CHAPTER 168

(HB 500)

Provisions of this bill that are to be deleted due to a veto of the Governor that was not overridden by the General Assembly are displayed as bracketed text with intervening strikethrough and enclosed in double asterisks, e.g., **[~~text~~]**.

AN ACT relating to appropriations measures providing funding and establishing conditions for the operations, maintenance, support, and functioning of the government of the Commonwealth of Kentucky and its various officers, cabinets, departments, boards, commissions, institutions, subdivisions, agencies, and other state-supported activities.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. The State/Executive Branch Budget is as follows:

PART I

OPERATING BUDGET

(1) Funds Appropriations: There is appropriated out of the General Fund, Road Fund, Restricted Funds accounts, Federal Funds accounts, or Bond Funds accounts for the fiscal year beginning July 1, 2025, and ending June 30, 2026, for the fiscal year beginning July 1, 2026, and ending June 30, 2027, and for the fiscal year beginning July 1, 2027, and ending June 30, 2028, the following discrete sums, or so much thereof as may be necessary. Appropriated funds are included pursuant to KRS 48.700 and 48.710. Each appropriation is made by source of respective fund or funds accounts. Appropriations for the following officers, cabinets, departments, boards, commissions, institutions, subdivisions, agencies, and budget units of the state government, and any and all other activities of the government of the Commonwealth, are subject to the provisions of Chapters 12, 42, 45, and 48 of the Kentucky Revised Statutes and compliance with the conditions and procedures set forth in this Act.

(2) Tobacco Settlement Funds: Appropriations identified as General Fund (Tobacco) in Part I, Operating Budget, of this Act are representative of the amounts provided in Part X, Phase I Tobacco Settlement, of this Act and are not to be appropriated in duplication.

A. GENERAL GOVERNMENT

Budget Units

1. OFFICE OF THE GOVERNOR

	2026-27	2027-28
General Fund	6,688,100	6,607,200
Restricted Funds	287,900	287,800
TOTAL	6,976,000	6,895,000

(1) Salary Increment: Notwithstanding KRS 64.480(2), the increment provided on the base salary of the Lieutenant Governor shall be the same as that provided for eligible state employees in Part IV of this Act.

Notwithstanding KRS 64.480(4), the increment provided on the base salary of the Governor shall be the same as that provided for eligible state employees in Part IV of this Act.

2. OFFICE OF STATE BUDGET DIRECTOR

	2026-27	2027-28
General Fund	3,782,900	3,749,000
Restricted Funds	384,000	384,000
Federal Funds	62,000	-0-
TOTAL	4,228,900	4,133,000

(1) Participation in Transparent Governing - Full Disclosure of Inmate Population Forecasts and Related Materials: The Office of State Budget Director shall provide the methodology, assumptions, data, and all other related materials used to project biennial offender population forecasts conducted by the Office of State Budget Director, the Kentucky Department of Corrections, and any consulting firms, to the Interim Joint Committee on Appropriations and Revenue by October 1, 2027. This submission shall include but not be limited to the projected state, county, and community offender populations for the 2028-2030 fiscal biennium and must coincide with the budgeted amount for these populations. This submission shall clearly divulge the methodology and reasoning behind the budgeted and projected offender population in a commitment to participate in transparent governing.

3. HOMELAND SECURITY

	2026-27	2027-28
General Fund	5,632,600	5,626,200
Restricted Funds	4,411,800	4,360,100
Federal Funds	9,955,400	9,983,700
TOTAL	19,999,800	19,970,000

(1) Next Generation 9-1-1 (NG9-1-1) Services: Included in the above General Fund appropriation is a one-time allocation of $5,000,000 in each fiscal year to complete the statewide deployment of NG9-1-1 services. The appropriation shall be used to implement a NG9-1-1 system that is compliant with the National Emergency Number Association's i3 Standard.

(2) School Safety: Included in the above appropriations is sufficient funding to implement and carry out the provisions of 2024 Ky. Acts ch. 165.

4. VETERANS' AFFAIRS

	2026-27	2027-28
General Fund	37,487,300	38,976,800
Restricted Funds	107,228,800	108,377,900
Federal Funds	300,000	300,000
TOTAL	145,016,100	147,654,700

(1) Weekend and Holiday Premium Pay Incentive: The Kentucky Veterans Centers are authorized to continue the weekend and holiday premium pay incentive for the 2026-2028 fiscal biennium.

(2) Congressional Medal of Honor Recipients - Travel and Per Diem: The Commissioner of the Department of Veterans' Affairs may approve travel and per diem expenses incurred when Kentucky residents who have been awarded the Congressional Medal of Honor attend veterans, military, or memorial events in the Commonwealth of Kentucky.

