise the Kentucky Retirement Systems' ability to competitively invest in real estate or other asset classes, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the Kentucky Retirement Systems' board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this subsection; and

(e) In addition to the standards of conduct prescribed by KRS 16.505 to 16.652, 61.510 to 61.705, 78.510 to 78.852, and 161.220 to 161.716, all individuals associated with the investment and management of the Kentucky Retirement Systems' assets, including contracted investment advisors, board members, and staff employees, shall adhere to the following standards, as promulgated by the CFA Institute: "The Code of Ethics and Standards of Professional Conduct" for all parties, the "Asset Manager Code of Professional Conduct" if the individual is managing retirement system assets, and the "Code of Conduct for Members of a Pension Scheme Governing Body" if the individual is a board member."; and

PART I

TEACHERS' RETIREMENT SYSTEM

Beginning on page 27, line 17, through page 29, line 3, delete all language and insert the following in lieu thereof:

**"29. TEACHERS' RETIREMENT SYSTEM**

	<b>2016-17</b>	<b>2017-18</b>
General Fund	313,610,800	325,478,800
Restricted Funds	11,769,900	12,298,600
TOTAL	325,380,700	337,777,400

**(1) Contingent General Fund Appropriation for Pension Liability:** Included in the above General Fund appropriation is \$32,050,000 in fiscal year 2016-2017 and \$35,812,500 in fiscal year 2017-2018 to be applied to the unfunded pension liability of the Kentucky Teachers' Retirement System. The amount of these appropriations to be allotted and made available in fiscal year 2016-2017 shall be calculated as 25 percent of the amount that actual General Fund receipts at the end of each fiscal year exceed \$10,489,000,000, compared to the enacted estimate. The amount of these appropriations to be allotted and made available in fiscal year 2017-2018 shall be calculated as 25 percent of the amount that actual General Fund receipts at the end of each fiscal year exceed \$10,732,250,000, compared to the enacted estimate. Notwithstanding KRS 45.229, these funds shall not lapse and shall carry forward.

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(2) **Debt Service:** Included in the above General Fund appropriation is \$106,838,400 in fiscal year 2016-2017 and \$97,148,000 in fiscal year 2017-2018 for debt service on previously issued bonds.

(3) **State Annual Appropriations Deficit:** Pursuant to KRS 161.550(6), the Kentucky Teachers' Retirement System has identified a \$24,613,400 deficit for fiscal years 2013-2014 and 2014-2015. The deficit shall be funded as follows:

(a) \$20,327,500 from the state medical insurance fund stabilization contribution for fiscal years 2014-2015 and 2015-2016 within the General Fund appropriation specified in 2014 Ky. Acts ch. 117, Part I, A., 29., and identified as the excess amount of the state medical insurance fund stabilization contribution by the Kentucky Teachers' Retirement System; and

(b) \$4,285,900 from the above General Fund appropriation in fiscal year 2016-2017 for the remaining portion of the deficit.

(4) **Dependent Subsidy for Retirees under age 65:** Notwithstanding KRS 161.675(4)(a) and (b), from July 1, 2016, through June 30, 2018, for all retirees under the age of 65 who participate in the Kentucky Group Health Insurance Program through the Kentucky Teachers' Retirement System, the Kentucky Teachers' Retirement System Board of Trustees shall have the authority to pay the same dependent subsidy that Executive Branch agencies pay for their active employees who have similar coverage. The dependent subsidy is not subject to KRS 161.714. If the Board of Trustees provides the dependent subsidy, the Board shall submit a report to the Interim Joint Committee on Appropriations and Revenue stating the cost of such action and providing the effect on the actuarial unfunded liability of the system. If the report is not submitted by September 15, 2016, the authority to pay the dependent subsidy shall be voided for Plan Year 2017. If the report is not submitted by September 15, 2017, the authority to pay the dependent subsidy shall be voided for Plan Year 2018.

(5) **Amortization of Sick Leave:** Included in the above General Fund appropriation is

\$5,623,500 in fiscal year 2016-2017 and \$11,660,200 in fiscal year 2017-2018 to provide the cost of amortizing the requirements of KRS 161.155, relating to sick leave, for members retiring during the 2014-2016 biennium.

(6) **Contribution for Retiree Medical Insurance:** Included in the above General Fund appropriation is \$46,545,800 in fiscal year 2016-2017 and \$53,948,400 in fiscal year 2017-2018 to support the state's contribution for the cost of retiree health insurance for members not eligible for Medicare, who have retired since July 1, 2010, pursuant to KRS 161.550.

