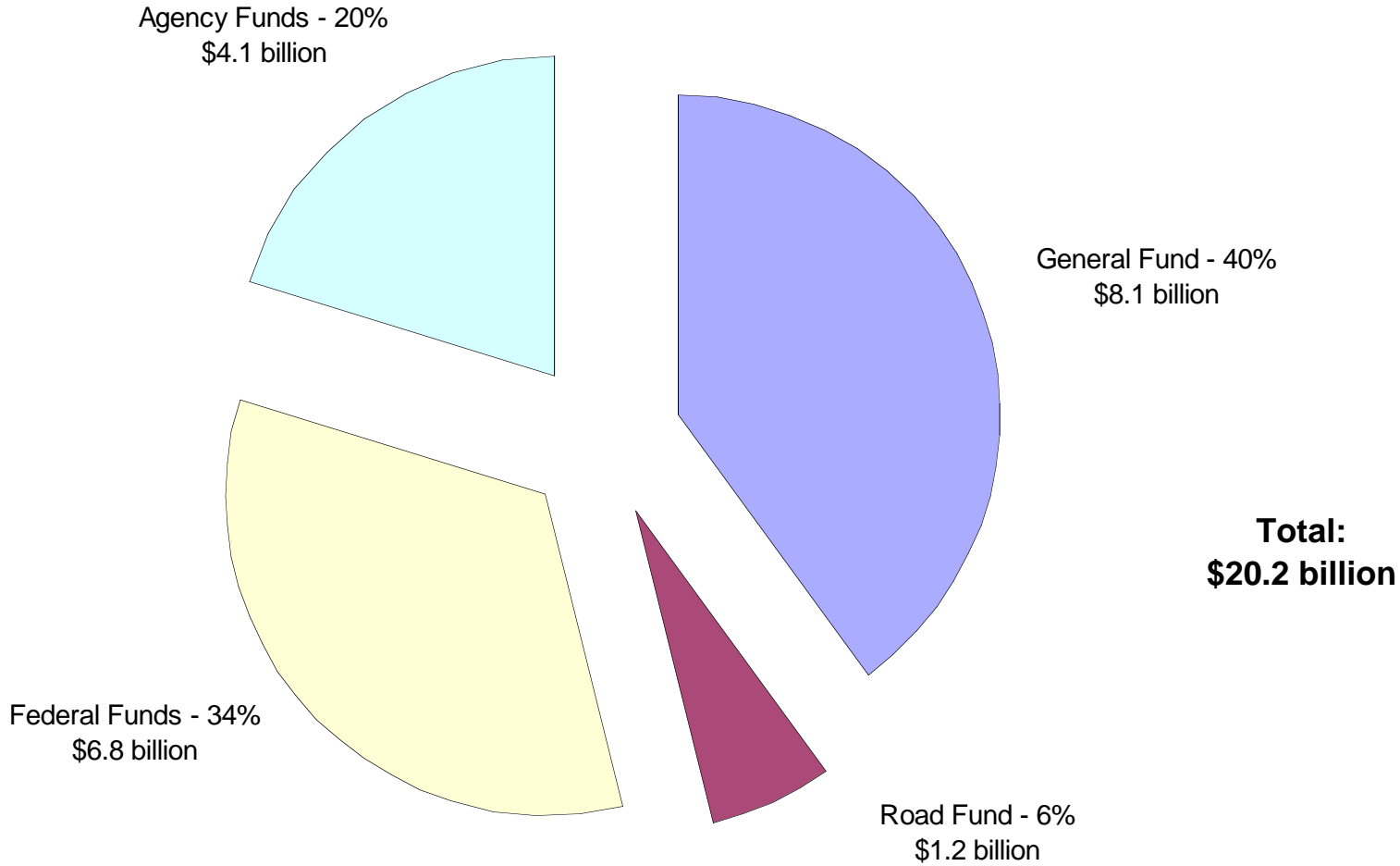


**Appropriations by Fund (all branches)
Fiscal Year 2006**



What Funds Make Up the Kentucky State Budget?

Funds are the major “pots” of money in state government. Each of these funds is raised from different sources of revenue, as explained below. In the current year, from all these funds, Kentucky state government has \$20.2 billion to spend.

