



The Independent Voice for Kentucky's Children

KENTUCKY
YOUTH
ADVOCATES

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**FEDERAL ECONOMIC STIMULUS MONEY WILL PROVIDE ONLY TEMPORARY, PARTIAL FIX
FOR KENTUCKY'S BUDGET PROBLEMS**

Expected \$7 Billion Impact Will Not Solve Commonwealth's Long-Term Budget Problems

Louisville – The expected \$7 billion that the American Recovery and Reinvestment Act (ARRA) will bring to Kentucky over the next two years will help mitigate the \$800 million to \$1.4 billion budget shortfall that Governor Beshear predicted in a press conference today for 2010 but the temporary relief will not solve the long-term structural budget problems the Commonwealth has faced for years, Kentucky Youth Advocates said on Thursday.

“Those problems will ultimately have to be addressed by long-term changes in state revenue or spending policies -- or both,” said Terry Brooks, Executive Director of Kentucky Youth Advocates, which released a report summarizing the effect of the AARA on the Commonwealth.

“The fiscal stimulus dollars bring a lot of immediate relief to Kentucky in the next two years,” Brooks said. “However, they are no magic bullet – they simply buy us some time. We need to use this opportunity to make long-term changes to our revenue structure that will support Kentucky’s future prosperity and keep us from having to piece together short-term fixes that threaten our most vulnerable citizens.”

The report estimates that less than \$250 million of the fiscal stimulus money will be available to plug the gap in the state’s budget, calling for serious discussions of how to cover the rest. Brooks called for state lawmakers to meet in a special session to start to address these challenges. A special session had been thought likely but better-than-expected state revenues in March prompted some legislators to question the need for it.

“Though to some the need for a special session may seem questionable, the need for new state revenue is not,” Brooks said. “The fiscal stimulus money can help, but it won’t fill the short-term budget gap and it is not a long-term solution.”

The ARRA, popularly known as the federal economic stimulus bill, is a package of investments intended to encourage economic growth by injecting billions of dollars into the economy, thus increasing demand for goods and services, while protecting children and families from the worst effects of the recession. By estimates, Kentucky’s state government will receive \$3 billion in funding, of which less than \$250 million will directly reduce Kentucky’s budget gap and reduce the pressure for cutting important programs. An additional \$4 billion will come into the state through grants to municipalities and programs as well as through tax cuts to individuals and small businesses. While those funds will benefit Kentuckians, they won’t reduce the state’s budget gap.

According to the report by Kentucky Youth Advocates, a portion of the ARRA funds have the potential to directly offset the expected budget gap by helping to pay for items that otherwise must be paid for out of the state general revenue fund. However, because of an increased demand for services due to the economic downturn it is unclear exactly how much of the ARRA funds will be used to cover rising costs rather than freeing up general fund dollars to fill the state budget gap. For a summary of those funds see the table below.

Estimated funds that may help close Kentucky’s budget gap	
General Fiscal Stabilization Funds	\$118.5 million
Child Care and Development Block Grant	\$32.1 million
Child Support Enforcement Program	\$28.8 million
Disproportionate Share Hospital	\$7.2 million
Foster Care and Adoption Assistance	\$11.9 million
Medicaid & Education Stabilization Fund	possibly \$50 million

For a complete copy of the report visit <http://www.kyyouth.org>.

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Kentucky Youth Advocates is a non-partisan, non-profit, children's advocacy organization. KYA represents a voice for Kentucky's most precious asset – its youth. We believe that Kentucky's youth deserve the opportunities and resources necessary to ensure their productive development and health.