



April 2008

Kentucky's House of Representatives and Senate Reach Compromise on Budget

Summary

The Kentucky General Assembly forwarded its budget recommendation relating to the Executive Branch (HB 406) to the Governor on April 2, 2008, a budget which retained most of the Senate's recommendations rather than the House's.¹

The General Assembly budget is the result of many hours of negotiations by a budget conference committee comprised of members from both legislative chambers. Although the conference committee began by meeting in open meetings for many hours over a three-day period, it was a closed marathon meeting over the final weekend of the 2008 Session that finally produced the document ultimately approved by both chambers.

The Senate adopted the budget by a vote of 35-2 and was followed by a 74-21 vote by the House in the last hour of the session prior to the members leaving the Capitol for the veto period. The General Assembly is scheduled to return to the Capitol on April 14 to begin considering actions which it may take regarding any vetoes the governor may issue relating to the budget or other legislation adopted by the General Assembly.

In relation to the budget, the Kentucky Constitution grants the governor line-item veto power. Additionally, the Constitution mandates the General Assembly must adjourn by midnight, April 15.

Key Provisions

No Tax Increases: The General Assembly budget does not incorporate any of the tax increases included in the House budget. Additional funding support included in the General Assembly budget is discussed below.

Funding Changes: The funding authorized for the various state agencies approved by the General Assembly closely resembles the budget previously approved by the Senate. The General Assembly appropriates General Fund dollars totaling \$42.5 million more than the level included in the Senate budget.

¹ Amounts represent funding for FY 2009 and FY 2010 General Fund unless otherwise specified.

In addition, the budget approved by the General Assembly provides \$466.1 million more than the level included in the Governor's recommended budget, but \$327.7 million less than the level included in the House budget.

The General Assembly budget reduces the level the Lottery Corporation will be required to remit to the state from the 35% mandated in the Senate budget to 28%. This reduction in the percentage to be remitted to the state is estimated to lower the projected receipts from \$110 million to \$14 million.

However, the General Assembly budget increases the amount of restricted agency funds to be transferred to the General Fund from various state agencies by \$16.1 million, resulting in a total of \$481.5 million being transferred to the General Fund over the two-year budget cycle. These transfers do not include approximately \$284 million in savings that the General Assembly requires the agencies to implement through operating efficiencies, debt restructuring, and vacant positions resulting from not extending the retirement window beyond January 31, 2009.

Please see Charts 1 and 2 below for comparisons of the total funding and General Fund appropriations included in the budgets proposed by the Governor, the House, the Senate, and the General Assembly.

Increased Appropriations: Many of the appropriation changes included in the budget approved by the General Assembly are budget provisions that line-item specific funding levels for certain programs or agencies. However, the General Assembly does include additional funding for the Department for Financial Incentives within the Economic Development Cabinet totaling approximately \$4 million over the biennium for the Metropolitan College for participants attending the University of Louisville or the Jefferson Community and Technical College.

Additionally, the General Assembly reduced the funding level included in the Senate budget for the Equalized Facility Funding component of the SEEK Fund by approximately \$2.7 million and limits distribution to local school districts participating in the program as of the effective date of the budget bill. The General Assembly also increases the General Fund support to the Department of Revenue by approximately \$1 million.

The most significant appropriation changes included in the budget adopted by the General Assembly are identified in the Justice and Public Safety Cabinet. General Fund appropriations for this cabinet were increased by approximately \$73 million above the level previously included in the Senate budget. This additional funding includes \$1 million to be used to provide free civil legal services for indigents, \$23 million for the operations of the Kentucky State Police, and \$48 million for community services and local facilities programs such as local jail, home incarceration and substance abuse treatment programs.

However, the increased General Fund support for the Kentucky State Police is offset by a deleting the Road Fund support that was included in the Senate budget. The increased funding support in the community services and local facilities programs include authorization to expand the use of home incarceration for felony offenders under certain conditions and permits the establishment of a secured substance abuse recovery program for persons suffering from substance abuse who have been charged with a felony offense. These provisions are projected to lessen the need to construct additional adult correctional institutions.

The General Assembly budget includes Restricted Agency Funds totaling \$2 million for the purpose of matching federal or private funds to support the research and development activities at the University of Kentucky Center for Applied Energy Research relating to the development and demonstration of technologies leading to the capture, utilization, or mitigation of carbon dioxide emissions. These funds are to be transferred to the Office of Energy Policy from the Local Government Economic Development (multi-county) Fund.

Other Line-Item Appropriations: In addition to revising direct appropriations for specific agencies as noted above, the budget adopted by the General Assembly includes budgetary language provisions for the purpose a realigning or designating specific line-item appropriations. These provisions include reducing the line-item appropriation for the Read to Achieve program funded from the Local Government Economic Development Fund by \$2 million and providing \$2 million for the Robinson Scholars Program at the University of Kentucky.

The General Assembly also reduces the line-item appropriation to the Department of Education for employer contributions for health insurance related costs by \$14 million. The General Assembly budget also includes specific line-item appropriations that provides \$500,000 for the Georgia Chaffee Teenage Parent Program and increases funding for locally-operated vocational schools by \$343,800 above the amount previously included in the Senate budget.

The General Assembly also includes a budgetary provision that permits the Secretary of the Cabinet for Health and Family Services to transfer General Fund appropriations to from one appropriation unit to another within the cabinet for the purpose of addressing projected funding shortfalls. This authority is provided to enable the cabinet's secretary to address issues relating to issues such as Medicaid, mental health and mental retardation, and other community services related programs under the cabinet's authority.

