

Highlights of the House Budget

After some three-and-a-half hours of debate on Wednesday, March 10, the House passed its version of the next two-year budget. It differs from the Governor's proposal by not including \$780 million in new revenue from expanded gaming. However, the House budget does include a projected \$371 million in new revenue over the course of the biennium put forth in HB 530; now awaiting approval in the Senate.

Both proposals sought to incorporate efficiencies to save the state money; enhanced tax collection efforts to ensure taxes owed are paid; and included general spending reductions. The Governor proposed a total budget of approximately \$8.9 billion dollars in FY 2011 and \$9.7 billion in FY 2012. The House proposed a budget of approximately \$8.7 billion in FY 2011 and \$9.5 billion in FY 2012.

The Governor and the House have made a variety of wise choices in balancing the budget through the current economic recession by using federal recovery act money, employing the rainy day fund when necessary, and using state reserve funds that didn't impact services.

Despite the thoughtful choices and wise investments during this budget cycle, the House failed to consider targeted revenue increases that would allow for our state to grow and progress. Balanced efforts toward reform on both the revenue and spending sides of the budget equation would help stabilize the state now and strengthen our position relative to other states in the future.

The following are some of the initial highlights of the proposed House budget (HB 290) that now makes its way to the Senate.

[HB 530 - Revenue Plan](#)

Total additional revenue proposed = \$371 million

- \$187.2 million by suspending the net operating loss
- \$90 million by speeding up the collection of sales taxes by businesses
- The other \$93.8 million will come from five additional revenue enhancing measures

[HB 290 - State Budget](#)

OVERVIEW OF BUDGET BALANCING CHOICES

- \$2.2 billion in bonded debt (7.43 percent of General Fund revenue in debt service) said to be a "jobs creation" package that could put 25,000 people to work.
 - \$1.32 billion funded by General Fund
 - \$412 million funded by Road Fund
 - \$485 million funded by state agencies and universities

Anticipated Additional General Fund Revenue = \$628 million

- \$371 million from the House revenue proposal (HB 530)
- \$257 million from the anticipated extension of the increased Medicaid reimbursement rate.

Spending Reductions

- Cuts to universities and KCTCS of 1.5 percent in year one and 1 percent in year two
- Cut of \$1.3 million to adult education
- No funding for maintenance and operations of new university buildings
- Reduces the school calendar by two days to recover \$70 million
- Cuts of about 2 percent to many state agencies
- No pay increases for teachers or state employees
- Reduces the number of jobs in the executive branch by 125
- Reduction of state contracts \$117.2 million
- Recovers \$40 million in excess SEEK appropriations

Areas Receiving Increased Funding

- Increases funding for Family Resource Youth Services Centers by \$1.1 million per year
- Increase of \$139,000 for the Kentucky School for the Blind over the biennium
- Increase of \$204,000 for the Kentucky School for the Deaf over the biennium
- Increase the Governor's Scholar Program by \$288,000 over the biennium
- Increase KET \$1 million.

Areas of Efficiency

- Health and Human Services was kept intact. The redirection of \$37 million in the Cabinet for Health and Family Services will allow for increased safety and security for social workers and increased funding for the Meals on Wheels program.
- Savings of \$30 million over two years by the Parole Board taking steps to reduce the number of nonviolent inmates by 1,000 before July 1, 2011
- \$150 million in savings from changes in the state health insurance program

OVERVIEW OF BUDGET by SELECTED CABINETS

Elementary and Secondary Education

- K-12 education will benefit from \$182 million in American Recovery and Reinvestment money in FY2011. For FY 2012 the General Assembly has to fully fund the SEEK formula without ARRA dollars.
- The House reduced the number of instructional days for public school children from 177 days to 175 days to recover \$68 million in General Fund revenue.
- Appropriates \$2 million over the course of the biennium to increase funding for:
 - Family Resource and Youth Services Centers;
 - Kentucky School for the Blind;
 - Kentucky School for the Deaf;
 - Locally Operated Vocational Schools;
 - Georgia Chaffee Teenage Parent Program;
 - Safe Schools Program; and
 - Lexington Hearing and Speech Center.
- Rather than redistribute excess SEEK funds to local school districts as proposed by the Governor, the House redirects these funds to the General Fund.

Postsecondary Education

- House includes \$4.6 million to support new debt service in FY 2012 for the “Kentucky Jobs for Kentucky Families” project.
- Reduces funding for Adult Education by \$1.3 million.
- Reduces funding for universities by 1.5 percent in the first year and 1 percent in the second year.
- Reduces funding for Kentucky Community and Technical College System by \$3 million dollars in FY 2011 and by \$2 million in FY 2012.

Workforce Training and Development

- Appropriates an additional \$144,400 for the Governor’s Scholar program.
- Maintains FY 2009-10 funding for the following agencies:
 - Deaf and Hard of Hearing;
 - Kentucky Educational Television;
 - Office of the Blind;
 - Career and Technical Education; and
 - Vocational Rehabilitation.
- Includes \$133,000 in FY 2012 for new debt service to support “Kentucky Jobs for Kentucky Families”.

Health and Family Services

- Increases General Fund support by \$1 million in FY 2010- FY 2011
- Reduces General Fund and increases Federal Funds by \$257 million in FY 2011 to reflect anticipated extension of the ARRA enhanced Medicaid Assistance percentage, redirects the General Fund money to other areas in the state government.
- Includes \$370,000 in each fiscal year to suspend KCHIP premiums.
- Allocates both General and Federal Funds for smoking cessation programs for Medicaid eligibles.
- Provides an additional \$10 million to fund the provisions of “Boni’s Bill” to increase the safety and security of social workers.
- Provides an additional \$2 million in each fiscal year to restore the base funding and support Meals on Wheels and other programs for seniors.

Justice and Public Safety

- Reduces General Fund appropriations by \$3 million in FY 2012 for adult corrections in anticipation of reducing the prisoner population.
- Decreases General Funds by \$8 million in FY 2011 and \$19 million in FY 2012 for local correction facilities in anticipation of prisoner population reduction.
- Includes \$3 million in FY 2012 for hiring and equipping 50 additional probation and parole officers.
- Includes \$2 million in FY 2012 for community corrections services to assist parolees to successfully reenter the community.
- Includes \$1.2 million over the course of the biennium to support the Mary Kendall Homes and Gateway Juvenile Diversion.