General Fund

The General Fund is the biggest fund, and the one most talked about when people discuss the “state budget.” It’s where most state tax money goes. The General Fund pays for such things as education, health care, human services, and environmental protection. (See more details about the General Fund in the next charts). It totals \$8.1 billion in 2006.

Road Fund

The road fund pays primarily for building and maintaining roads. It’s funded by the tax on gasoline you pay at the pump and the sales tax paid when you buy a car, along with a variety of trucking and other road-related fees. The Road Fund has \$1.2 billion in 2006.

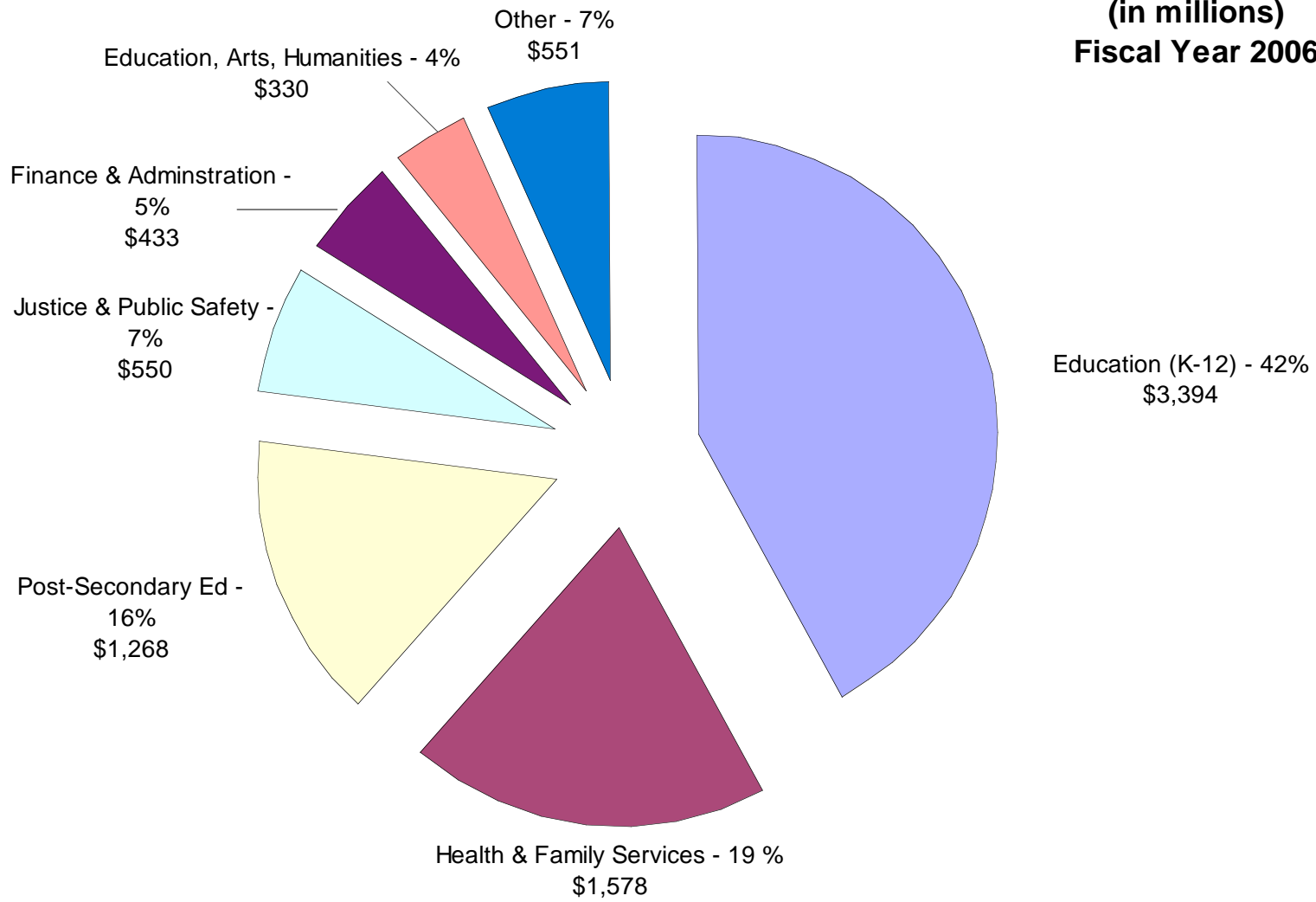
Federal Funds

Federal funds are monies appropriated from the federal government to the state. Federal Medicaid money (the health care program for low-income people, the elderly in nursing homes, and people with disabilities) is the biggest chunk of federal funds Kentucky receives. Also included are monies for workforce development, transportation, education, children’s health insurance, temporary assistance to needy families, and homeland security. Kentucky received \$6.8 billion in federal appropriations in 2006.