(7) **Operations and Transparency:** Notwithstanding KRS 16.505 to 16.652, 61.510 to 61.705, 78.510 to 78.852, and 161.220 to 161.716, or any other statute to the contrary, for the 2016-2018 fiscal biennium:

(a) The Kentucky Teachers' Retirement System shall be subject to the provisions of KRS Chapters 45, 45A, 56, and 57 for the procurement of goods, services, and property;

(b) No funds paid by, for, or on behalf of the Kentucky Teachers' Retirement System shall be used to pay fees and commissions to placement agents. Fees and commissions paid to an investment manager who manages system assets, fees and commissions paid to a private fund that manages system assets, and fees and commissions paid to a company issuing securities that manages system assets shall not be used or diverted to pay fees and commissions to placement agents. For purposes of this subsection, "placement agent" means a third-party individual or firm who solicits investments on behalf of an investment manager, private fund, or company issuing securities;

(c) The Board of Trustees of the Kentucky Teachers' Retirement System shall post the following information to their Web site and make available to the public:

1. Investment returns, net of fees, on any documents, reports, or other publicly available investment-related information where investment returns are reported;
2. All investment holdings, including fees and commissions incurred, paid, charged, or

accrued, for each fund administered by the board, which shall be updated on a quarterly basis. Investment holdings, fees, and commissions shall be disclosed by each individual manager, including underlying individual managers in fund of funds and individual underlying holdings. Investment fees and commissions shall include any profit sharing, carried interest, or any other partnership incentive arrangements or agreements; and

3. All contracts or offering documents for services, goods, or property purchased or utilized by the Kentucky Teachers' Retirement System. Notwithstanding the provisions of this paragraph, the Kentucky Teachers' Retirement System shall not be required to furnish contract or offering document information that the Secretary of the Finance and Administration Cabinet determines is exempt under KRS 61.878 or that, if disclosed, would compromise the Kentucky Teachers' Retirement System's ability to competitively invest in real estate or other asset classes, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the Kentucky Teachers' Retirement System's board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this subsection; and

(d) In addition to the standards of conduct prescribed by KRS 16.505 to 16.652, 61.510 to 61.705, 78.510 to 78.852, and 161.220 to 161.716, all individuals associated with the investment and management of the Kentucky Teachers' Retirement System's assets, including contracted investment advisors, board members, and staff employees, shall adhere to the following standards, as promulgated by the CFA Institute: "The Code of Ethics and Standards of Professional Conduct" for all parties, the "Asset Manager Code of Professional Conduct" if the individual is managing retirement system assets, and the "Code of Conduct for Members of a Pension Scheme Governing Body" if the individual is a board member.

**(8) Employer Contribution Rate:** Notwithstanding KRS 161.220 to 161.716:

(a) In addition to the pension contributions specified by KRS 161.550(1), the employer contribution rate to fund pension benefits in the Kentucky Teachers' Retirement System, shall be increased so that: for the fiscal year ending June 30, 2017, 50 percent of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis shall be paid by participating employers; and for the fiscal year ending June 30, 2018, 65 percent of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis shall be paid by participating employers. It is the intent of the 2016 General Assembly that for the fiscal year ending June 30, 2019, 85 percent of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis shall be paid by participating employers; and for the fiscal year ending June 30, 2020, and for each fiscal year thereafter, 100 percent of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis shall be paid by participating employers.

(b) The additional increases in employer contributions under paragraph (a) shall be paid by state, federal, and agency fund sources in the same manner as contributions payable under KRS 161.550(1).

(c) It is the intent of the 2016 General Assembly in biennial budgets beginning on or after July 1, 2016, to pledge any funds made available due to reduced debt service funding requirements for bonds previously issued for the Kentucky Teachers' Retirement System towards meeting the state's share of the funding schedule established by paragraph (a).";

#### PART I

#### DEPARTMENT OF EDUCATION

Beginning on page 33, line 13, through page 50, line 4, delete all language and insert the following in lieu thereof:

"C. DEPARTMENT OF EDUCATION

**Budget Units**

**1. SUPPORT EDUCATION EXCELLENCE IN KENTUCKY (SEEK)  
PROGRAM**

	<b>2016-17</b>	<b>2017-18</b>
General Fund	3,270,937,100	3,337,598,700

(1) **Common School Fund Earnings:** Accumulated earnings for the Common School Fund shall be transferred in each fiscal year to the SEEK Program.

(2) **Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above General Fund and Federal Funds appropriations to the base SEEK Program are intended to provide a base guarantee of \$3,981 per student in average daily attendance in fiscal year 2016-2017 and \$3,981 per student in average daily attendance in fiscal year 2017-2018 as well as to meet the other requirements of KRS 157.360.

Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose, except as provided in this Act. The total appropriation for the SEEK Program shall be measured by, or construed as, estimates of the state expenditures required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon the written request of the Commissioner of Education and with the approval of the Governor, may increase the appropriation by such amount as may be available and necessary to meet, to the extent possible, the required expenditures under the cited sections of the Kentucky Revised Statutes, but any increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions, of this Act and KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, allotments to local school



districts may be reduced in accordance with KRS 157.430.

(3) **Base SEEK Allotments:** Notwithstanding KRS 157.420(2), included in the above General Fund appropriation is \$2,102,272,800 in fiscal year 2016-2017 and \$2,090,700,100 in fiscal year 2017-2018 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is \$214,752,800 in each fiscal year for pupil transportation.