(3) State Veterans Nursing Home: All state veterans' nursing homes must meet a combined 80 percent bed occupancy rate before any future projects will be considered. Once the 80 percent threshold has been met, it is the intent of the General Assembly that any future beds allocated from the United States Department of Veterans Affairs or reallocated from the Kentucky Department of Veterans' Affairs be dedicated to a state veterans nursing home in Magoffin County to serve that area.

(4) Brain Injury Association of America, Kentucky Chapter and the Epilepsy Foundation of Kentuckiana Funding: Included in the above General Fund appropriation is $93,700 in each fiscal year for grants to the Brain Injury Association of America, Kentucky Chapter and $93,700 in each fiscal year for grants to the Epilepsy Foundation of Kentuckiana to be used solely for the purpose of working with veterans who have experienced brain trauma and their families.

(5) Veterans' Service Organization Funding: Included in the above General Fund appropriation is $187,500 in each fiscal year for grants to Veterans' Service Organization programs.

(6) Kentucky Homeless Veterans Program: Included in the above General Fund appropriation is $300,000 in each fiscal year to provide emergency financial assistance to Kentucky's homeless veterans.

(7) Bowling Green Veterans Center: Included in the above appropriation is $5,616,800 in General Fund and $10,000,000 in Restricted Funds in each fiscal year to support the staffing and operations of the Bowling Green Veterans Center.

(8) Thomson-Hood Veterans Center Additional Positions: Included in the above Restricted Funds appropriation is $5,110,800 in fiscal year 2026-2027 and $5,488,400 in fiscal year 2027-2028 for additional positions at the Thomson-Hood Veterans Center.

(9) Western Kentucky Veterans Center Additional Positions: Included in the above Restricted Funds appropriation is $6,397,400 in fiscal year 2026-2027 and $6,778,600 in fiscal year 2027-2028 for additional positions at the Western Kentucky Veterans Center.

(10) HBOT for Kentucky Vets: Notwithstanding KRS 45.229, any unexpended funds authorized in 2024 Ky. Acts ch. 173, sec. 1, (3) to HBOT for Kentucky Vets shall not lapse and shall carry forward.

5. KENTUCKY INFRASTRUCTURE AUTHORITY

	2026-27	2027-28
General Fund	1,830,100	1,768,800
Restricted Funds	8,345,500	10,862,200
Federal Funds	440,051,600	288,578,900
TOTAL	450,227,200	301,209,900

(1) Debt Service: Included in the above Restricted Funds appropriation is $2,486,000 in fiscal year 2026-2027 and $4,972,000 in fiscal year 2027-2028 for new debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act.

(2) Rural Infrastructure Improvement Fund: Notwithstanding KRS Chapter 45A or any statute to the contrary, any contract executed by the Kentucky Infrastructure Authority from the Rural Infrastructure Improvement Fund prior to June 30, 2026, shall remain in effect for the purpose of paying claims; however, no additional contracts may be entered into after this date. Notwithstanding 224A.1123(3)(c), unobligated funds as of June 30, 2026, or any portion of General Fund not expended for this purpose shall lapse to the Budget Reserve Trust Fund Account (KRS 48.705).

The Kentucky Infrastructure Authority shall provide a report detailing Rural Infrastructure Improvement Fund reimbursements to the Interim Joint Committee on Appropriations and Revenue by October 1, 2026. This report shall include but not be limited to a list of grant recipients, the amount of each reimbursement, the status of project completion, and an explanation of any delays or challenges experienced as part of the reimbursement process.

(3) Area Development District Reporting and Compensation: Each area development district shall submit a comprehensive financial report to the Kentucky Infrastructure Authority by September 1, 2026, detailing all expenditures made during the preceding fiscal year to satisfy the requirements of any contract or agreement between the district and the authority. This report shall include details concerning contracted water management planning services and the maintenance of the Water Resource Information System (WRIS) and other relevant contracted services.

The Kentucky Infrastructure Authority shall submit a report to the Interim Joint Committee on Appropriations and Revenue by November 1, 2026. The report shall include information received from the area development districts as well as financial information detailing funding distributed to the area development districts for WRIS and other relevant contracted services.

6. MILITARY AFFAIRS

	2026-27	2027-28
General Fund	29,252,300	28,669,500
Restricted Funds	21,449,500	21,566,600
Federal Funds	88,307,100	88,593,500
TOTAL	139,008,900	138,829,600

(1) Kentucky National Guard: Included in the above General Fund appropriation is $4,500,000 in each fiscal year to be expended, subject to the conditions and procedures provided in this Act, which are required as a result of the Governor's declaration of emergency pursuant to KRS Chapter 39A, and the Governor's call of the Kentucky National Guard to active duty when an emergency or exigent situation has been declared to exist by the Governor. Notwithstanding KRS 45.229, any portion of the $4,500,000 not expended shall lapse to the Budget