Agency Funds

Agency Funds are monies collected by particular cabinets, departments, and agencies of state government that are then spent by that organization. Agency Funds include application, permit, and other types of fees, taxes, and charges. University and community college tuition is the largest single source of Agency Funds. Agency Funds are sometimes called “Restricted Funds.” In 2006, there are \$4.1 billion in Agency Funds.

**General Fund Appropriations
(in millions)
Fiscal Year 2006**

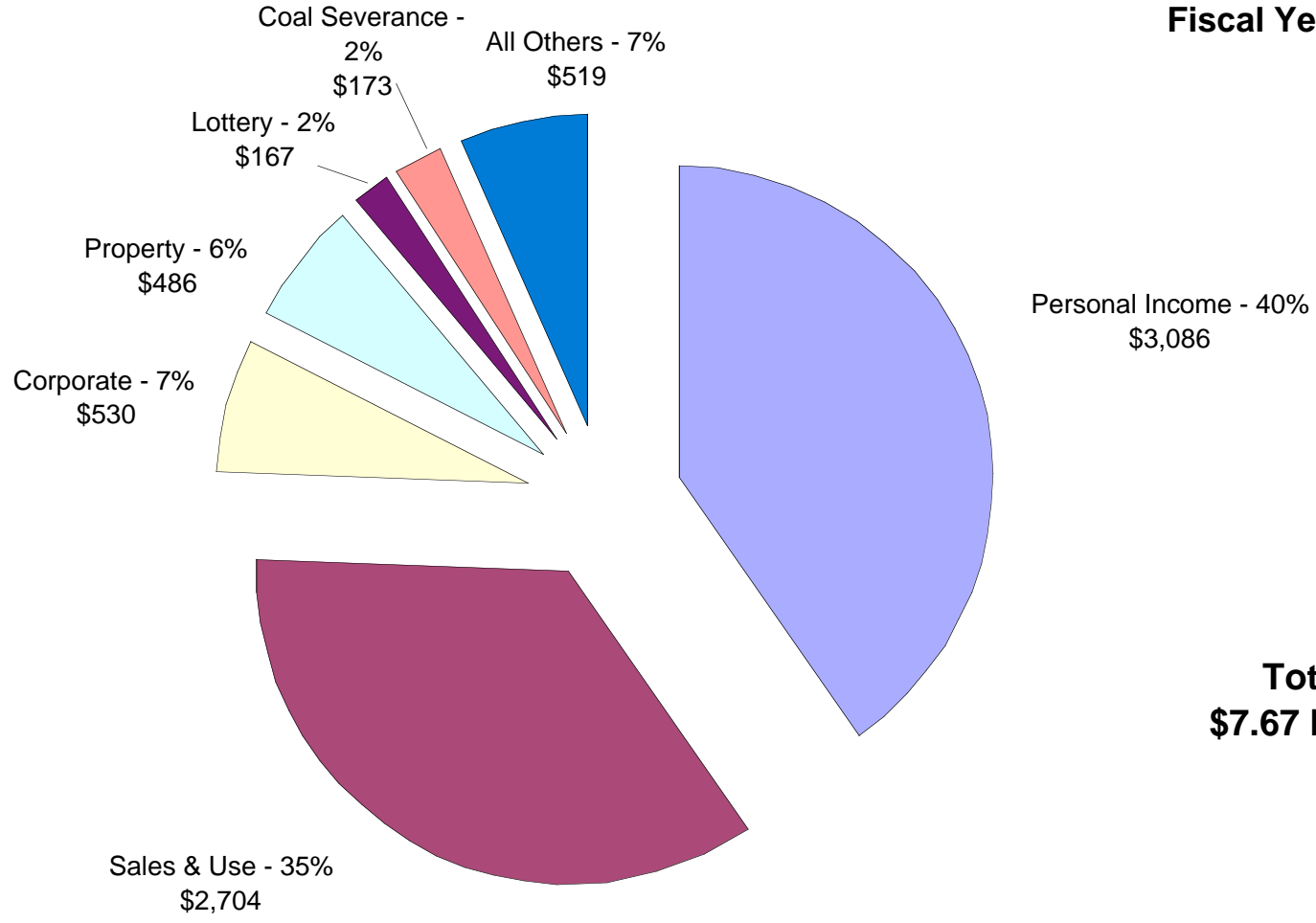


How is General Fund Money Spent?

