



## **Budget Address**

**Governor Andy Beshear**  
*January 28, 2020*

Mr. President, Mr. Speaker, Members of the General Assembly, Lieutenant Governor Coleman, our constitutional officers, the Kentucky Supreme Court, invited guests, including Kentucky's First Lady Britany Beshear — and, most especially, all of our Kentucky families watching at home.

Tonight, we are gathered here, once again, to realize the promise that is Kentucky.

A promise that there is a better today for our families and a better tomorrow for our children.

To realize that promise, we must gather not as Democrats or Republicans, not as majorities or minorities, not as urban or rural, but all of us must be here tonight on Team Kentucky.

We are men and women from different parts of our Commonwealth, and from different branches of government, that have been shaped by our families, our experiences, our faiths, and our communities.

We are all more than a letter behind our name.

And we should all be here tonight sharing one solemn mission – to better the lives of our Kentucky families.

Two weeks ago, I reported from this same chamber, that the state of our Commonwealth is strong, coming together, and ready to face our challenges.

And seven weeks ago, when I put my hand on my family Bible and took an oath to serve as Governor, I talked about how our Commonwealth is more than a state.

It is a commitment. A commitment to the idea and the ideal that we can come together for the common good.

That we have a special opportunity, a special moment in time to prove that we can get this right.

That we can govern for all of the people, not just the ones we agree with.

And that we have a duty to lift up those who are struggling or in pain.

I'm proud of our work thus far.

There is a different feel in the halls of this Capitol. A feeling of mutual respect and hope that both our tone and our tactics can be better going forward.

My hope is that tonight, we continue that progress by embracing a budget based on a core set of values that are shared by all Kentuckians.

These core values are as follows:

- Public education is not only the key to breaking cycles of poverty for our families, it is the key to leaping forward as a state.
- The most important profession, the most important title in Kentucky is “teacher,” and it is time we invest in them.
- Health care is a basic human right and it is our responsibility to sign up every Kentucky child for some form of health coverage.
- It is time to make a critical major investment to stop the rampant child abuse and neglect in this state.
- We must keep our promise and fully fund our public pension obligations.
- It is time we show our state employees that we value their sacrifice and begin to reinvest in them.
- That one way we serve the lost, the lonely and the left behind is by supporting our quasi-governmental agencies like Child Advocacy Centers and Rape Crisis Centers.
- We must direct more dollars to our struggling communities, which include our coal counties and our urban neighborhoods.
- And that we must support our law enforcement and firefighters who run into danger to pull our loved ones out of it.

I believe these are common values that are held by people of all parties.

Since 2006, we have seen deep, difficult, and historic cuts in our state budgets.

These cuts were not simply numbers on a spreadsheet. They were lost services, lost opportunities, and sometimes even lost lives. They were a lack of support to repair broken lives.

They meant our kids learned from outdated textbooks, our families drive on unsafe roads, our social workers were assigned far too many cases, and many of our teachers left the classroom.

The last 14 years of cuts did not just “cut the fat,” they went deep in the bone, year after year after year.

Tonight, I am proud to report that I am submitting a budget that ends these 14 years of painful cuts.

Yes. We have structured a balanced, responsible budget that makes no new cuts to the General Fund.

Instead, for the first time in 14 years, it starts the process of reinvesting in our people.

Getting here hasn't been easy.

Since the day I was sworn in, we have been working tirelessly on this budget.

We brought in John Hicks, the foremost expert on budgeting in Kentucky. He has worked on nearly 16 budgets for 8 governors, both Democrat and Republican. And he recently ran the national organization for budget directors.

Our budget staff has worked day and night, every weekday and weekend. I am thankful and proud of their work.

And because of that hard work, tonight I am submitting a proposed budget that is balanced and responsible, where every dollar is accounted for. Every single dollar.

It is a budget that not only ends years of painful cuts, it also makes a major investment in public education, fully funds expanded Medicaid, makes a historic investment in protecting our children, directs dollars to breaking cycles of poverty, and I believe will move us forward as a people.

Let's start at the first point. The proposed budget is balanced and responsible.

In its structure, it has the lowest debt capacity ratio that we can find in any budget documentation.

That means it has the least amount of borrowing as compared to revenue in any historical budget that we can compare it to.

This proposal uses 50 percent less in fund transfers than the previous two budgets.

It does something many budgets haven't by including and accounting for expected liabilities over the next two years.

And it even puts more dollars in the rainy day fund.

Those are the pieces to a responsible and balanced budget.

So, the question is where does the money come from?

Nearly every recent budget has relied on what I call four buckets.

The first bucket is tax revenue.

For Fiscal Year 2020-2022, we have forecast that we'll have \$841.7 million in additional tax revenue. But those are only part of the dollars that are available.

The second bucket is what we call fund transfers. Every budget has relied on fund transfers. And they have been significant.

In the last budget, there were \$622 million in fund transfers. In the budget before that, there were \$609.5 million in fund transfers.

