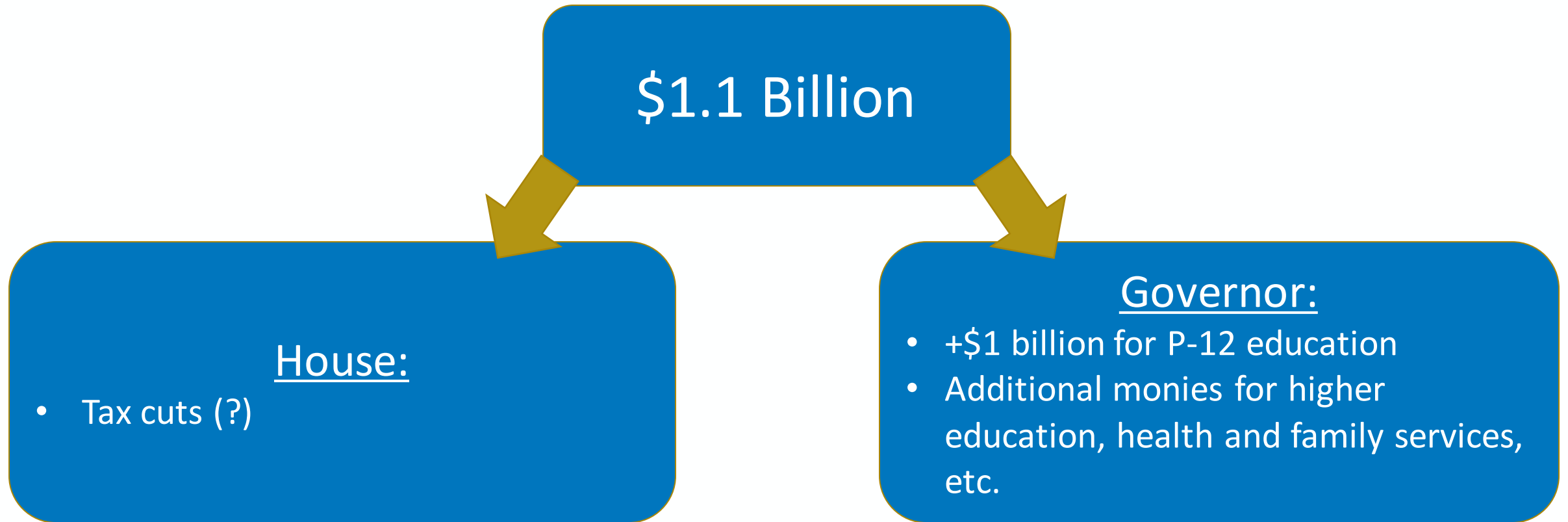
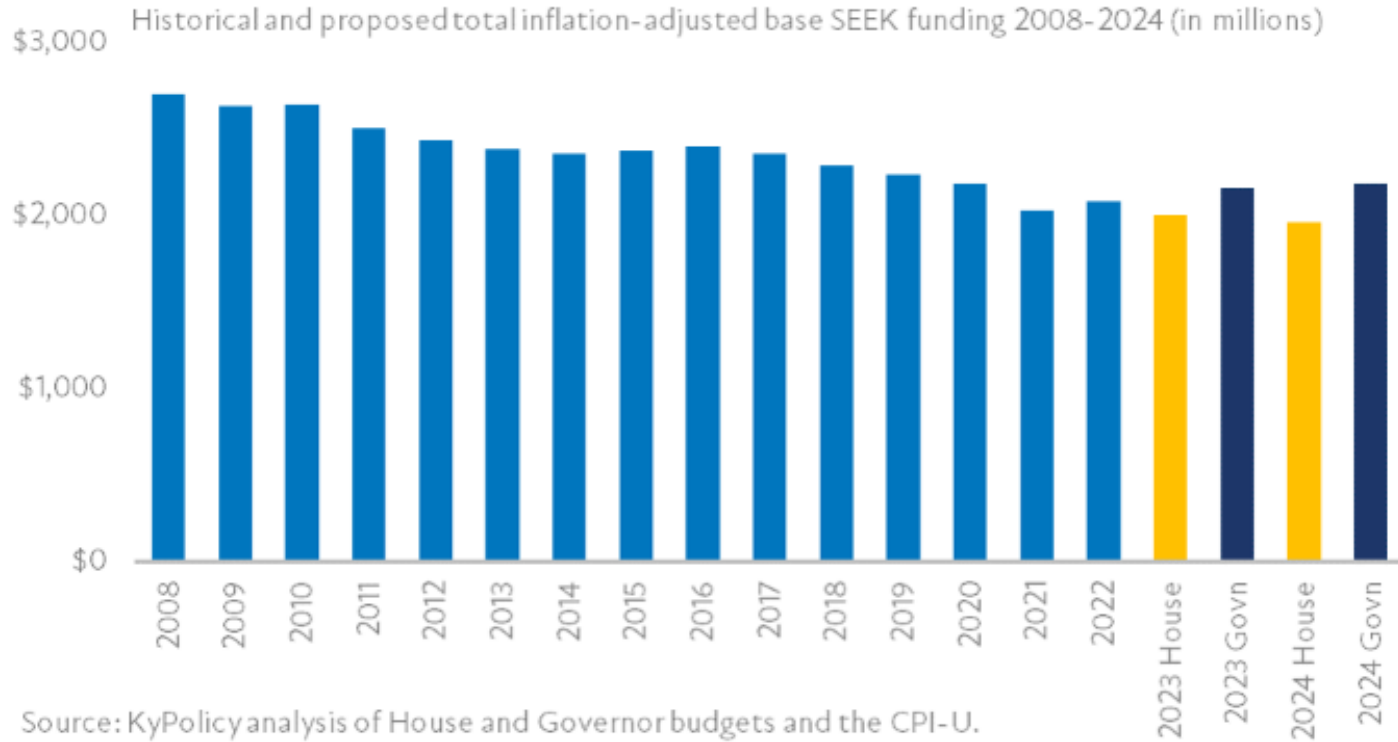


