



**Press Release:**  
For Immediate Release  
February 16, 2010

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**Message to House: Kentucky Needs a Balanced Approach to Budget Shortfall**  
Revenue Options for State's Fiscal Crisis Outlined

**Jeffersontown, KY** – As a result of the national recession, the needs of Kentuckians are growing at the same time that the government has dwindling resources to help them. Lawmakers currently face a \$1.5 billion gap between what it will take to meet people's needs over the next two years and how much Kentucky has available for the state budget. A new report released today by Kentucky Youth Advocates offers several concrete strategies Kentucky lawmakers can use to increase revenue and balance the budget responsibly.

“As the House prepares to release its budget proposal they need to be aware that relying solely on additional budget cuts and gimmicks such as the transfer of Medicaid dollars will weaken an already struggling economy and leave Kentuckians without essential services at a time when they are needed most,” says Terry Brooks, executive director of Kentucky Youth Advocates. “A balanced, responsible approach to managing this fiscal crisis should include targeted budget cuts but also additional revenues.”

The report documents the increasing demand for public services brought on by the recession made evident by increased enrollment in Kentucky's Community and Technical College system, higher Medicaid rolls, more people depending on food banks, and increased use of food stamps. It argues that government spending cuts can harm the economy more than targeted tax increases and points out that in 2009, 31 states, including Kentucky, have already recognized the need for a balanced approach and increased taxes in order to continue to provide important public services.

(more)

The report offers a number of options for raising revenue in a responsible manner including the following:

1. **Increase the top income tax rates.** Incrementally increasing the marginal tax rate on incomes above \$75,000 would increase revenue by approximately \$250 million annually. Alternatively, adding a new top tax bracket that applied a rate of 7 percent to income above \$250,000 would increase income tax revenue by about \$76 million per year.
2. **Level the corporate tax playing field.** Enacting combined reporting to ensure that multistate corporations pay taxes in Kentucky would increase corporate tax revenue by \$26.8 - \$53.6 million. Discontinuing business tax breaks that do not result in a net benefit to the state would also generate additional revenue.
3. **Modernize the sales tax.** Broadening the sales tax base to reflect a shift in consumption from goods to services could raise up to \$1 billion.

“We need leaders who pursue proven policies that will serve Kentucky well into the future, rather than politicians whose main concern is getting reelected,” says Brooks. “A balanced approach will prevent further deterioration of vital public services, such as education, public safety, and healthcare, while positioning us for economic growth once the economy recovers.”

View the complete report, ***Needs of Kentuckians Rise during Recession, Balanced Approach Needed to Meet Demand*** at [www.kyyouth.org](http://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.