

SUPPLEMENT TO
OFFICIAL STATEMENT
relating to

\$195,910,000
COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION
Revenue Refunding Bonds, Project No. 83

The following supplements and amends the information provided in the Official Statement dated March 24, 2004.

BIENNIAL BUDGET

The General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly of the Commonwealth during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective for a two-year period commencing on the following July 1. Governor Fletcher submitted a proposed State Budget, for the two-year period that begins July 1, 2004, during the regularly scheduled legislative session that began in January 2004. The regular legislative session of the General Assembly adjourned on April 13, 2004 without adoption of a State Budget by the General Assembly.

The General Assembly could still adopt a State Budget prior to the start of the new fiscal year on July 1, 2004; however, there is no requirement that the Governor call a Special Session to consider the budget prior to the beginning of the new fiscal year. In the event such legislative action is not taken, the Governor may authorize expenditures by executive order. Kentucky courts have previously held that the executive branch has certain authority to expend funds where a legislative budget appropriation is inadequate. The nature and extent of a governor's power to authorize expenditures by executive order in lieu of an enacted State Budget has not been addressed by the Kentucky judicial system.

The 2003-2004 biennium (which commenced on July 1, 2002), began without a legislatively enacted budget for the Executive Branch of government. The state operated under an Executive Spending Plan implemented by an Executive Order of the Governor. A suit was filed by the State Treasurer in 2002 seeking a determination of the validity of the Executive Order that established the Executive Spending Plan (the "Litigation"). In the General Assembly's 2003 Regular Session, which concluded on March 25, 2003, the legislature enacted House Bill 269, which included a budget for the Executive Branch of government for the 2003-2004 biennium. The General Assembly also passed legislation that effectively ratified all amounts previously spent under the Executive Spending Plan. With the passage of these measures, all parties agreed to dismissal of the Litigation as moot.

If a budget is not adopted by July 1, 2004 and the Governor again authorizes expenditures by executive order, similar litigation seeking a judicial determination on these issues is likely to be filed by or on behalf of a Member of the Commission or an unrelated party. The Commission is unable to predict with certainty whether or in what form any such litigation may be filed, or the outcome of such litigation.

In the event any officials of the Commonwealth are prevented, by judicial determination or otherwise, from expending funds in the absence of a legislative budget appropriation, including all or a portion of expenditures authorized pursuant to executive order, there is a significant risk of disruption of state governmental functions. This disruption may adversely impact the ability of the Commission to pay principal of and interest on the Bonds when due.

OTHER MATTERS

This Supplement to Official Statement has been approved, and its execution and delivery have been authorized, by the Commission.

**THE COMMONWEALTH OF KENTUCKY STATE
PROPERTY AND BUILDINGS COMMISSION**

By: /s/ George R. Burgess, Jr.
Executive Director
Office of Financial Management
(Secretary to the Commission)

This Supplement to Official Statement is dated April 19, 2004.