



Press Release
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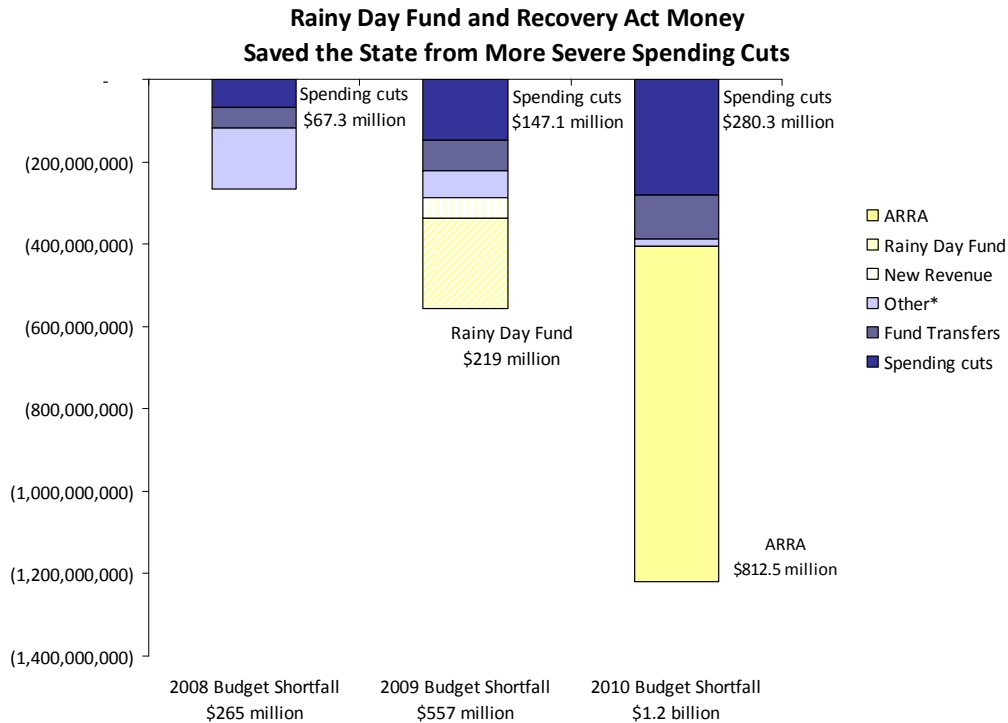
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Kentucky Needs a Balanced Approach to Ease Economic Troubles Upcoming State Budget Must Include New Revenue Measures

Jeffersontown, KY – For the past three years, Kentucky legislators have been greeted with an increasingly familiar scenario upon their January arrival in Frankfort – the needs of families are growing at the same time that the state has fewer resources to help them. Consecutive budget shortfalls, each increasing in magnitude as the impact of the national recession ripples through the states, have posed difficult questions about where our state priorities lie. This year is no different, with a projected \$1.2 billion gap between needed services and available resources. A new report, released today by Kentucky Youth Advocates analyzes how budget shortfalls have been handled thus far and makes the case that it is time for the Governor and Legislators to take a balanced approach that includes new revenue measures.

“Like the rest of the country, the economic downturn has wreaked havoc on Kentucky’s state budget,” says Terry Brooks executive director of Kentucky Youth Advocates. “The worst thing we can do in a recession is hunker down in denial and weaken the public services that a productive economy requires, like education, health care, transportation, and public safety. If we are forced to cut public health programs, if we fail to invest in prevention and support programs for struggling families if we put college out of reach for the middle class, then when the recession ends we won’t be positioned to benefit from the growing economy surrounding us.”

Kentucky’s leaders have used the Rainy Day Fund, Recovery Act money, restricted agency funds and recurring rounds of spending cuts to balance previous shortfalls. As the state plans for the 2011-2012 biennial budget, revenues are still projected to be low; the rainy day fund is dry; what little Recovery Act money is left must be used in 2011; and state agency resources are the slimmest they have been in a very long time.



“Lawmakers were able to delay tough decisions thanks to one-time resources like the state’s rainy day fund and the Recovery Act money, but the rainy day fund is gone and what’s left of the Recovery Act money must be used in 2011 – leaving nothing for 2012,” says Brigitte Blom Ramsey, director of Kentucky Youth Advocates’ Tax and Budget Initiative. “It’s time to make responsible adjustments to the tax structure that result in more stable and predictable revenues over time. If we do this now, the state will also benefit from increased revenue to help fill the upcoming shortfalls.”

The report recommends a balanced approach to crafting Kentucky’s budget that includes: making the tax code more modern and responsible, making government more efficient and effective and increasing accountability and transparency in the budget process. The report offers three recommendations for changes to the tax code that will introduce new revenue in Kentucky’s 2010-2012 budget:

1. **Balance the income tax structure to ensure adequate revenue.** Add a top tax bracket of 7 percent for Kentuckians earning more than \$250,000 a year. This would increase revenue and ensure Kentucky’s struggling families are not bearing more of a tax burden than Kentucky’s wealthiest.
2. **Recognize the changing face of business.** Close loopholes for out-of-state businesses operating in Kentucky by adopting combined reporting. This would ensure home-state corporations compete on a level playing field with multi-state corporations.

- 3. Account for the new ways we spend money.** In current times, more people spend their income on services than on goods – more than 40 percent of consumption untaxed. Broadening the base of the tax structure to include selected services and limiting new sales tax exemptions would increase revenue and bring the sales tax structure back in line with growth in the economy.

In addition to new revenue measures, the report recommends setting spending priorities, evaluating the effectiveness of tax breaks for businesses and enacting a current services budget.

“This problem is too big to solve with any one approach,” said Brooks. “We can make cuts that will write off a generation of kids, produce rising crime rates, increase public assistance costs and leave us with a legacy of squandered human potential. Or we can invest in tuition aid, early learning, family preservation services and other proven tools that increase the success of kids and families. A balanced approach that includes new revenue will help us meet people’s needs today and make sure our economy is positioned to grow when the recession is over.”

Access a complete copy of the report at www.kyyouth.org.

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Kentucky Youth Advocates is the home of Kentucky’s Tax and Budget Initiative, a member of the nationwide State Fiscal Analysis Initiative.