(4) **Tier I Component:** Included in the above General Fund appropriation is \$174,548,800 in fiscal year 2016-2017 and \$170,111,400 in fiscal year 2017-2018 for the Tier I component as established by KRS 157.440.

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

(6) **Secondary Vocational Education:** Included in the above General Fund appropriation is \$22,881,900 in fiscal year 2016-2017 and \$22,881,900 in fiscal year 2017-2018 to provide secondary vocational education in state-operated vocational schools.

(7) **Teachers' Retirement System Employer Match:** Included in the above General Fund appropriation is \$604,621,100 in fiscal year 2016-2017 and \$690,619,300 in fiscal year 2017-2018 to enable local school districts to provide the employer match for qualified employees as provided for by KRS 161.550 and as authorized in Part I, A., 29., (8) of this Act.

(8) **Salary Supplements for Nationally Certified Teachers:** Notwithstanding KRS 157.395, included in the above General Fund appropriation is \$2,750,000 in each fiscal year for the purpose of providing salary supplements for public school teachers attaining certification by the National Board for Professional Teaching Standards. Notwithstanding the provisions of KRS

157.395, if the appropriation is insufficient to provide the mandated salary supplement for teachers who have obtained this certification, the Department of Education is authorized to pro rata reduce the supplement.

**(9) Final SEEK Calculation:** Notwithstanding KRS 157.410, on or before March 1 of each year, the Commissioner of Education shall determine the exact amount of the public common school fund to which each district is entitled, and the remainder of the amount due each district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter.

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

**(11) Facilities Support Program of Kentucky/Equalized Nickel Levies:** Included in the above General Fund appropriation is \$80,109,500 in fiscal year 2016-2017 and \$78,002,400 in fiscal year 2017-2018 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620.

**(12) Growth Levy Equalization Funding:** Included in the above General Fund appropriation is \$17,234,200 in fiscal year 2016-2017 and \$16,414,200 in fiscal year 2017-2018 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620, for districts meeting the eligibility requirements of KRS 157.621(1) and (4).

**(13) Retroactive Equalized Facility Funding:** Included in the above General Fund appropriation is \$16,377,200 in fiscal year 2016-2017 and \$15,973,300 in fiscal year 2017-2018 to provide equalized facility funding pursuant to KRS 157.440 and 157.620 to districts meeting the eligibility requirements of KRS 157.621(2) and (4). In addition, a local board of education that levied a tax rate subject to recall by January 1, 2014, in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new facilities, or

major renovations of existing facilities shall be eligible for equalization funds from the state at 150 percent of the statewide average per pupil assessment. Revenue to generate the five cent equivalent levy may be obtained from levies on property, motor vehicles, or the taxes authorized by KRS 160.593 to 160.597, 160.601 to 160.633, and 160.635 to 160.648 if the levy was dedicated to facilities funding at the time of the levy. The equalization funds shall be used as provided in KRS 157.440(1)(b). For the 2016-2018 fiscal biennium, school districts that levied the tax rate subject to recall prior to January 1, 2014, shall be equalized at 100 percent of the calculated equalization funding, and school districts that levied the tax rate subject to recall after January 1, 2014, and before January 1, 2016, shall be equalized at 25 percent of the calculated equalization funding in each fiscal year. It is the intent of the 2016 General Assembly that any local school district receiving partial equalization under this subsection in the 2016-2018 fiscal biennium shall receive full calculated equalization in the 2018-2020 fiscal biennium and thereafter.

**(14) Equalized Facility Funding:** Included in the above General Fund appropriation is \$6,829,600 in fiscal year 2016-2017 and \$6,658,300 in fiscal year 2017-2018 to provide equalized facility funding pursuant to KRS 157.420 and 157.620 to districts meeting the eligibility requirements of KRS 157.621(3) and (4).

**(15) BRAC Equalized Facility Funding:** Included in the above General Fund appropriation is \$1,832,000 in fiscal year 2016-2017 and \$1,764,100 in fiscal year 2017-2018 to provide equalized facility funding to school districts meeting the eligibility requirements of KRS 157.621(1)(c) pursuant to KRS 157.440 and 157.620.

**(16) Equalization Funding for Critical Construction Needs Schools:** Included in the above General Fund appropriation is \$5,639,300 in fiscal year 2016-2017 and \$5,532,800 in fiscal year 2017-2018 to school districts in accordance with 2010 (1st Extra. Sess.) Ky. Acts ch. 1, Part I, C., 4., (18).

(17) **Instructional Days:** Notwithstanding KRS 158.070, the school term for fiscal year 2016-2017 and fiscal year 2017-2018 shall include the equivalent of 177 six-hour instructional days. Districts may exceed 177 six-hour instructional days.

