

Highlights of the Senate Budget

On Monday night the Senate met in Chambers to pass their version of the state budget. House Bill 290, as amended by the Senate, passed with a 35 – 2 vote with one Senator passing. The Senate agreed with the House to not consider an estimated \$780 million in new revenue from expanded gaming as proposed by Governor Beshear. The Senate also refused two measures proposed by the House to add approximately \$275 million to the general fund over two years. The Senate proposed no additional revenue of their own and retained some smaller measures proposed by the House to increase revenue by an estimated \$100 million over the two years. To balance the budget primarily with spending reductions the Senate applied what they call an “equitable reduction of appropriations” of 1.5 percent over the House reductions in FY 2011 and an additional 1 percent in FY 2012.

All versions of the budget sought to incorporate efficiencies to save the state money; enhanced tax collection efforts to ensure taxes owed are paid; and included general spending reductions. With the inclusion of appropriations for the Legislative and Judicial branches the Governor proposed total spending of \$18.6 billion; the House proposed \$18.2 billion; and the Senate proposed total spending of \$18.0 billion.

Legislators have made a variety of wise choices to balance the budget through the current economic recession with the responsible use of federal recovery act money, employing the rainy day fund when necessary, and using state reserve funds that did not impact services. Continued 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. Despite wise choices in the beginning of the recession, the Senate’s current proposal makes across-the-board cuts with little regard for future impact and fails to consider sustainable sources of revenue to maintain funding for important government services. This proposal will make it more difficult for Kentucky to recover from the recession in a position to compete well in the future.

The following are some of the initial highlights of the proposed Senate budget (HB 290) that now makes its way to conference committee to try to resolve the differences between the two chambers. Click here for [Highlights of the House budget](#).

[HB 530 - Revenue Plan](#)

The Senate rejected the House proposal to increase revenue by about \$275 million by suspending tax breaks on business losses and through an acceleration of the sales tax. The Senate retained many of the smaller measures in the bill likely to generate or save just under \$100 million. Included is the Senate’s agreement to cap film tax credits at \$5 million but, the Senate made the cap non-refundable saving the state an additional \$10.7 million over the biennium. The original bill as proposed by the House was estimated to bring in approximately \$371 million over the biennium.

[HB 290 - State Budget](#)

OVERVIEW OF BUDGET BALANCING CHOICES

Bonding

The Senate removed the House's nearly \$1 billion "Kentucky Jobs for Kentucky Families" project to reduce the proposed debt burden. Instead they proposed \$998 million in bonding across state government. This reduces the amount of state debt from 7.6 percent as proposed by the Governor and the House to 6.9 percent. It is divided in the following way:

- \$390.8 million funded by General Fund
- \$122.5 million funded by Road Fund
- \$485 million funded by state agencies and universities

Anticipated Additional General Fund Revenue

- Approximately \$100 million through HB 530 as amended
- Anticipated \$257 million from the extension of the increased Medicaid reimbursement rate may allow some flexibility with general fund dollars currently funding Medicaid

Spending Reductions

- In general, the Senate cut funding to most areas of state government by 1.5 percent more than the House in FY 2011 and cut an additional 1 percent out of FY 2012.
- The Senate reduces funding for Kentucky Career and Technical College System by \$3.2 million in the second year of the budget.
- No funding for maintenance and operations of new university buildings
- No pay increases for teachers or state employees
- Doubled the number of non-merit jobs that need to be cut by the Governor for an anticipated savings of \$10 million each year
- Reduction of state contracts by an additional \$48.6 million in the first year of the budget for a total contract appropriation reduction of \$165.8 million over the biennium.
- Removes the \$10 million the House provided for the "Boni Bill"
- The Senate suspended operations of the Kentucky Long-Term Policy Research Center recovering a little more than \$1 million dollars in general fund revenue.

Areas Receiving Increased Funding

- Increases the two-year appropriation of the Economic Development Cabinet by \$2.2 million.
- Maintains additional funding of \$2 million within the Cabinet for Health and Family Services in each fiscal year to support Meals on Wheels and other programs for seniors.
- The Senate provides an additional \$1.2 million to the Justice and Public Safety Cabinet to cover a full year of debt service to rebuild the Northpoint Training Center.
- The Senate increased funding to the Adult Education Funding Program by \$450,000 over the biennium compared to the House.

Areas of Efficiency

- The Senate agreed with the House to realize 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

- The Senate provides an additional \$2.3 million over the biennium to the Finance and Administration Cabinet presumably to assist with the revenue enhancement measures proposed by the Senate that are estimated to bring in an additional \$8 million in two years.

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 Senate version of the budget funds SEEK \$33 million below the House in FY 2012.
- The Senate rejected the House proposal to recover \$68 million in general revenue by reducing the number of P-12 instructional days from 177 to 175.
- The Senate removed the appropriation of \$121.5 million for debt service to provide for new building or renovation of Kentucky schools.
- In line with other reductions the Senate reduced the funding allotment for schools (SEEK) by \$5.4 million in FY 2011 and by \$33.1 in FY 2012.
- The Senate reduces or cuts the additional funding included in the House budget for the following:
 - 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.
- Both the House and the Senate redirect excess SEEK funds from FY 2010 in the amount of \$40 million back to the General Fund. The Governor proposed redistributing these dollars back to the school districts.
- The Senate allows local school districts to use capital outlay funds in place of the lost SEEK dollars in FY 2011 and 2012.
- In addition, the Senate removes the certificate requirements currently in effect for preschool teachers and kindergarten classroom aids as well as lifts the cap on the number of students allowed per classroom; in an effort to allow local districts flexibility in their spending.
- The Senate reduced appropriations for assessment transition and professional development related to SB 1.

Postsecondary Education

- Reduces appropriations made by House by \$3.3 million in FY 2011 and \$29.5 million in FY 2012
- Eliminates \$5.3 million in debt service in FY 2012 the House provided for “Kentucky Jobs for Kentucky Families” project
- Senate mandates additional cuts of 1.5 percent in FY 2011 and 1 percent in FY 2012 for universities, on top of the reductions in funding already mandated by the House of 1.5 percent in the first year and 1 percent in the second year
- Reduces funding for Kentucky Community and Technical College System by an additional \$3.2 million dollars in FY 2012

Workforce Training and Development

- Decreases appropriations from House totals by \$354,200 in FY 2011 and \$3.5 million in FY 2012

- Cuts funding for the following agencies by 1.5 percent in FY 2011 and 1 percent in FY 2012
 - Deaf and Hard of Hearing
 - Kentucky Educational Television
 - Office of the Blind
 - Career and Technical Education
 - Vocational Rehabilitation
- Removes \$133,000 in FY 2012 for new debt service to support “Kentucky Jobs for Kentucky Families”.

Health and Family Services

- Decreases appropriations from House totals by \$59.8 million in FY 2011 and \$71.4 million in FY 2012
- Senate mandated across-the-board cuts for agencies within Health and Family Services, including Medicaid, Community Based Services, and Aging and Independent Living
- Maintains House provision to include \$370,000 in each fiscal year to suspend KCHIP premiums.
- Takes away House provision to provide an additional \$10 million to fund the provisions of “Boni’s Bill” to increase the safety and security of social workers.
- Maintains additional funding of \$2 million in each fiscal year to support Meals on Wheels and other programs for seniors.

Justice and Public Safety

- Decreases appropriations from House totals by \$1.2 million in FY 2012
- Maintains the following House provisions:
 - 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.