

Feb. 5, 2018

## Kentucky Better Budget Builder *Documentation*

### Budget Needs and Investment Options

Cost estimates for the investment options listed in the Better Budget Builder are based largely on KCEP analysis of state data, with some figures also coming from agencies' 2018-2020 budget requests, testimony in legislative committee and components of Governor Bevin's budget proposal.

Before making additional investments, users must select revenue options to pay for the \$517 million beginning negative balance. This figure is an estimate of the new revenue that is needed to balance the 2019 budget without making cuts to other agencies. It is the sum of \$217 million – half of the one-time monies used to balance the 2018 budget (less will be available in 2019) – and \$300 million in needed additional pension payments. Projected cost growth for corrections and Medicaid, plus Necessary Government Expenses (NGEs), are hypothetically paid for with forecast new revenue. Remaining funds are deposited into the depleted Budget Reserve Trust Fund.

### Tax Breaks and Revenue Options

In addition to KCEP analysis of state data, the fiscal impact estimates underlying revenue options in the Better Budget Builder come from and are listed here according to multiple sources. More information on these revenue raisers is also available in KCEP's report, [Revenue Options to Meet Obligations and Protect Investments](#).

- [The Institute on Taxation and Economic Policy](#).
  - Options to make the individual income tax more progressive.
- Legislative Research Commission, [State Fiscal Note: House Bill 29 \(2018\)](#).
  - Estate tax reinstatement.
  - Combined reporting, throwback rule and tax havens “corporate tax avoidance” measures.
  - Expansion of sales tax to luxury services.
  - Increase in tobacco and cigarette taxes.
  - Earned Income Tax Credit.
- Office of the State Budget Director, [Tax Expenditure Analysis: Fiscal Years 2018-2020](#).
  - Film tax credit elimination (this estimate also includes data on the [large amount of approved projects](#)).
  - Other business tax breaks.
  - Elimination of sales tax exemption for labor or services used in property sold.
  - Tax all betting on races commensurate with live wagers.
- Tax Foundation, [Marijuana Legalization and Taxes: Lessons for Other States from CO and WA](#).
  - Marijuana legalization and taxation.