(18) **Hold-Harmless Guarantee:** A modified hold-harmless guarantee is established in fiscal biennium 2016-2018 which provides that every local school district shall receive at least the same amount of Support Education Excellence in Kentucky (SEEK) state funding per pupil as was received in fiscal year 1991-1992. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, and allotments to local school districts are reduced in accordance with KRS 157.430, allocations to school districts subject to this provision shall not be reduced.

(19) **Residential Youth-at-Risk Programs:** (a) Students enrolled in the Bluegrass Challenge Academy and the Appalachian Youth Challenge Academy shall be included in the student count used for determining the amount of state funding allocated to a local school district through the Support Education Excellence in Kentucky (SEEK) Program.

(b) Students who are accepted for enrollment in either of the academies shall, on the first day of attendance at the academy, enroll in the school district in which the academy is located. These students will be enrolled in the school district for attendance purposes only. The attendance records of these students shall not be included in the Superintendent's Annual Attendance Report, and the school district shall have no responsibility for these students.

(c) Each academy shall report student attendance to the local school district on a quarterly basis. The local school district shall calculate the amount of SEEK funds generated by the students enrolled in the academy in the district and shall transmit these funds to the academy on a semiannual basis.

(d) No later than July 1, 2016, the Commissioner of Education shall develop procedures for that accomplish the requirements of paragraphs (b) and (c) of this subsection.

(20) **Additional SEEK Funding:** If the above General Fund appropriation is not sufficient to fully fund the SEEK Program including any adjustments pursuant to KRS 157.360 in fiscal year 2015-2016, the Kentucky Department of Education may request up to \$10,000,000 in fiscal year 2015-2016, which shall be deemed a necessary government expense and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

(21) **Increased Teachers' Retirement System Employer Match:** Included in the above General Fund appropriation is \$18,671,000 in fiscal year 2016-2017 and \$19,021,200 in fiscal year 2017-2018 to enable local school districts to provide for the increased employer costs authorized in Part I, A., 29., (8) of this Act for which the state does not pay on behalf of local school districts. These funds shall be in addition to the employer costs for qualified employees as provided for by KRS 161.550, and shall not constitute any portion of any employer contribution required by KRS Chapter 161.

## 2. OPERATIONS AND SUPPORT SERVICES

	2016-17	2017-18
General Fund	51,998,400	52,076,800
Restricted Funds	7,390,000	7,401,500
Federal Funds	328,954,900	328,966,400
TOTAL	388,343,300	388,444,700

(1) **Employment of Leadership Personnel:** Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set those employees' compensation comparable to the competitive market.

(2) **Increased Teachers' Retirement System Employer Match:** Included in the above General Fund appropriation is \$1,086,600 in fiscal year 2016-2017 and \$1,107,000 in fiscal year

2017-2018 for increased employer costs in fiscal year 2017-2018 authorized in Part I, A., 29., (8) of this Act. These funds shall be in addition to the employer costs for qualified employees as provided for by KRS 161.550, and shall not constitute any portion of any employer contribution required by KRS Chapter 161. These funds do not include the increased employer costs for the Office of Career and Technical Education, which are included in Part I, K., 1., (9) of this Act.

**(3) Review of the Classification of Primary and Secondary School Buildings:** Included in the above General Fund appropriation is \$2,000,000 in each fiscal year to implement KRS 157.420(9) and (10). Notwithstanding KRS 45.229, any portion of the \$2,000,000 that has not been expended by the end of fiscal year 2016-2017 shall not lapse and shall carry forward into fiscal year 2017-2018. Notwithstanding KRS 157.420(9) and (10), only schools classified as A1, A2, A3, A4, A5, A6, C2, and D1 shall be included in the evaluation process. Notwithstanding KRS 157.420(9) and (10), the Department of Education may limit the school buildings included in the evaluation process based on the time elapsed since the building's construction or last major renovation as defined in 702 KAR 4:160. The Department of Education shall provide an updated list of school buildings evaluated by the process pursuant to KRS 157.420(9) and (10) to the Legislative Research Commission by October 1, 2017. The Department of Education shall also maintain and update this list and provide an updated list to the Legislative Research Commission by October 1 of each odd-numbered year.

**3. LEARNING AND RESULTS SERVICES**

	<b>2016-17</b>	<b>2017-18</b>
General Fund	991,262,800	993,174,300
Restricted Funds	26,752,500	26,787,400
Federal Funds	559,520,200	559,526,700
<b>TOTAL</b>	<b>1,577,535,500</b>	<b>1,579,488,400</b>

**(1) Funding for Employer Health and Life Insurance:** If the costs for health insurance

or life insurance coverage for employees of local school districts exceed the levels of appropriated funds, any unexpended Support Education Excellence in Kentucky appropriations may be used to offset the unbudgeted costs. Any transfer shall be subject to the approval of the Governor upon the written recommendation of the State Budget Director pursuant to the written request of the Commissioner of Education. The per-month, per-employee administrative assessment shall be remitted to the Personnel Cabinet by the Department of Education from the General Fund appropriation for local school district health and life insurance.