The General Assembly budget deletes the line-item provision previously included in the Senate budget for the Commission for Children with Special Care Needs that directed \$200,000 was to be used to provide a grant for Visually Impaired Preschool Services.

The General Assembly budget includes line-item appropriations within the Council on Postsecondary Education totaling \$47 million for the Adult Education Funding Program, \$200,000 for scholarships to the Washington (D.C.) Center for Internships and Academic Seminars, and \$8.7 million for the Contract Spaces Program. The General Assembly also directs the Council on Postsecondary Education shall fully fund 154 slots for the Veterinary Medicine Program.

Additional analysis of the General Assembly budget will be provided once final actions that may be taken by the Governor and the General Assembly are completed on April 15, 2008.

Charts

Chart 1 illustrates a comparison of the total appropriations for the Executive Branch of government as provided in the General Assembly budget.

Chart 2 illustrates a comparison of the General Fund appropriations for the Executive Branch of government as provided in the General Assembly budget.

The Kentucky Tax and Budget Initiative is part of the State Fiscal Analysis Initiative, a network of state level organizations coordinated through the Center on Budget and Policy Priorities. These organizations focus on budget and tax policies through public education and the encouragement of civic engagement.

Financial support for Kentucky Youth Advocates comes from the [Annie E. Casey Foundation](#), the [Open Society Institute](#) and the Stoneman Family Foundation.

The contents of this report are the sole responsibility of Kentucky Youth Advocates and do not necessarily reflect the opinions of any funder

Chart 1

**Comparison - Total Appropriations
Governor-House-Senate-General Assembly
FY 2009 & FY 2010
(\$ Millions)**

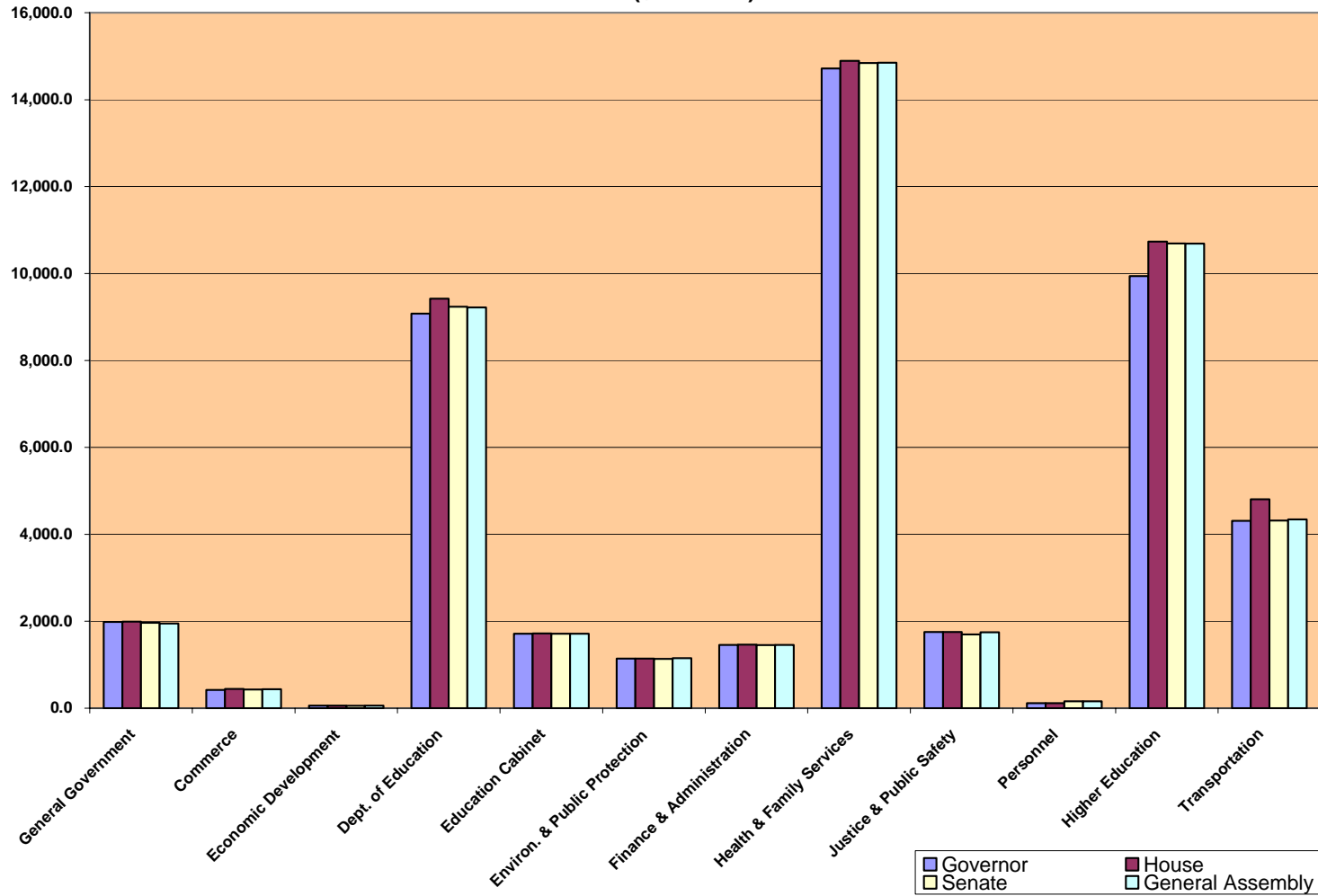


Chart 2

**Comparison - General Fund (Including Tobacco Funds) Appropriations
Governor-House-Senate-General Assembly
FY 2009 & FY 2010
(\$ Millions)**