The General Fund is the primary source of funding for state government programs and services. In 2006, there's \$8.1 billion in the General Fund. Here's a quick overview:

- **Kindergarten through 12th Grade Education** is the biggest piece of the pie, making up 42% of the General Fund, or around \$3.3 billion. With the help of local funds and a little federal money, this spending pays to educate almost 650,000 students in over 1,200 schools across Kentucky.
- **Health and Family Services** is next at 19 %. The largest portion here is for Medicaid. Funds also help pay for other health programs including local health departments, mental health programs, substance abuse programs, aging services, licensing of nursing homes and child care centers, health programs for special needs children, public health initiatives, and other programs. Funds also cover services to families and children including adoption and foster care, child care, child abuse investigation and treatment, spouse and elder abuse, and the Temporary Assistance to Needy Families and Food Stamps programs.
- **Higher Education** is third, at 16% of the General Fund. Kentucky has approximately 200,000 students enrolled in eight universities, 24 community and technical colleges, and a number of independent institutions.
- **Justice and Public Safety** spending has risen to 7% of the General Fund. While education spending went up 29 percent between 1996 and 2002, spending on the criminal justice system went up 74 percent. Spending increased as Kentucky put more people in jail, especially for drug offenses. These monies go for such purposes as operating the state prisons and the juvenile justice system, maintaining the state police, and training police officers.
- The other major areas are Finance and Administration; Education, Arts, and Humanities; Environmental and Public Protection; Commerce; Personnel; Economic Development; Transportation; and Government Operations which includes things like the Attorney General, the Board of Elections, Veterans Affairs, Commission on Human Rights, and more.

**General Fund Tax Receipts
(in millions)
Fiscal Year 2006**



**Total:
\$7.67 billion**

What Taxes Go into the General Fund?

The General Fund comes from a variety of taxes paid to the state of Kentucky. Here are the major sources:

- The **Personal Income Tax** is the biggest source of General Fund monies—about \$3.1 billion in 2006. Several states, like Tennessee, don't have an income tax and so struggle to pay for education, health care, and other important investments.
- The second-largest source is the **Sales Tax**, which raises \$2.7 billion for the General Fund. We pay a sales tax of 6% when we purchase goods. Kentucky's sales tax does not apply to the purchase of *services*, meaning that a large and growing portion of potential sales tax is not collected. The sales tax is a regressive tax (meaning that it hits lower-income people harder), as low-income people by necessity must spend a greater portion of their money than high-income people and so face the sales tax more often. However, unlike some states, Kentuckians don't pay a sales tax on food or prescription drugs.
- **Corporate Taxes** are third, projected to be at \$530 million in 2006. The corporate taxes are the corporate license tax, which is a tax on a company's capital, and an alternative minimum tax. In 1990, corporate taxes made up 10 percent of general fund revenue. These taxes have dropped as Kentucky has introduced growing corporate loopholes, given tax breaks, and created exemptions for corporations.
- **Property Tax** is next, at \$486 million in 2006. This is the tax on real estate (land and homes) along with major personal property like cars and boats. The property tax has been a slow-growing tax in Kentucky over the last 25 years, mostly because legislation passed in 1979 (House Bill 44) put a limit on its growth every year. This legislation was part of a nationwide push to limit the size of government through property tax restrictions.
- The **Lottery** (\$167 million) and the **Coal Severance Tax** (\$173 million) come in fifth and sixth. The coal severance tax applies to the amount of coal that is removed (or severed) from the ground.
- Taxes in the "other" category include, for instance, the cigarette tax, the insurance premium tax, the inheritance tax, the bank franchise tax, and the beer wholesale tax.