The Choice



P-12 Education: Will Trajectory Change for Base SEEK \$?

Base SEEK Funding Increases in Governor's Budget



Source: KyPolicy analysis of House and Governor budgets and the CPI-U.
 Note: 2008-2022 budget numbers are Enacted.

House	Governor
<ul style="list-style-type: none"> • \$4,100 per pupil in '23 • \$4,200 in '24 State money <u>decreases</u> \$38 million	<ul style="list-style-type: none"> • \$4,300 per pupil in '23 • \$4,500 in '24 State money <u>increases</u> by \$237 million

P-12 Education: Other School Funding Differences

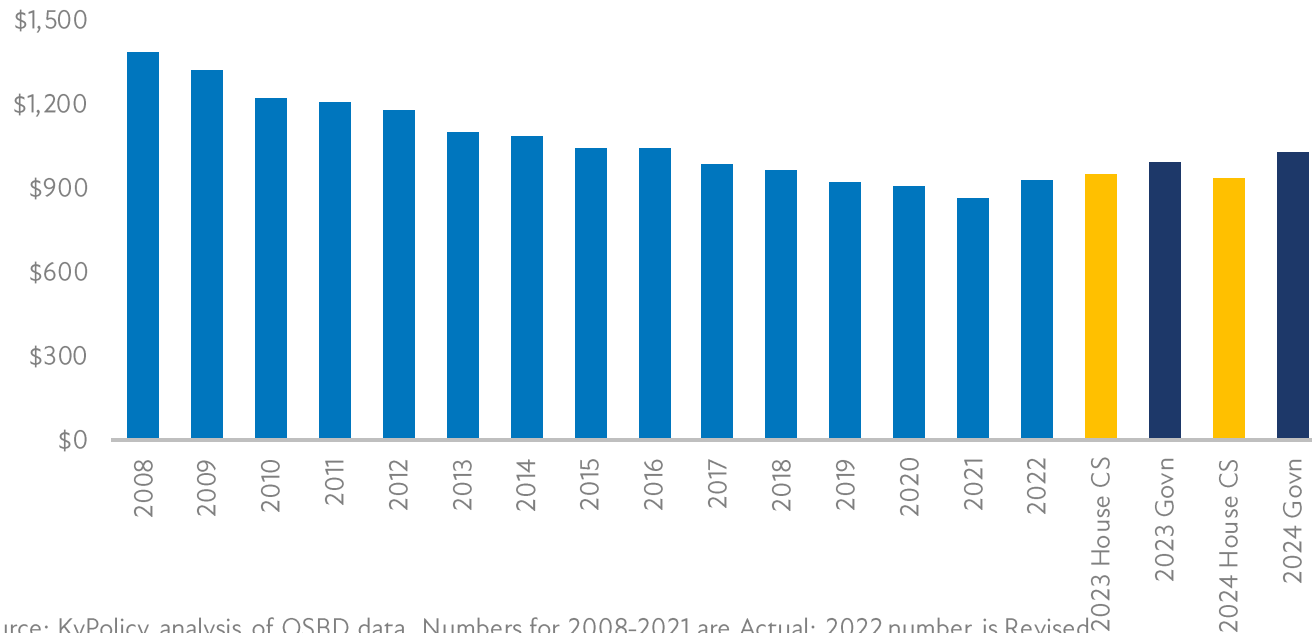
	House	Governor
Student transportation	<ul style="list-style-type: none">• +\$60 million each year• Distributed in same dollar amounts to districts	<ul style="list-style-type: none">• +175 million each year• Full funding• Distributed based on need
Preschool	+\$0	+\$172 million for universal preschool for all 4-year olds

