Transportation
Debt Service

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
Total Road Fund	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL SOURCE OF FUNDS	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY CLASS					
Debt Service	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY FUND SOURCE					
Road Fund	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY UNIT					
Toll Road Lease Rental	7,825,500	205,100	80,000	205,100	80,000
Resource Recovery Lease Rental	38,838,600	90,000	90,000	90,000	90,000
Economic Development Lease Rental	120,176,800	149,818,300	152,208,400	149,943,500	159,192,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500

The Debt Service Program is the budget entity through which lease rental payments are made on the revenue bonds the Commonwealth has issued to finance major highway construction projects.

KRS Chapter 175 authorizes the Turnpike Authority of Kentucky to issue revenue bonds to construct, maintain, repair, and operate designated roads of the Toll Road System, the Resource Recovery Road System, and the Economic Development Road System. The first of these systems, the Toll Road System, was constructed during the mid-1960s and early 1970s. Most of the Toll Road bonds have now been retired, with the last remaining series to be paid off in 2007. The Resource Recovery Road System began in the late 1970s, and most of the system's roads were built during the 1980s. The most significant project was KY 80. The Economic Development Road System was established and funded through four series of bond issues: a $300 million issue sold in 1984; a relatively small sale of $36.6 million in 1987; a $600 million program which was implemented in bond sales during 1990, 1993, and 1995. The projects constructed with the $600 million series were designated as "Revitalization Projects" and are nearly complete. The 1998 General Assembly authorized $200 million of Economic Development Road Revenue Bonds and the bonds were sold in 1999. The most recent issue was Economic Development Road Bonds authorized by the 2005 Regular Session of the General Assembly and totaled $450 million. The bond projects associated with the 2005 series were split among two budget units: Highways and Revenue Sharing. Bond funds totaling $300 million were authorized to support projects in the adopted Six Year Highway Plan, and the remaining $150 million issue was authorized to support the County Road Aid and Municipal Aid programs.

Through lease agreements with the Turnpike Authority of Kentucky, the Transportation Cabinet provides funds to pay the Toll Road, Resource Recovery Road, and most of the Economic Development Road revenue bonds. In the Debt Service Program, funds are reserved exclusively for semiannual lease rental payments to meet the principal and interest requirements of these outstanding bonds, along with any administrative costs of the Turnpike Authority.

Policy

The Executive Budget recommends $75,000,000 in Economic Development Road Bonds to be issued in the latter part of fiscal year 2007 with the first scheduled full year debt service payment occurring in fiscal year 2008 totaling $6,984,000.

The bond proceeds are divided between two programs within the Revenue Sharing budget unit with $50 million recommended for the County Road Aid program and $25 million recommended for the Municipal Aid program.

The Debt Service Acceleration Fund account, pursuant to KRS 175.505, is suspended in the Executive Budget during the 2006-2008 biennium. The funding made available by this suspension is directed to be used in the State Funded Construction program.