Major Ways the State General Fund Is Spent

State Budget Funds a Broad Array of Vital Public Services

Categories of state-funded public services as share of General Fund appropriations 2022

- P-12 Education: 41.7%
- Medicaid: 17.0%
- Criminal Justice System: 11.9%
- Postsecondary Education: 9.8%
- Human Services: 6.9%
- All Other: 12.6%

Source: Kentucky Office of the State Budget Director.
Education Funding Cuts Are Harming Kentucky Kids and Classrooms

- 54% of surveyed districts have fewer days in the school calendar.
- 35% have reduced or eliminated art and music programs.
- 25% have reduced or eliminated career and technical education.
- 35% have begun implementing or increased instructional fees.
- 34% have begun implementing or increased extracurricular fees.
- 42% have reduced student supports like after school & summer school.
- 25% are spending less on health services.
- 14% have reduced special education services for reasons related to cost.
- Districts also report reducing staff, being unable to give needed raises and lack of funding for instructional materials such as textbooks — as well has having inadequate transportation funding and unmet facilities and maintenance needs.

Source: KyPolicy survey.
State Funding for Base SEEK Declining

SEEK Per-Pupil Guarantee Funding Declining in Real Dollars

State and local portions of per-pupil guarantee as enacted in 2022 dollars

Source: KyPolicy analysis of Office of the State Budget Director data as enacted.
Note: This analysis assumes the share of funding contributed by the state versus local sources to the per-pupil guarantee each year is their share of all base SEEK funding including SEEK add-ons as well as the per-pupil guarantee. Add-ons include additional funds for students eligible for free lunches and for students with disabilities.
Erosion in SEEK Funds Worsens School Funding Inequities Between Districts

The Funding Gap Between Kentucky's Poorest and Wealthiest School Districts Continues to Grow

Gap between top and bottom school district quintiles in per-pupil, state and local revenue (inflation-adjusted 2020 dollars)

School Transportation Hasn’t Been Funded at Statutory Levels Since 2004

State Continues Trend of Underfunding Transportation

Percent of state funding compared to share required under SEEK formula

Source: Kentucky Department of Education.

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School Funding for Programs Outside of SEEK

- **Textbooks/Instructional Materials:** No funding since 2018
- **Professional Development:** No funding since 2018
- **Extended School Services:** Flatline funded since 2019 (when it dropped below 2016 funding levels)
- **Family Resource and Youth Services Centers:** Only very small increases since 2019 (Dept. of Education and Cabinet for Health and Family Services budgets for FRYSCS combined)
- **Preschool:** Funding level provides tuition-free preschool for 4-year olds in families with incomes below 160% below 2011 federal poverty level and 3- and 4-year old children with developmental delays and disabilities regardless of income

Source: KyPolicy analysis of Office of State Budget Director data.
Close to Half of Kentuckians Live in a Child Care Desert

Child Care Providers Have Been Closing Their Doors

Number of state regulated child care providers in Kentucky, state fiscal years 2012-2021

Source: Data from the Cabinet for Health and Family Services.

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State Has Been Disinvesting in Higher Education

Higher Education Funding Continues to Erode

Funding in 2022 dollars

Source: KyPolicy analysis of OSBD information. Numbers are Actual except 2020 and 2021, which are Revised, and 2022, which is Enacted.
Note: In 2021, $20 million of General Fund monies were supplanted by Coronavirus Relief Funds.

Kentucky Center for Economic Policy | kypolicy.org
State Budget Cuts Have Contributed to Tuition Increases

Cost of Higher Education Has Shifted From State to Students

State and student shares of total public postsecondary funds in Kentucky, Fiscal Years 1999 - 2020

Source: OSBD and Council on Postsecondary Education.
Note: Net General Fund share compared to gross tuition and revenue share.
Medicaid Enrollment Increased Steeply During Worst of Downturn, Has Begun to Subside

Medicaid Filled the COVID-19 Coverage Gap

Monthly total monthly Medicaid enrollment in Kentucky January 2018 - October 2021

Source: Kentucky Cabinet for Health and Family Services.

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Medicaid Costs Have Grown Dramatically Overall, State Portion Only Modestly

Medicaid Is a Good Deal for Kentucky

Federal and state spending on Medicaid in Kentucky. Inflation adjusted by the CPI-U in 2021 dollars. (in millions)

Source: KyPolicy analysis of LRC Medicaid Benefits Expenditure Report & BLS inflation data.
Note: State share includes both General Fund and Restricted Agency Fund Appropriations.
Increased Pension Contribution Requirements, Repeated Rounds of Budget Cuts and Stagnant Wages Led to a 37% Decline in Public Health Workforce

The Public Health Workforce Is Shrinking

Kentucky public health workforce from state fiscal year 2012-2020

Number of Incarcerated Kentuckians a Key Driver of Corrections Costs

Number of Kentuckians Serving Felony Sentences Has Grown, Excluding Temporary Drop in Response to COVID-19

Average daily population of individuals incarcerated for felony convictions

Source: Kentucky Department of Corrections
Legislature Has Been Passing Far More Laws That Increase Incarceration Than Decrease It

Since Reform Bill the Kentucky General Assembly Has Passed Six Times as Many Laws to Increase Incarceration as to Reduce It

Enacted Bills Between 2011 and 2021

Increased Penalties: 59
Reduced Penalties/Incarceration: 10

Source: KyPolicy analysis of enacted Kentucky legislation. Note: Some enacted bills that both increased and decreased penalties, and those bills were included in both categories for purposes of this analysis.
Low Salaries for Public Sector Workers Contribute to High Rates of Turnover, Inexperienced Staff and Staff Shortages

State Salaries Have Been Stagnant for More Than a Decade

Average annual gross salary CPI-U inflation-adjusted to 2020 dollars

Source: KyPolicy analysis of Kentucky Personnel Cabinet Annual Reports data and BLS Inflation measures.
Bipartisan Infrastructure and Jobs Act Includes Much-Needed New Investments in Modernizing State’s Physical Infrastructure

- At least $100 million to improve broadband
- Affordable Connectivity Benefit, approximately 1.5 million Kentuckians will qualify
- Funds to create jobs by cleaning up environmental hazards
  - $1.4 billion in competitive grants to address abandoned oil and gas wells
  - $1.5 billion for brownfields reclamation
  - $11.2 billion for abandoned mine reclamation (KY will receive around $1.1 billion over 15 years)
- $1.2 trillion in funding over 10 years for a wide variety of transportation infrastructure projects
  - Kentucky expected to receive around $4.6 billion for road improvements and $438 million for bridge replacement and repair
  - $69 million to Kentucky to complete portion of the Appalachian Development Highway System
  - $391 million for public transportation in Kentucky