P-12 Education: Other School Funding Differences

	House	Governor
Raises for teachers & school employees	<ul style="list-style-type: none"> • No raise required • None 	<ul style="list-style-type: none"> • +5% • \$56.6 million for loan forgiveness
Textbooks	+\$0	+\$11 million
Special supports	<ul style="list-style-type: none"> • +\$0 • +\$11 million early learning initiative • +\$0 	<ul style="list-style-type: none"> • +\$14.4 million turnaround schools • +\$11 million early learning initiative <ul style="list-style-type: none"> • +\$6.2 million social/emotional learning
FRYSCs	+20% per child	+9% per child
Library grants	+\$0	+\$2.5 million

Higher Education: Will Trajectory Change for Institutional Funding?

Higher Education Institution Funding Increases More in Governor's Budget



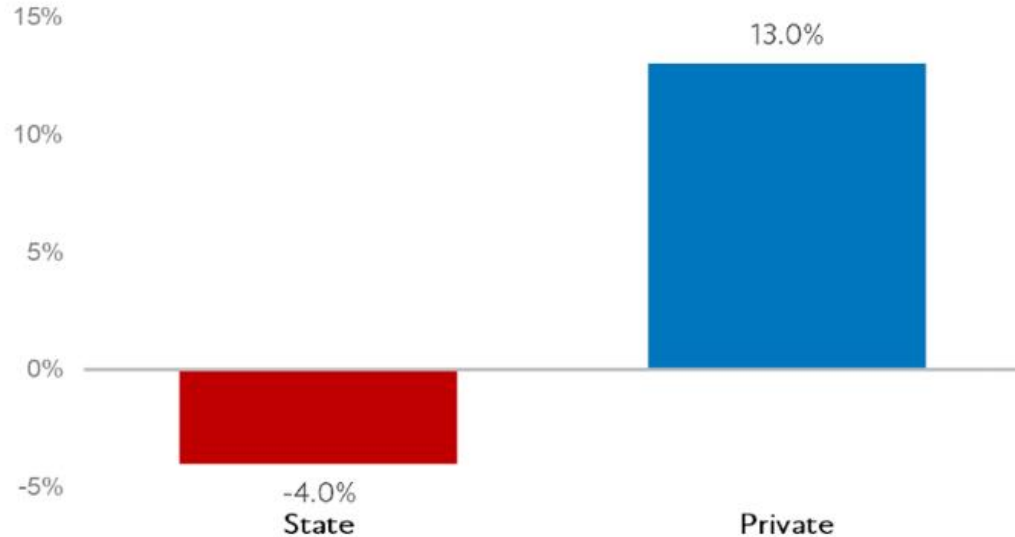
Source: KyPolicy analysis of OSBD data. Numbers for 2008-2021 are Actual; 2022 number is Revised.
 Note: In 2021, \$20 million of General Fund monies were supplanted by Coronavirus Relief Funds.

House	Governor
<ul style="list-style-type: none"> +6.7% in '23 +1.2% in '24 Increase to "performance pool" 	<ul style="list-style-type: none"> +8.3% in '23 +5.9% in '24 <ul style="list-style-type: none"> Not to "performance pool" Increase in size of need-based scholarship

State Employee Raises

Gap in Pay Between Kentucky Public and Private Sector Workers Is Growing

The change in state and private sector average salaries, 2008-2020 (in 2020 dollars)



Source: KyPolicy analysis of Personnel Cabinet and Bureau of Labor Statistics data.

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	House	Governor
State worker raises	<ul style="list-style-type: none"> 6% in '23, 0% in '24 	<ul style="list-style-type: none"> 6% in '23, 0% in '24 Excludes certain social service & corrections employees who got raises in December
Social workers	Pay increase, retention bonuses	Pay increase, loan forgiveness
State police	+\$15,000	+\$15,000
Public defenders	Raise for certain positions	No additional raise

Health and Human Services

	House	Governor
New social workers	+300	+350
Slots for people with disabilities	+200	+600
Health departments	Increased staffing State covers 90%/80% of pension cost	Increased staffing State covers 100% of pension costs
Equity efforts	Not in increase	Funding for Commission on Women, Office of Minority Empowerment, +\$300K to Commission on Human Rights
Protection programs	Not an increase	+\$4 million/year to domestic violence, rape crisis, child advocacy centers

