



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Adles

STEVEN L. BESHEAR
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VETO MESSAGE FROM THE
GOVERNOR OF THE COMMONWEALTH OF KENTUCKY
REGARDING HOUSE BILL 1 OF THE
2010 FIRST EXTRAORDINARY SESSION

1. Department for Local Government Infrastructure Projects

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 4 through 9, in their entirety.

I am vetoing this part because the General Assembly failed to appropriate additional funds to the Department for Local Government to finance the two projects identified in this provision. Redirecting over 30 percent of the Department's available General Fund budget would leave insufficient funds to operate the Department, requiring a significant reduction in the statutory duties of the Department and the existing grant programs they administer, including grants to the Area Development Districts. I will seek to identify other sources of funding for these worthy projects.

2. Local Government Economic Development Fund Provision

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 13, lines 25 through 27, in their entirety.
Page 14, line 1, in its entirety.

I am vetoing this part because this language removes flexibility in awarding grants from this program.

3. Cabinet for Economic Development Secretary

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 32, lines 10 through 12, in their entirety.

I am vetoing this part because it is inconsistent with the plain language of KRS 154.10-050(2) which states that the Kentucky Economic Development Partnership Board shall set the salary of the secretary which shall be exempt from state employee salary limitations as set forth in KRS 64.640. This statute was part of House Bill 89 enacted by the 1992 General Assembly, and was the product of a Legislative Subcommittee on Economic Development Structure and Programs composed of 44 members including 7 state representatives, 4 state senators, and 33 private sector representatives from all geographic regions of the state. This Special Subcommittee specifically expressed its intent to change the manner in which this Cabinet Secretary was employed, overseen, and compensated by creating a public-private governing body, the Kentucky Economic Development Partnership Board. The Partnership Board has publicly expressed its concern about this particular provision. The General Assembly has seen fit to invest similar authority with numerous state government entities and independent governing boards to compensate their agency heads with a salary greater than the salary of the Governor. These include the Legislative Research Commission, the State Fair Board, the Council on Postsecondary Education, the Kentucky Lottery Corporation, the Kentucky Housing Corporation, the Kentucky Retirement System, the Kentucky Teachers' Retirement System, the nine public postsecondary education institutions, the Department of Education, the Kentucky Higher Education Student Loan Corporation, and the Kentucky Deferred Compensation Board.

4. Economic Development Industrial Authority Grant

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 33, lines 2 through 5, in their entirety.

I am vetoing this part because the General Assembly failed to appropriate additional funds to the Cabinet for Economic Development to finance the item identified in this provision. The bulk of the funding in this appropriation unit provides financing for the commercialization and innovation programs. Redirecting \$1,000,000 to this project would mean less available funding for those economic development efforts within a budget that has already been reduced. I must retain the flexibility needed to fund all economic endeavors that are currently seeking similar assistance fairly. J.M. Smucker Company is an important corporate citizen and employer for the Allen County area, and

I have instructed the Cabinet for Economic Development to do anything they can within the bounds of current resources to assist J.M. Smucker.

5. Economic Development Innovation and Commercialization Center 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 33, lines 6 through 10, in their entirety.

I am vetoing this part because the General Assembly reduced funding for the Office of the Secretary, which includes funding for the centers. The General Fund budget enacted by the General Assembly also requires a significant level of contract spending reductions, the combination of which leaves the exact amount available for the centers uncertain. The Economic Development Cabinet intends to continue these good programs but needs the flexibility to work through the budget reductions included in the enacted budget with everything under consideration.

6. Natural Resources 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 58, line 27, in its entirety.

Page 59, lines 1 through 2, in their entirety.

I am vetoing this part because it limits the flexibility the Department needs to manage the reduced budget enacted by the General Assembly. The tree nursery program is an important program and all efforts will be made to ensure that it continues and remains viable.

7. Medicaid Program – Urban Trauma Center

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 73, lines 7 through 11, in their entirety.

I am vetoing this part because the General Assembly did not provide sufficient resources to maintain the current level of services for all elements of the Medicaid program. Therefore, the Cabinet needs the flexibility to maximize the services provided with the funding available.

8. Medicaid Program – State Match

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 73, lines 12 through 16, in their entirety.

Page 79, lines 23 through 27, in their entirety.

I am vetoing this part because the General Assembly did not provide sufficient resources to maintain the current level of services for all elements of the Medicaid program. Therefore, the Cabinet needs the flexibility to maximize the services provided with the funding available.

9. Medicaid Program – Medicaid Analysis

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 74, line 20, after “efficiencies”, delete the rest of the line.

Page 74, lines 21 through 22, in their entirety.

Page 75, line 1, after “analysis”, delete the rest of the line.

Page 75, line 2, delete “expansions”

Page 75, line 4, after “evaluations”, delete “and the MMCO expansion”.

Page 75, lines 7 through 10, in their entirety.

I am vetoing this part because the Cabinet intends to develop a plan for evaluating the benefits and efficiencies of the entire Medicaid program which will include all components of the program. Moreover, a portion of this provision conflicts with the Kentucky Constitution’s separation of powers.

10. Medicaid Program – Medicaid Demonstration Waiver

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 75, lines 16 through 21, in their entirety.

I am vetoing this part because the General Assembly did not provide sufficient resources to maintain the current level of services for all elements of the Medicaid program. Therefore, the Cabinet needs the flexibility to maximize the services provided with the funding available.

11. Mental Health/Mental Retardation Boards – Exemption from Budget Reductions

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 78, line 14, after “July 15, 2011.”, delete the rest of the line.