(2) **Kentucky Education Technology System:** The School for the Deaf and the School for the Blind shall be fully eligible, along with local school districts, to participate in the Kentucky Education Technology System in a manner that takes into account the special needs of the students of these two schools.

(3) **Family Resource and Youth Services Centers:** Funds appropriated to establish and support Family Resource and Youth Services Centers shall be transferred in fiscal year 2016-2017 and in fiscal year 2017-2018 to the Cabinet for Health and Family Services consistent with KRS 156.496. The Cabinet for Health and Family Services is authorized to use, for administrative purposes, no more than three percent of the total funds transferred from the Department of Education for the Family Resource and Youth Services Centers. If a certified person is employed as a director or coordinator of a Family Resource and Youth Services Center, that person shall retain his or her status as a certified employee of the school district.

If 70 percent or more of the funding level provided by the state is utilized to support the salary of the director of a center, that center shall provide a report to the Cabinet for Health and Family Services identifying the salary of the director. The Cabinet for Health and Family Services shall transmit any reports received from Family Resource and Youth Services Centers pursuant to this paragraph to the Legislative Research Commission.

(4) **Health Insurance:** Included in the above General Fund appropriation is

\$677,000,000 in fiscal year 2016-2017 and \$678,772,500 in fiscal year 2017-2018 for employer contributions for health insurance and the contribution to the health reimbursement account for employees waiving coverage.

(5) **Program Flexibility:** Notwithstanding KRS 157.3175(3) and (4) and 160.345(8) with regard to the state allocation, four programs (Instructional Materials/Textbooks, Professional Development, Extended School Services, and Safe Schools) shall continue to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need of the intended student population. Notwithstanding KRS 157.3175(3) and (4) and 160.345(8) with regard to the state allocation, local school districts may use funds from the Instructional Materials/Textbooks, Professional Development, Extended School Services, and Safe Schools programs to supplement the Preschool program in each fiscal year.

(6) **Publishing Requirements:** Notwithstanding KRS 160.463 and 424.220, public availability of the school district's complete annual financial statement and the school report card shall be made by publishing the documents in the newspaper of the largest general circulation in the county, electronically on the Internet, or by printed copy at a prearranged site at the main branch of the public library within the school district. If publication on the Internet or by printed copy at the public library is chosen, the superintendent shall be directed to publish notification in the newspaper of the largest circulation in the county as to the location where the document can be viewed by the public. The notification shall include the address of the library or the electronic address of the Web site on the Internet where the documents can be viewed.

(7) **Commonwealth School Improvement Fund:** Notwithstanding KRS 158.805, the Commissioner of Education shall be authorized to use the Commonwealth School Improvement Fund to provide support services to schools or to meet federal requirements.

(8) **Locally Operated Vocational Programs:** Notwithstanding KRS 157.069, the



supplemental funding distribution shall include Category II and III programs in districts established after June 21, 2001, with state assistance, if approved by the Commissioner of Education.

**(9) Preschool Program Eligibility:** Notwithstanding KRS 157.3175(1)(a) and (b) and 157.3175(4)(b), the Department of Education shall continue to implement entrance age requirements for preschool in the 2016-2017 school year to align with the new school entrance age requirements pursuant to KRS 158.030.

**(10) Use of Local District Capital Funds:** Notwithstanding KRS 157.420(4) and (6), 157.440, and 157.621, a local board of education may submit a request to the Commissioner of Education to utilize any capital funds, regardless of the source, for general operating expenses in each fiscal year without forfeiting the district's eligibility to participate in the School Facilities Construction Commission Program. Prior to August 1, 2016, the Kentucky Board of Education shall approve guidelines to be followed in considering such requests from local boards of education.

**(11) Surplus Property:** Notwithstanding KRS 45.777, any funds received by the Commonwealth from the disposal of any surplus property at the Kentucky School for the Blind, the Kentucky School for the Deaf, and the FFA Leadership Training Center shall be deposited in a separate restricted account for each facility and shall not be expended without appropriation authority granted by the General Assembly.

**(12) Advisory Council for Gifted and Talented Education:** Notwithstanding KRS 158.648(1), a member of the State Advisory Council for Gifted and Talented Education may be reappointed but shall not serve more than four consecutive terms. Notwithstanding KRS 158.648(1), a member of the Kentucky Association for Gifted Education shall be a voting member of the State Advisory Council for Gifted and Talented Education.

**(13) Allocation of Safe School Funds:** Notwithstanding KRS 158.446, the Center for

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School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440, 158.441, 158.442, 158.445, and 158.446.

**(14) Kentucky School for the Blind and Kentucky School for the Deaf:** Included in the above General Fund appropriation is \$6,741,400 in fiscal year 2016-2017 and \$6,755,500 in fiscal year 2017-2018 for the Kentucky School for the Blind and \$9,916,500 in fiscal year 2016-2017 and \$9,937,100 in fiscal year 2017-2018 for the Kentucky School for the Deaf.