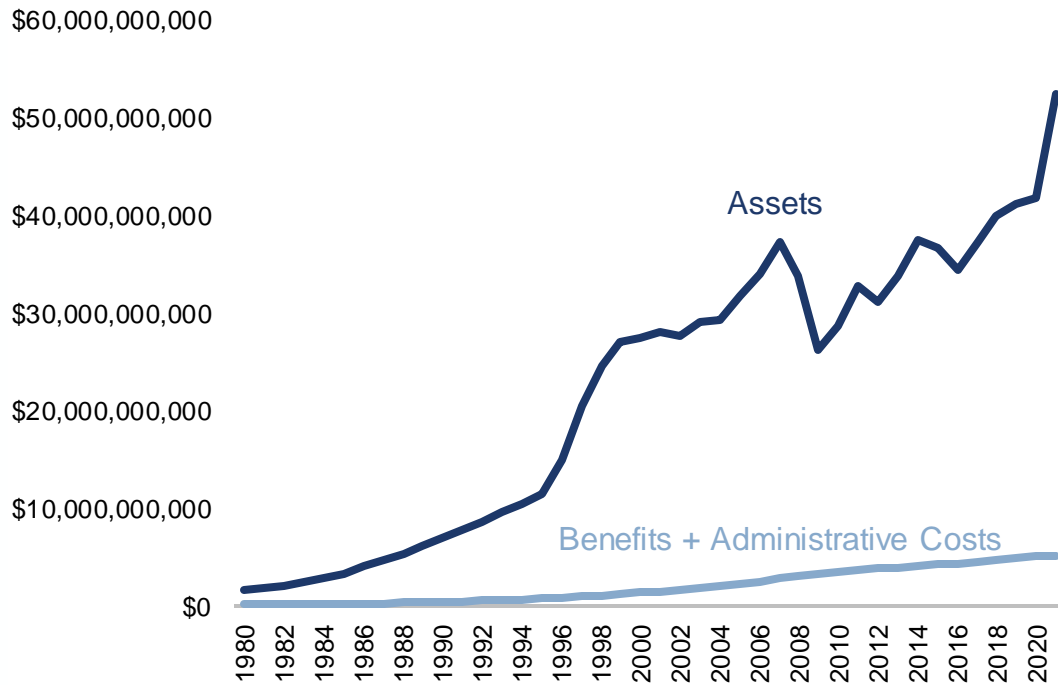
Other One-Time Investments

	House	Governor
Roads & Bridges	\$200 million to match	\$250 million to match
“Site identification and development fund”	\$0	\$250 million
Broadband internet	\$0 (but +\$300 million in ARPA)	\$44 million to leverage \$156 million in federal \$
Disaster relief and recovery fund	\$0	\$100 million
Agritech research and development	\$0	\$75 million
Extra \$ to cities and counties for roads	\$100 million	\$0
Electric vehicle charging stations	\$0	\$30.5 million
Airports	\$10 million	\$50 million
Grant pool for individual legislators	\$10 million	\$0
Rural product development initiative	\$100 million	\$0

Pensions: Both Budgets Contribute More than ADC

Retirement System Assets Compared to Dollars Paid Out

Total assets and amount paid out in benefits and other expenses



Source: KCEP analysis of KPPA, TRS data

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	House	Governor
Actuarially determined contribution	Full	Full
KERS Non-Haz	+\$200 million	<ul style="list-style-type: none"> +\$250 million in '23 +\$500 million in '24
Teachers	+\$479 million	
State Police	+\$215 million	
Total	+\$894 million	+\$750 million

\$1 Billion in Remaining American Rescue Plan Act Monies

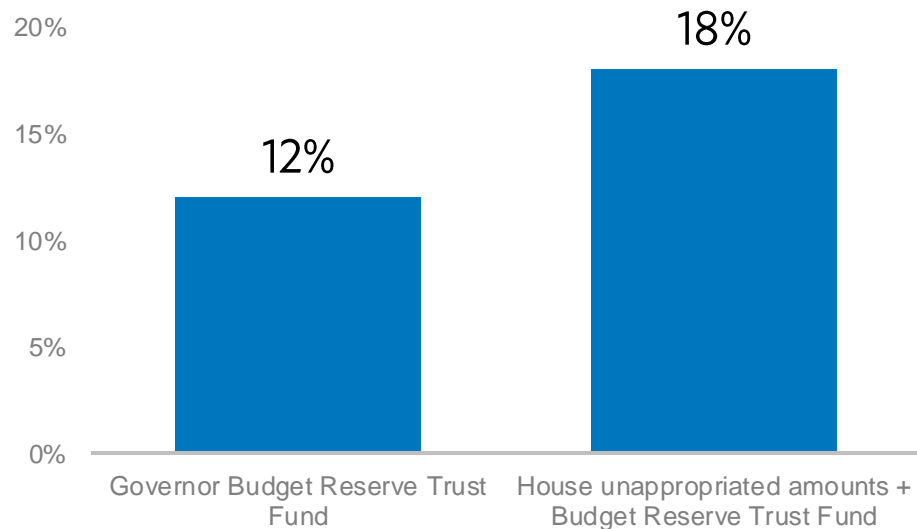
	House	Governor
Hero pay for essential workers	\$0	\$400 million
Water/wastewater	\$350 million	\$250 million
Unemployment trust fund	\$312 million	\$0
Broadband (HB 315)	\$300 million	\$0
COVID-19 mitigation	\$0	\$179.9 million
Aid to nonprofits	\$0	\$75 million
Senior meals	\$0*	\$36.2 million
Nursing student loan forgiveness	\$0	\$27 million
Child care reimbursements	\$0	\$24 million
COVID-19 tests behavioral health facilities	\$14.7 million	\$11.7 million
Travel industry	\$0	\$10 million