Page 78, lines 15 through 16, in their entirety.

I am vetoing this part because it singles out a specific item for exemption from future budget reductions due to revenue shortfalls. The treatment of funding for thousands of programs in the budget warrant that they all remain under consideration should revenue shortfalls occur.

12. Local and District Health Departments – Exemption from Budget Reductions

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 80, line 11, after “July 15, 2011.” delete the rest of the line.

Page 80, lines 12 through 13, in their entirety.

I am vetoing this part because it singles out a specific item for exemption from future budget reductions due to revenue shortfalls. The treatment of funding for thousands of programs in the budget warrant that they all remain under consideration should revenue shortfalls occur.

13. Tourism, Arts and Heritage Cabinet - Tourism Marketing and Development

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 112, line 1, after “counties.” delete the rest of the line.

Page 112, lines 2 through 9, in their entirety.

I am vetoing this part because the Cabinet needs the maximum flexibility to make the best decisions on the use of the limited amount of funds available for tourism marketing and development in coal-producing counties.

14. General Fund Spending Reductions

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 238, line 9, after “Act”, delete “ by \$43,100,000”.
- Page 238, line 10, delete “by \$71,000,000”.
- Page 241, line 24, after “achieve”, delete “\$10,000,000 of”.
- Page 241, line 25, after “and”, delete “\$10,000,000 of”.
- Page 241, line 25, after “2011-2012.”, delete the rest of the line.
- Page 241, lines 26 through 27 in its entirety.
- Page 242, line 1, in its entirety.
- Page 242, line 2, delete “Television.”
- Page 242, line 5, after “expenditures”, delete “by \$77,900,000”.
- Page 242, line 6, after “and”, delete “by \$87,900,000”.

I am vetoing this part because the General Assembly has assigned spending reduction targets to contracts that would result in harsh cutbacks to education, economic development, and care for Kentuckians with mental illness and mental retardation. This veto will not affect the amount of spending reductions required by these provisions and reductions will occur in spending on contracts, non-merit employees, and other areas of efficiencies. The amount of spending reductions the General Assembly included in these budget provisions, totaling \$131,000,000 in fiscal year 2010-2011 and \$168,900,000 in fiscal year 2011-2012, will remain in place. Those amounts represent larger spending reductions than the 3.5 percent and 4.5 percent reductions to many agencies already incorporated within the enacted budget. Reductions of that level require all the flexibility and management capabilities the Executive branch can muster. Assignment of specific amounts to certain spending areas based on flawed analysis inhibits the most effective methods of achieving such a significant reduction in expenditures. The provision also exempts from certain types of expenditure reduction several agencies of the Executive branch. Those agencies should not be exempt from consideration given the level of spending reductions required.

15. Debt Service

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 243, lines 2 through 5, in their entirety.

I am vetoing this part because KRS 48.720 and Part III, Section 9 of this act already require that unexpended General Fund debt service shall lapse to the General Fund Surplus Account. The implementation of bond funded projects during my Administration has occurred expeditiously and without impediment despite the most significant upheaval in the municipal bond market in many years. My Administration has ensured that bond funds have been available to every appropriated project that is ready to spend them. One of the traditional uses of unexpended debt service has been to pay for unbudgeted spending needs such as calling out the National Guard, forest fire suppression, and higher prisoner population than budgeted.

16. Health Insurance

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 23 through 27, in their entirety.

Page 245, lines 1 through 27, in their entirety.

Page 246, lines 1 through 26, in their entirety.

Page 247, lines 1 through 27, in their entirety.

Page 248, lines 1 through 7, in their entirety.

Page 248, line 9, delete "Base Employer Provided Plan and all other"

Page 248, lines 12 through 25, in their entirety.

I am vetoing this part because the General Assembly has already set forth within this act the appropriations for the health insurance program for school district employees, state employees and retirees for the 2010-2012 biennium, and these provisions serve only to limit the options available in implementing the health insurance program. The General Assembly appropriated significantly less than the estimated costs of continuing the existing health insurance plans and the associated employer contributions. Since the amount of funding enacted by the General Assembly is the fundamental basis for developing the health insurance plans for 2011 and 2012, it is not necessary to impose additional restrictions on its implementation. The Personnel Cabinet in partnership with the many stakeholders will develop a health insurance plan, including wellness programs, that lives within the funding appropriated, and will make every effort to fashion the best set of options for the benefit of the many public sector employees and retirees that depend on this program to maintain health care for themselves and their families.

17. Exemption from Furlough Policy

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 250, line 19, after “employees”, delete the rest of the line.

Page 250, line 20, delete “that are not 100 percent federally funded”.

I am vetoing this part because if a furlough policy becomes necessary to avoid significant layoffs, it is important to have a policy that is fair, equitable, and includes shared sacrifice. While the source of funds is very important for budgeting purposes, equitable treatment of our workforce is a key consideration when sacrifice is required.

18. General Fund Budget Reduction Plan

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 257, lines 3 through 5, in their entirety.

Page 257, lines 10 through 16, in their entirety.

I am vetoing this part because the Executive branch needs the maximum flexibility to contend with revenue shortfalls should they occur.

19. Road Fund Budget Reduction Plan

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 259, line 12, after the period, delete the rest of the line.

Page 259, lines 13 through 15, in their entirety.

I am vetoing this part because the Executive branch needs the maximum flexibility to contend with revenue shortfalls should they occur.

This the 4th day of June, 2010

A handwritten signature in black ink, appearing to read "Steve Beshear", written over a horizontal line.

Steven L. Beshear, Governor