

VETO MESSAGE FROM THE
GOVERNOR OF THE COMMONWEALTH OF KENTUCKY
REGARDING HOUSE BILL 406 OF THE
2008 REGULAR SESSION

1. Kentucky Infrastructure Authority Compensation to Area
Development Districts

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky,
pursuant to the authority granted under Section 88 of the Kentucky
State Constitution, do hereby veto the following part:

Page 7, lines 13 through 16 in their entirety.

I am vetoing this part because the appropriations are insufficient to
provide this level of funding to the Area Development Districts and still
allow the Authority to operate its programs. The vetoed part states that
within the appropriation for the Kentucky Infrastructure Authority is
\$2,214,700 in each year of the biennium to be disbursed to Area
Development Districts for water management planning services and
maintenance of the Water Resources Information System.

The Authority has distributed \$1,513,500 to the Area Development
Districts in each of the last two fiscal years to provide for water
management planning services and updates to the Water Resources
Information Systems. The Authority plans to continue its relationship
with the Area Development Districts, but the appropriation amounts
cannot accommodate a forty-six percent increase in funding to the
Districts while still providing the services required of the Authority.

2. School Facilities Construction Commission – Use of Local
District Capital Outlay Funds

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky,
pursuant to the authority granted under Section 88 of the Kentucky
State Constitution, do hereby veto the following part:

Page 30, line 15, after the word “Program”, delete “,”

Page 30, line 16 beginning with the word “if” and ending with the word “percent”

I am vetoing this part because in these challenging economic times, school districts will need maximum flexibility to implement their respective operating and capital budgets.

The vetoed part restricts the ability of local school districts to use capital outlay funds for maintenance expenditures or the purchase of property insurance without forfeiting eligibility for offers of assistance from the School Facilities Construction Commission. Only districts with prior year general fund balances of less than two percent would retain such flexibility. The General Assembly has permitted local school districts to use capital outlay funds for maintenance or property insurance upon approval of the Commissioner of Education since 2003. School districts’ flexible focus funds have been reduced and they will be mandated to provide a 1 percent salary increase to their employees. Moreover, there have been no reports of abuse of this policy or problems with any local school district’s financial standing due to the existing policy. The Commissioner of the Department of Education has the authority to decide whether a district should be permitted this flexibility and it is my judgment that he is the most appropriate person to make this decision.

3. Economic Development Cabinet Use of New Economy Funds
for ConnectKentucky

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 39, lines 19 through 21 in their entirety.

I am vetoing this part because of the need to allocate scarce resources in the most efficient manner possible.

The vetoed part requires funding of \$1.2 million in each year of the biennium to administer the ConnectKentucky program from the Cabinet for Economic Development’s High-Tech Investment Pool without specifically identifying any services to be rendered to the state or providing for any oversight, control or performance measures relative to the services being rendered. This amount represents a twenty-six percent increase over current grant levels for these services

in a budget that decreases most appropriations. I support wholeheartedly the continuation of the broadband initiative and accessibility of high speed internet throughout the Commonwealth and am proud of the great strides made by ConnectKentucky to date. I am directing the Cabinet for Economic Development to confer with ConnectKentucky, consider the program needs related to the continuation of the broadband initiative, and structure a funding plan in a fiscally responsible manner that furthers the good work that has been done in this area.

4. Environmental and Public Protection Cabinet – Forestry Tree Nurseries

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 63, line 18, after “Marshall County” delete the rest of the line.

Page 63, line 19, beginning with “normal” through “biennium”.

I am vetoing this provision because the Secretary of the Environmental and Public Protection Cabinet will need unprecedented flexibility in implementing a budget that has been reduced approximately twenty-two percent from its fiscal year 2008 base level of funding.

The vetoed part mandates the two state tree nurseries maintain normal business operations through the biennium.

Every effort will be made to maintain the current two nurseries with available funding. The protection of the citizens of the Commonwealth is of utmost importance to me. The same governmental program that is responsible for maintaining these tree nurseries is also responsible for all of the fire suppression activities in the state. Therefore the Secretary must have the flexibility to use any available funds to ensure that the health and safety of the citizens of the Commonwealth are maintained.

5. Environmental and Public Protection Cabinet - Horse Racing Authority

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 66, lines 5 through 11 in their entirety.

I am vetoing this part because the General Assembly did not provide an alternative funding source for the operational costs of the regulatory functions required of the Authority.

The vetoed part imposes a limitation on assessments paid by Kentucky thoroughbred race tracks to the Horse Racing Authority for each live-day of racing for the 2008-2010 biennium.

The smaller tracks in Kentucky are struggling financially. These tracks are critical to the success of year-round horse racing in the Commonwealth and I am committed to implementing measures to protect and grow this industry.

We are working with representatives of the race tracks to establish an acceptable level of interim funding. I will be appointing a task force to recommend an appropriate funding mechanism for the Authority which will protect the integrity, long-term viability and growth of the racing industry. The task force will also be asked to address issues critical to the regulatory success of the Racing Authority and provide potential solutions to these challenges.

6. Finance and Administration Cabinet - Conveyance of Property

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 69, line 27, in its entirety.