**(15) Learning and Results Services Programs:** Included in the above General Fund appropriation are the following allocations for the 2016-2018 fiscal biennium, but no portion of these funds shall be utilized for state-level administrative purposes:

- (a) \$1,236,000 in each fiscal year for the ACT and WorkKeys testing;
- (b) \$1,200,000 in each fiscal year for AdvanceKentucky;
- (c) \$72,300 in each fiscal year for the Appalachian Learning Disabled Tutoring Program;
- (d) \$525,100 in each fiscal year for the Blind/Deaf Residential Travel Program;
- (e) \$1,225,600 in each fiscal year for the Collaborative Center for Literacy Development;
- (f) \$1,358,800 in each fiscal year for the Commonwealth School Improvement Fund;
- (g) \$1,936,400 in each fiscal year for the Community Education Program;
- (h) \$576,100 in each fiscal year for the Dropout Prevention Program;
- (i) \$424,100 in each fiscal year for the Elementary Arts and Humanities Program;
- (j) \$451,400 in each fiscal year for the Every1 Reads Program;
- (k) \$25,510,700 in each fiscal year for the Extended School Services Program;
- (l) \$52,148,300 in each fiscal year for the Family Resource and Youth Services Centers Program;
- (m) \$227,900 in each fiscal year for the Georgia Chaffee Teenage Parent Program;
- (n) \$6,622,300 in each fiscal year for the Gifted and Talented Program;
- (o) \$100,000 in each fiscal year for the Heuser Hearing and Language Academy;

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- (p) \$328,800 in each fiscal year for the Leadership and Mentor Fund;
  - (q) \$100,000 in each fiscal year for the Lexington Hearing and Speech Center;
  - (r) \$1,483,700 in each fiscal year for the Local School District Life Insurance;
  - (s) \$5,353,600 in each fiscal year for the Mathematics Achievement Fund;
  - (t) \$339,200 in each fiscal year for the Middle School Academic Center;
  - (u) \$67,368,400 in each fiscal year for the Preschool Program, which would provide a rate of \$3,500 per pupil based on the enrollment count of December 1, 2015, but no guarantee of the per-pupil rate shall be granted or otherwise implied if the enrollment count varies in fiscal year 2016-2017 or fiscal year 2017-2018;
  - (v) \$11,927,700 in each fiscal year for the Professional Development Program;
  - (w) \$720,300 in each fiscal year for the Teacher's Professional Growth Fund;
  - (x) \$15,469,100 in each fiscal year for the Read to Achieve Program;
  - (y) \$10,378,300 in each fiscal year for the Safe Schools Program;
  - (z) \$891,900 in each fiscal year for the Save the Children/Rural Literacy Program;
  - (aa) \$3,646,200 in each fiscal year for the School Food Services;
  - (ab) \$10,096,500 in each fiscal year for the State Agency Children Program;
  - (ac) \$250,000 in each fiscal year for Teach for America;
  - (ad) \$1,400,800 in each fiscal year for the Teacher Academies Program;
  - (ae) \$16,700,000 in each fiscal year for Instructional Resources;
  - (af) \$1,338,200 in each fiscal year for the Teacher Recruitment and Retention Program-Educator Quality and Diversity;
  - (ag) \$700,300 in each fiscal year for the Virtual Learning Program;
  - (ah) \$100,000 in each fiscal year for the Visually Impaired Preschool Services Program;
- and
- (ai) \$534,300 in each fiscal year for the Writing Program.

**(16) Participation in the Education Technology Program by Area Vocational Education Centers:** Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650, 157.655, 157.660, and 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds. The School Facilities Construction Commission shall include Area Vocational Education Centers in any offers of assistance to local school districts for technology assistance during the 2016-2018 fiscal biennium.

**TOTAL - DEPARTMENT OF EDUCATION**

	<b>2016-17</b>	<b>2017-18</b>
General Fund	4,314,198,300	4,382,849,800
Restricted Funds	34,142,500	34,188,900
Federal Funds	888,475,100	888,493,100
<b>TOTAL</b>	<b>5,236,815,900</b>	<b>5,305,531,800";</b>

Part I

**PERSONNEL CABINET**

Beginning on page 92, line 3, through page 93, line 4, delete all language and insert the following in lieu thereof:

**"J. PERSONNEL CABINET**

**Budget Units**

**1. GENERAL OPERATIONS**

**2016-17**                      **2017-18**

Restricted Funds	27,063,500	27,798,300
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(1) **Pro Rata Assessment:** Included in the above Restricted Funds appropriation is \$2,692,600 in each fiscal year are funds to be transferred to the General Fund to support debt service on bonds previously issued for the Kentucky Human Resources Information System. The Personnel Cabinet shall collect a pro rata assessment from all state agencies, in all three branches of government, and other organizations that are supported by the System. Those collections shall be deposited and retained in a Restricted Funds account within the Personnel Cabinet.

