

**56.872 Applicability -- Report of secretary of Finance and Administration Cabinet to General Assembly -- Procedure when cost exceeds cost approved by General Assembly.**

- (1) Notwithstanding the provisions of KRS 56.870(1), KRS 56.870 to 56.874 shall not apply to any financing by the Turnpike Authority of Kentucky until July 1, 1982, and shall not apply to any refinancing transaction by any agency, authority, board, corporation, cabinet, commission or other agency or instrumentality of the Commonwealth, if such refinancing transaction results in a net debt service savings to such agency, authority, board, corporation, cabinet, commission or other agency or instrumentality of the Commonwealth.
- (2) The secretary of the Finance and Administration Cabinet shall report to the General Assembly in the branch budget recommendation, defined in KRS 48.010, on the net debt service savings, any funds released from a debt service reserve fund or any other funds generated as a result of any refinancing or other mechanism approved by any agency, authority, board, corporation, cabinet, commission or other agency or instrumentality of the Commonwealth after July 15, 1986. No portion of any net debt service savings realized subsequent to a refinancing or open market bond purchase and available during the biennium in which the savings are realized, any debt service reserve fund released or other funds generated shall be expended for any of the purposes for which such agency, authority, board, corporation, cabinet, commission, or agency or instrumentality of the Commonwealth may be authorized by law to perform. The General Assembly shall on a biennial basis appropriate the net debt service savings as described, any debt service reserve fund or other funds generated, reported by the Finance and Administration Cabinet, to a special escrow account for each bond issue within the Finance and Administration Cabinet. The proceeds within this account shall be used to accelerate the payment of outstanding principal and interest, either through open market bond purchases or investments at maximum yield, in addition to the amounts budgeted for such purposes over the biennium, on definitive bonds, temporary bonds or interim financing secured by bond anticipation notes, loan agreements or other means issued by an agency, authority, board, corporation, cabinet, commission or other agency or instrumentality of the Commonwealth. The Finance and Administration Cabinet shall report to the General Assembly on a biennial basis the amount of total funds utilized in the escrow account to retire the outstanding principal and interest and the amount of principal and interest so retired, or to be retired, for each agency, authority, board, corporation, cabinet, commission or other agency or instrumentality of the Commonwealth. In the event that the funds appropriated to the escrow account cannot be used in the biennium for the purposes prescribed by this subsection, the Finance and Administration Cabinet shall so report and provide the reasons therefor. The funds appropriated shall not lapse at the end of the biennium but be carried forward to the next biennium to be utilized for the purposes prescribed by this subsection.
- (3) In the event the cost of an authorized bond project exceeds its estimated cost, as approved by the General Assembly, the financing of such project may be authorized

upon approval by the secretary of the Finance and Administration Cabinet, so long as such cost does not exceed the estimated cost by more than twenty-five percent (25%). In the case of financing of any bond project approved by the General Assembly, the costs of issuance of bonds or notes shall be added to project costs in determining the principal amount of authorized financing of any such project.

**Effective:** July 15, 1986

**History:** Amended 1986 Ky. Acts ch. 452, sec. 1, effective July 15, 1986. -- Created 1980 Ky. Acts ch. 96, sec. 3, effective July 15, 1980.