Page 70, lines 1 through 3 in their entirety.

I am vetoing this part because a similar outcome can be achieved through other methods without removing an appropriate requirement that publicly acquired real estate assets continue to be used for public purposes. This part suspends existing laws to require that the Secretary of the Finance and Administration Cabinet convey to Kenton County the Commonwealth's reversionary interest in certain property in Covington, Kentucky and is being pursued to allow the County's lessee to obtain a mortgage for improvements. I am directing the Secretary of Finance and Administration to work with Kenton County to allow the county to obtain mortgage financing to improve the property for its continued use for public purposes.

7. Personnel Cabinet State Salary and Compensation Fund - Use
of Funds for Increased Retirement Contributions

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 99, lines 24 through 27 in their entirety.

Page 100, lines 1 through 3 in their entirety.

I am vetoing this part because the increased employer contribution rates are already set forth in Part IV of House Bill 406; therefore, there is no need to tie the distribution of the funds to another piece of legislation. This part directs that no funds shall be distributed from the Kentucky Retirement System Employer Contribution Supplement of the State Salary and Compensation Fund unless the 2008 General Assembly adopts the provisions contained in 08 RS HB 600/SCS. The amounts appropriated to the State Salary and Compensation Fund are to provide the General Fund share of the increased employer contribution rates to the Kentucky Employees Retirement Systems for nonhazardous duty employees, hazardous duty employees, and employees of the State Police Retirement System, contained in Part IV, State Salary/Compensation and Employment Policy of House Bill 406.

8. Transportation Cabinet – Kentucky Pride – Highway
Contingency Fund

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 117, line 26, after the period, delete the remainder of the line.

Page 117, line 27 in its entirety.

Page 118, line 4, after the period, delete the remainder of the line.

Page 118, line 5, beginning with the word, “each” and ending with the “.”

I am vetoing this part because the Secretary of the Transportation Cabinet needs as much flexibility as possible to respond to potential

statewide emergency and life safety situations and opportunities to expand economic development that involve the Commonwealth's transportation infrastructure.

The vetoed part requires an extra \$2.5 million for the Kentucky Pride Fund established in KRS 224.43-505 to be paid from the Secretary of Transportation's Contingency Fund. The Department of Highways has as its core mission the management and maintenance of the Commonwealth's transportation infrastructure. While the six-year transportation planning process is an excellent tool for identifying the current and future transportation needs, it is severely underfunded and no plan can possibly foresee every contingency. It is my judgment that the money for the Kentucky Pride Fund should originate from the currently enacted statutory sources, which are \$2.5 million from the road fund and \$2.5 million from the contingency fund.

9. Transportation Cabinet - Rural Secondary Road Program

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 124, line 1, after the period, delete the remainder of the line.

Page 124, lines 2 and 3 in their entirety.

Page 124, line 4, beginning with the word "terms" and ending with the "."

I am vetoing this part because the Secretary of the Transportation Cabinet needs as much flexibility as possible to respond to potential statewide emergency and life safety situations and opportunities to expand economic development that involve the Commonwealth's transportation infrastructure in the counties and cities of the Commonwealth.

The vetoed part restricts the use of the Rural Secondary program money within the Revenue Sharing appropriation unit to only state maintained rural and secondary roads. The Secretary of the

Transportation Cabinet has historically had the flexibility to use these funds on county roads. Most recently, this flexibility has been provided by the General Assembly in the form of the Secretary's Contingency Fund. Because the General Assembly reduced the historic size of Secretary's Contingency Fund, the Secretary must have an alternative funding source to respond to potential emergency situations.

10. Base Realignment and Closure Commission

I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 244, lines 5 through 27 in their entirety.

Page 245, lines 1 through 27 in their entirety.

Page 246, lines 1 through 27 in their entirety.

Page 247, lines 1 through 4 in their entirety.

I am vetoing the entirety of Part XIII of House Bill 406 as enacted because (a) it is duplicative of the Governor's Task Force on Military Base Realignment established by Executive Order 2008-272 and existing statutory provisions for the oversight of economic development projects; (b) decisions regarding funding for this project should include input from a broader group than is provided in the vetoed part; and (c) opportunities to maximize the leveraging of federal funds for the project can be best achieved through the existing administrative structure. This Part provides for the creation of a commission to oversee the funding provided in House Bill 406 for economic development bond projects related to the Base Realignment and Closure (BRAC) efforts in and around Fort Knox, Kentucky. The changes that will occur in this region are estimated to be equivalent to the largest economic development project in the Commonwealth's history. It is crucial that communities impacted by the project and military personnel be included in the decision-making process. All available sources of funding must be considered and evaluated for leveraging prior to the designation for funding of any individual project from available resources. The existing administrative infrastructure both in the Cabinet for Economic Development and the Transportation Cabinet is best positioned to assure that all funding streams will be maximized to leverage federal and state funds for this region as needed. Most importantly, the Governor's Task Force on Military Base Realignment has a broader mission than the commission created in the vetoed part and provides input and perspective from a broader base of

representation to assure that all issues and concerns are considered in the decision-making process for issues related to BRAC.

April, 2008

This the _____ day of

Governor

Steven L. Beshear,