**2. PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY**

	2016-17	2017-18
Restricted Funds	9,315,500	9,340,700

**3. WORKERS' COMPENSATION BENEFITS AND RESERVE**

	2016-17	2017-18
Restricted Funds	25,280,300	26,328,600

**4. STATE GROUP HEALTH INSURANCE FUND**

	2016-17	2017-18
General Fund	873,200	873,200

(1) **Group Health Insurance:** The above General Fund appropriation is provided to support a dependent subsidy for full-time employees of quasi-governmental employers, excluding state agencies, participating in the State Group Health Insurance program. To participate in this fund, each quasi-governmental employer shall certify to the Secretary of the Personnel Cabinet that no funds received from the pool are being utilized to fund any benefits for persons other than full-time employees.

**5. STATE SALARY AND COMPENSATION FUND**

	2016-17	2017-18
General Fund	76,908,500	91,393,100

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## TOTAL - PERSONNEL CABINET

	2016-17	2017-18
General Fund	77,781,700	92,266,300
Restricted Funds	61,659,300	63,467,600
TOTAL	139,441,000	155,733,900";

## PART I

### COUNCIL ON POSTSECONDARY EDUCATION

On page 93, line, 10, delete "44,373,400" and replace with "65,534,500";

On page 93, line, 10, delete "44,415,200 " and replace with "65,974,200";

On page 96, line 12, insert the following:

**"(13) Increased Teachers' Retirement System Employer Match:** Included in the above General Fund appropriation is \$21,161,100 in fiscal year 2016-2017 and \$21,559,000 in fiscal year 2017-2018 for increased employer costs in fiscal year 2017-2018 authorized in Part I, A., 29., (8) of this Act, which shall be paid on behalf of regional universities, the Kentucky Community and Technical College System, the Kentucky Department of Education Office of Career and Technical Education, and any participating units within the Education and Workforce Development Cabinet. These funds shall be in addition to the employer costs for qualified employees as provided for by KRS 161.550, and shall not constitute any portion of any employer contribution required by KRS Chapter 161."; and adjust subtotals and totals accordingly.

## PART IV

STATE SALARY/COMPENSATION, BENEFIT, AND EMPLOYMENT POLICY  
Beginning on page 192, line 19, through page 194, line 22, delete all language and insert the following in lieu thereof:

### "PART IV

#### STATE SALARY/COMPENSATION, BENEFIT, AND EMPLOYMENT POLICY

- 1. Authorized Personnel Complement:** On July 1, 2016, the Personnel Cabinet and the

Office of State Budget Director shall establish a record for each budget unit of authorized permanent full-time and other positions based upon the enacted Executive Budget of the Commonwealth and any adjustments authorized by provisions in this Act. The total number of filled permanent full-time and all other positions shall not exceed the authorized complements pursuant to this section. An agency head may request an increase in the number of authorized positions to the State Budget Director. Upon approval, the Secretary of the Personnel Cabinet may authorize the employment of individuals in addition to the authorized complement. A report of the actions authorized in this section shall be provided to the Interim Joint Committee on Appropriations and Revenue on a monthly basis.

**2. Salary Adjustments:** Notwithstanding KRS 18A.355 and 156.808(6)(e) and (12), no increment is provided in each fiscal year on the base salary or wages of each eligible state employee on their anniversary date.

**3. Monthly Per Employee Health Insurance Benefits Assessment:** The Personnel Cabinet shall collect a benefits assessment per month per employee eligible for health insurance coverage in the state group for duly authorized use by the Personnel Cabinet in administering its statutory and administrative responsibilities, including but not limited to administration of the Commonwealth's health insurance program.

**4. Employee Cross-Reference:** The Personnel Cabinet shall permit married couples who are both eligible to participate in the state health insurance plan to be covered under one family health benefit plan.

**5. Full-Time Positions:** Notwithstanding KRS 18A.005(18)(a), full-time positions in the state parks, where the work assigned is dependent upon fluctuation in tourism, may be assigned work hours from 25 hours per week and remain in full-time positions.

**6. Base Employer Retirement Contribution Rates:** Pursuant to KRS 61.565 and 61.702, the base employer contribution rates for Kentucky Employees Retirement Systems from

July 1, 2016, through June 30, 2017, shall be 48.59 percent, consisting of 40.24 percent for pension and 8.35 percent for insurance for nonhazardous duty employees and 23.82 percent, consisting of 21.08 percent for pension and 2.74 percent for insurance for hazardous duty employees; for the same period the employer contribution for employees of the State Police Retirement System shall be 89.21 percent, consisting of 70.34 percent for pension and 18.87 percent for insurance. Notwithstanding KRS 61.565 and 61.702, the base employer contribution rates for Kentucky Employees Retirement Systems from July 1, 2017, through June 30, 2018, shall be 49.47 percent, consisting of 41.06 percent for pension and 8.41 percent for insurance for nonhazardous duty employees and 23.70 percent, consisting of 21.44 percent for pension and 2.26 percent for insurance for hazardous duty employees; for the same period the employer contribution for employees of the State Police Retirement System shall be 91.24 percent, consisting of 72.47 percent for pension and 18.77 percent for insurance. The rates above apply to wages and salaries earned for work performed during the described period regardless of when the employee is paid for the time worked.