* House added \$21.6 million in General Fund dollars for this purpose in latest version

Both Budgets Leave Substantial Dollars Unspent

Remaining funds

Amounts at end of 2024 as share of 2024 budget



Source: KyPolicy analysis of budget proposals.

	House	Governor
Current Balance	\$1.5 billion	\$1.5 billion
Additional Appropriation	\$0	\$250 million
Ending Balance	\$1.5 billion	\$1.76 billion
Other unappropriated funds	\$1.1 billion	
<i>Total</i>	<i>\$2.6 billion</i>	<i>\$1.76 billion</i>

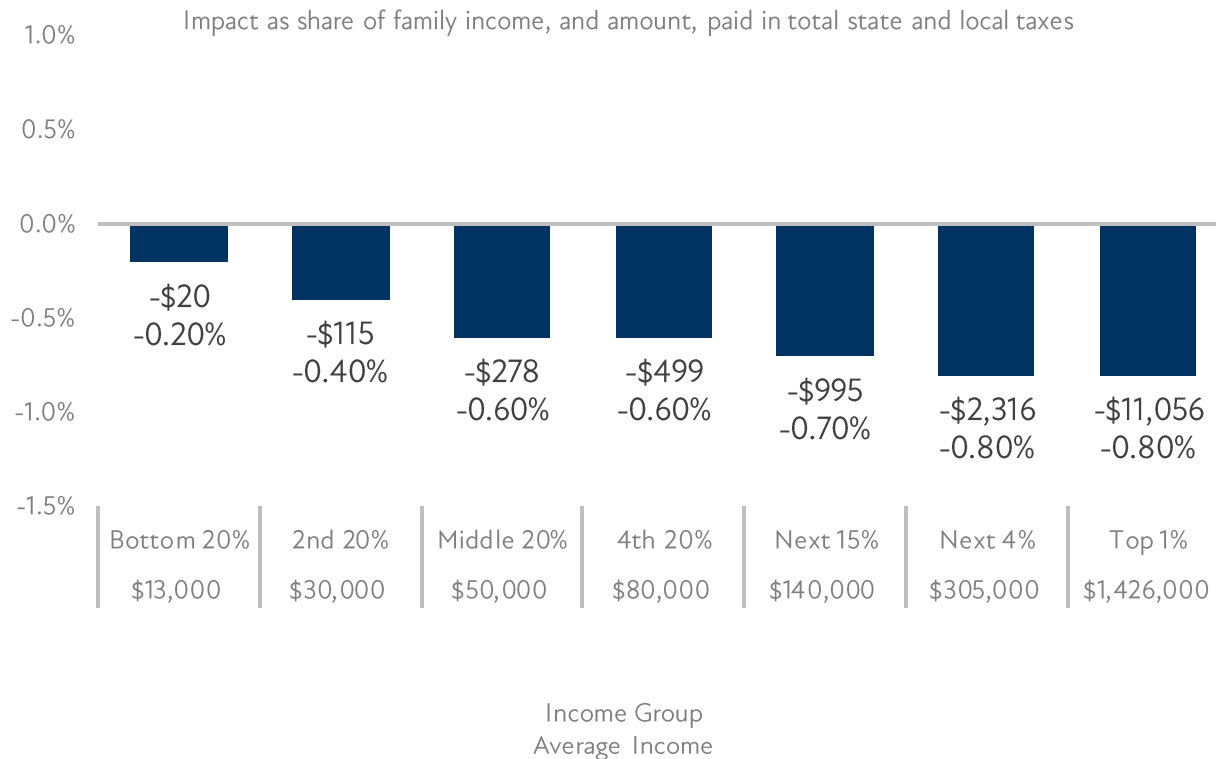
What Is House Doing with Remaining Dollars?

House:
\$1.1 Billion of
Unappropriated
Funds



The Threat of Income Tax Cuts

Income Tax Cut Is a Giveaway to those at the Top



Source: Institute on Taxation and Economic Policy, 2021.