**7. Employer Overmatch Contribution Rate:** In addition to the base employer retirement contribution rates established in Section 6. of this Part, each employer shall contribute to the Kentucky Employees Retirement Systems nonhazardous pension fund an additional overmatch of 6.75 percent of payroll in each fiscal year. This overmatch rate will bring the total pension rate contributed to the nonhazardous pension fund to 46.99 percent in fiscal year 2016-2017 and 47.81 percent in fiscal year 2017-2018.

**8. Governor's Emergency Match:** In addition to the base employer retirement contribution rates established in Section 6. of this Part and the employer overmatch contribution rate established in Section 7. of this Part, the Governor may require each employer to contribute to the Kentucky Employees Retirement Systems nonhazardous pension fund an emergency match of up to an additional 9.03 percent of payroll during all or part of each fiscal year as funds are



available.

**9. Issuance of Paychecks to State Employees:** Notwithstanding 101 KAR 2:095, Section 10, the state payroll that would normally be scheduled to be paid on June 30, 2017, and June 30, 2018, shall not be issued prior to July 1, 2017, and July 1, 2018.

**10. Health Care Spending Account:** Notwithstanding KRS 18A.2254(2)(a) and (b), if a public employee waives coverage provided by his or her employer under the Public Employee Health Insurance Program, the employer shall forward a monthly amount to be determined by the Secretary of the Personnel Cabinet for that employee as an employer contribution to a health reimbursement account or a health flexible spending account, but not less than \$175 per month, subject to any conditions or limitations imposed by the Secretary of the Personnel Cabinet to comply with applicable federal law. The administrative fees associated with a health reimbursement account or health flexible spending account shall be an authorized expense to be charged to the Public Employee Health Insurance Trust Fund.

**11. Salary and Compensation Fund Distribution:** The State Budget Director shall determine the amount of funds from the appropriation in Part I, J., 5., of this Act that is necessary for each budget unit to pay the General Fund portion of the increased costs of the employer contribution rates for the Kentucky Employees Retirement Systems and the increment provided in Section 2. of this Part. The State Salary and Compensation Fund shall be supplemented by Restricted Funds, Federal Funds, the Road Fund, and other General Fund amounts otherwise appropriated to state agencies. The amount of moneys transferred from the State Salary and Compensation Fund to state agencies shall not exceed the additional General Fund cost of the employer overmatch contribution rate, the Governor's emergency match for the Kentucky Employees Retirement Systems, and the increment provided in Section 2. of this Part. The State Budget Director shall report distributions from the State Salary and Compensation Fund to the Interim Joint Committee on Appropriations and Revenue.

**12. Public Employee Health Insurance Program Premium Rates:** Notwithstanding KRS 18A.2254 or any other provision of law, Public Employee Health Insurance Program premium rates for Plan Year 2017 and Plan Year 2018 shall not exceed Plan Year 2016 premium rates."

SUMMARY: Delete General Fund appropriation and decrease Restricted Funds appropriation in each fiscal year for the Kentucky Retirement Systems; provide funding in each fiscal year to be applied to the unfunded pension liability of the Kentucky Retirement Systems' nonhazardous plan, hazardous plan, or state police retirement plan; provide a contingent General Fund appropriation for pension liability of the Kentucky Retirement Systems, nonhazardous plan; decrease General Fund appropriation and Restricted Funds appropriation in each fiscal year for the Teachers' Retirement System; remove language regarding direct appropriation for pension liability from the Teachers' Retirement System; amend State Annual Appropriations Deficit language provision; insert language regarding the dependent subsidy for retirees under age 65, amortization of sick leave, contribution for retiree medical insurance, operations and transparency, and employer contribution rate within the Teachers' Retirement System budget unit; increase General Fund appropriation in each fiscal year for SEEK; amend SalarySupplements for Nationally Certified Teachers, Retroactive Equalized Facility Funding, and Hold Harmless Guarantee language provisions; provide additional SEEK funding in fiscal year 2015-2016 as a necessary government expense; insert language regarding increased Teachers' Retirement System employer match; insert language regarding the review of the classification of primary and secondary school buildings; decrease General Fund appropriation in each fiscal year for Learning and Results Services; insert language regarding preschool program eligibility, use of local district capital funds, surplus property, advisory council for gifted and talented education, allocation of Safe School Funds, Kentucky School for the Blind and Kentucky School for the Deaf, Learning and Results Service programs, and participation in the

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Education Technology Program by area vocational education centers within the Learning and Results Services budget unit; reduce the Restricted Funds appropriation in each fiscal year for General Operations within the Personnel Cabinet; provide a General Fund appropriation in each fiscal year for the State Salary and Compensation Fund; and insert language regarding increased Teachers' Retirement System employer match; establish the state salary/compensation and employment policy.