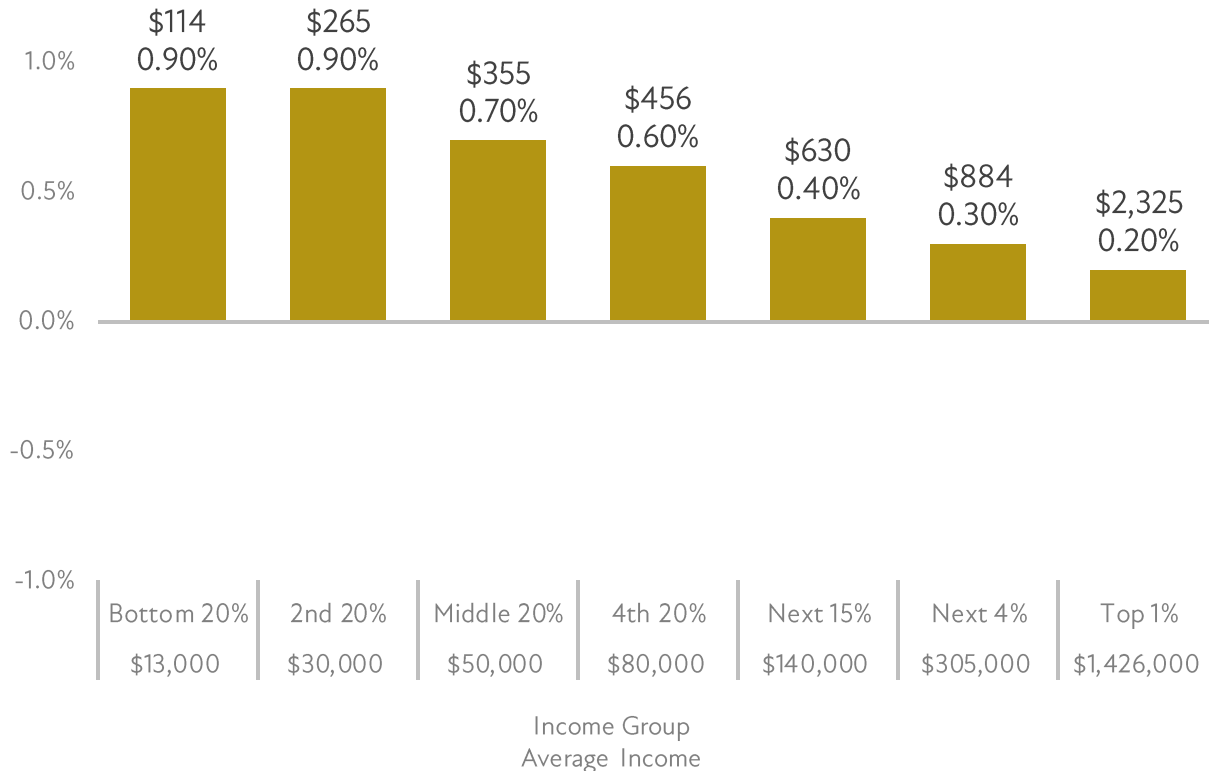
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- Dropping income tax from 5% to 4% would cost \$1.1 billion a year— much more than state appropriates for all universities & community colleges, for example
- A 0.1% drop in income tax rate = what we spend on preschool

If Tax Cut Continues, Sales Tax Would Have to Go Up

Shift to Sales Tax Asks More of Those with Less

Impact as share of family income, and amount, paid in total state and local taxes

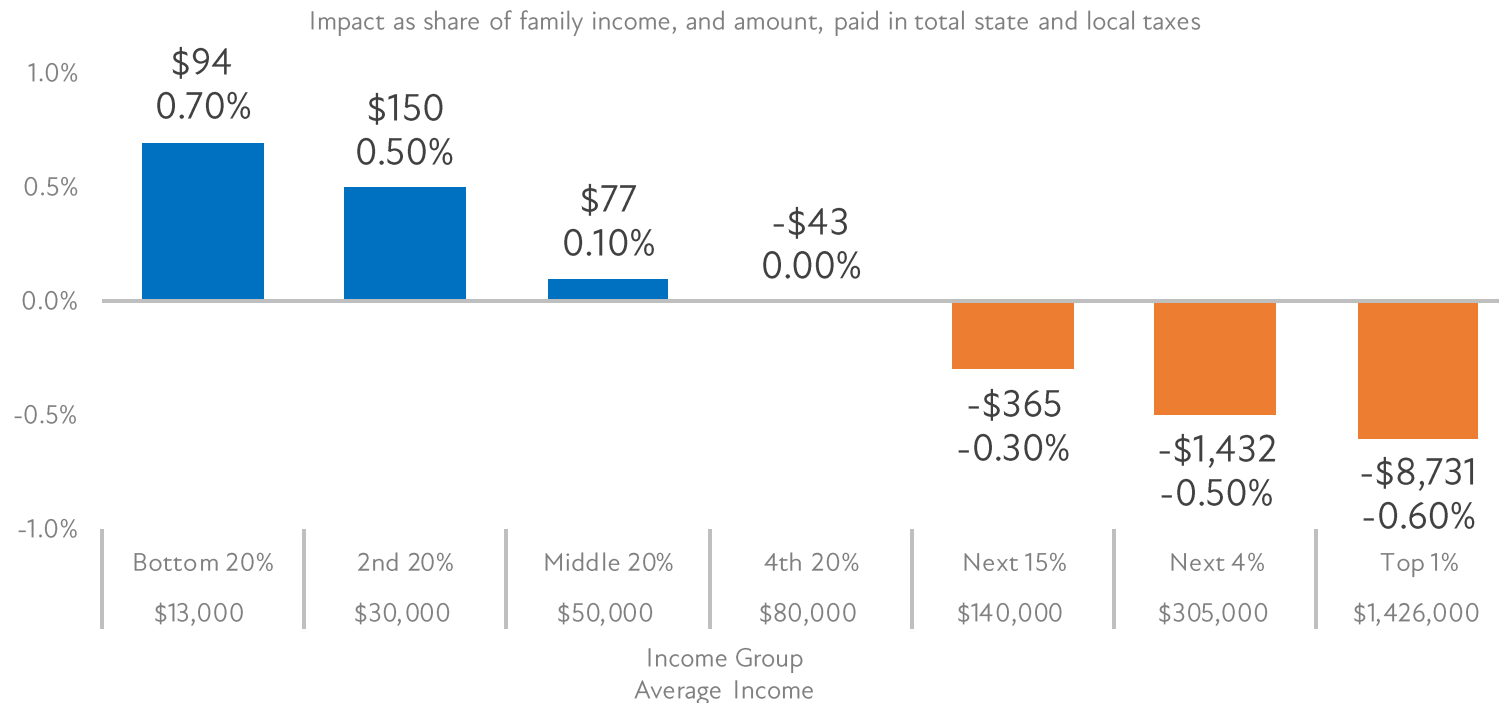


- With 1% cut in income tax, Kentucky would have to raise sales tax from 6% to 7.4%, the highest state sales tax in the country
- Sales taxes are 3.4% of Black Kentuckians' income on average, and 2.8% of white Kentuckians'

Source: Institute on Taxation and Economic Policy, 2021.

Net Effect Would Be a Tax Shift

Tax Shift is a Cut for Wealthiest Kentuckians, Increase on Bottom 60%



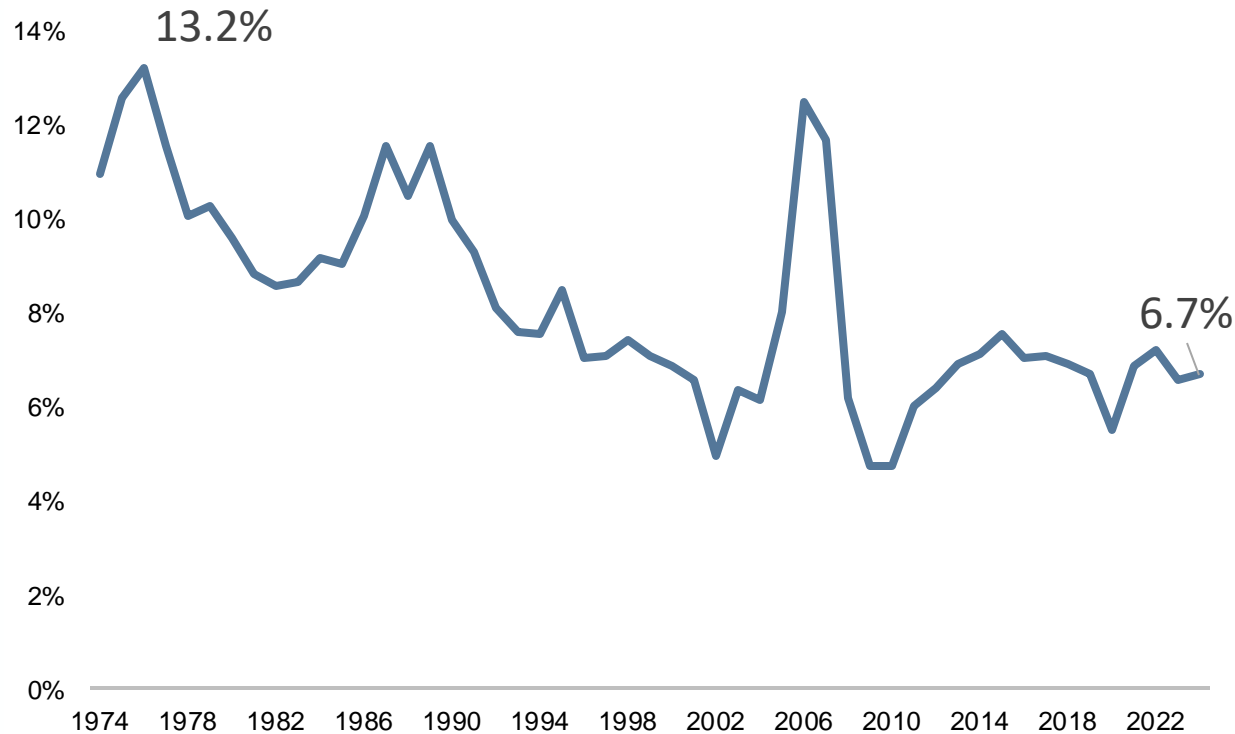
Source: Institute on Taxation and Economic Policy, 2021.

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Possible Push for Other Expensive Tax Breaks

Kentucky Corporate Taxes Continue Erosion

Corporate income taxes, limited liability entity taxes and corporate license taxes
as share of General Fund revenue



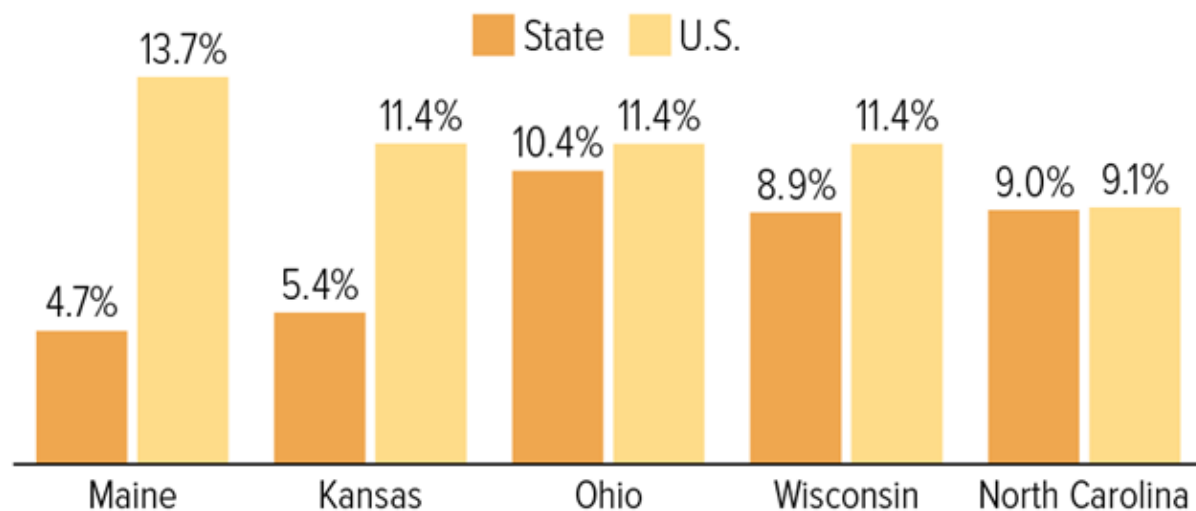
Source: KCEP analysis of Office of the State Budget Director data.

- Corporate income tax cuts, including eliminate or weaken the limited liability entity tax
- “Remote worker” tax breaks
- Investment company scam (HB 308)
- Expansion of private school tax breaks
- Bourbon industry tax breaks
- Data center tax break
- Eliminate inheritance tax
- ???

Tax Shift Would Hurt Revenue and Our Economy

Biggest Tax-Cutting States Didn't See Economies Take Off

Growth in private state and national gross domestic product during period the tax cuts have been in effect



Note: Effective dates for tax cuts are Jan. 2012 for Maine, Jan. 2013 for Kansas, June 2013 for Ohio and Wisconsin (retroactive to Jan. 2013), and Jan. 2014 for North Carolina. In June 2017, Kansas restored some but not all of its tax cuts; the figures above for Kansas reflect the period between enactment and repeal of the majority of the January 2013 tax cuts.

Source: Chained, quarterly private GDP from Bureau of Economic Analysis, February 2018

- 9 states with highest top income tax rate had faster growth over last decade than states with no income tax at all
- 12 states that have enacted millionaires taxes had growth that equaled or exceeded other nearby states

Why? Public Investment Creates a Foundation for Well-Being



Money Flowing in Our Communities Strengthens Economy



Keep Money Flowing



Choice this Session May Affect Budget & Economy Far Into Future