These transfers are everything from surcharges that no longer support their original purpose to funds that have far more dollars than needed to accomplish their mission.

In the previous two budgets, \$685 million was transferred from the state health insurance plan and used for different purposes.

In this budget, our transfer is both smaller and more responsible and doesn't touch those health insurance dollars.

At \$288 million, our fund transfer is less than 50 percent of that of the last two budgets.

Our third bucket is dollars that we make available by maximizing our resources.

These are legal settlements that my former office secured, they are enhanced collection efforts where we are going to go get the tax dollars that are owed but haven't been paid, and debt service that has been retired.

For this budget, our efforts to maximize our resources provide \$256.3 million.

The fourth bucket is the new revenue proposed in this budget. As context, the last biennium budget created \$388 million in new revenue.

This proposal calls for less than half, just \$147.7 million in new revenue. I will discuss these new revenue proposals shortly.

These four buckets provide for nearly \$1.256 billion in revenue over and above the last budget.

But being responsible isn't just about the dollars going in. So our administration has also been hard at work reducing expected liabilities from lawsuits and lowering some future costs.

To date, we have reduced amounts we believe will be owed in this biennium by at least \$238.4 million.

Based on these steps, we have crafted a budget that will not require more cuts, that will not require more pain.

And there are finally dollars to start reinvesting in our families.

Let me be clear, these dollars are limited, and we won't be able to undo the pain of the last 14 years all at once.

So we must invest wisely and we must lead with our values.

To me, those values must begin with public education. And that is exactly where this education-first budget starts:

Public education is the key to breaking cycles of poverty.

Every individual who attains a new level of education, who is the first in a family to graduate from high school or college, forever changes the world for their kids and their grandkids.

And states that have the best jobs, where people make the highest wages, they have the best educated populations.

So an investment in education is an investment into forever changing our future.

This investment must start with our teachers.

We face a teacher shortage in Kentucky that threatens the quality of our public education.

Without good teachers, we cannot produce the best students or the best workforce.

So our budget prioritizes our teachers.

Now, if you don't think that's important, ask Brian Kemp, the Republican Governor of Georgia.

Governor Kemp called for giving teachers a \$2,000 raise in his state of the state address two weeks ago.

He told lawmakers:

“This raise will enhance retention rates, boost recruitment numbers and improve educational outcomes in schools throughout Georgia.”

Georgia is facing its own budget challenges, but has chosen to do the right thing. And at least 15 other states have given teachers a raise in the last two years, including Alabama, Arizona, Arkansas, and Idaho.

Oh, and that phrase that we in Kentucky often use when we find ourselves at the bottom of various rankings, that phrase “thank God for Mississippi.”

Mississippi gave its teachers a raise too.

Surely, we can do the same.

That's why this budget proposal includes a \$2,000 across-the-board raise for all Kentucky teachers.

And it reinstates the teacher loan forgiveness program and teacher's scholarship program.

Additionally, my budget recommendation funds the full actuarial health insurance contribution for our retired Kentucky teachers; so to our retired teachers including those under age 65, thank you for your service and we've got your back.

The budget recommendation continues with a 1 percent increase to the SEEK funding formula, which will provide an additional \$87.5 million to our public schools.

And it includes \$11 million each year for textbooks and instructional resources, an area the last budget was unable to fund.

For our students to learn, we must also provide school facilities that are safe and protect them.

That's why we're appropriating \$18.2 million to fund the physical plant mandate from the school safety bill passed in 2019.

That's every dollar the Kentucky School Board Association said they needed for statewide school security upgrades.

Sadly, we cannot satisfy all parts of that bill in a single budget. So this proposal takes the natural first step in fully funding the physical security improvements needed in our public schools.

And while our schools are making security upgrades, they can also make repairs. This budget provides \$100 million in bond capacity to the School Facilities Construction committees, to make necessary upgrades to our public schools.

Our kids must also be safe getting to school. So we are in the process of approving transportation projects at schools all over Kentucky, including Bullitt, Trimble, Floyd and Carter counties, to ensure we have the turn lanes and other infrastructure for our kids to reach schools safely.

We're also proposing funding for the Kentucky School for the Deaf and the Kentucky School for the Blind for facility upgrades, as well as funding to open the new Estill County Area Technology Center.

And this budget proposes that we use a settlement from Volkswagen to provide every school district in Kentucky with a new, clean school bus.

So this education-first budget invests heavily into K-12 education.

But to be an education-first budget, we must also invest in post-secondary education.

In this budget, we're ending the cuts to our public universities and community college system.

These cuts have been painful, and have led to consistent tuition increases for our students.

And we are just one of two states in the entire country that hasn't reinvested in higher ed.

That should end tonight. So in addition to ending these cuts, this budget adds 1 percent in a funding increase.

To further aid our institutions, we're also creating the Higher Education Resurgence fund, an unprecedented \$200 million bond pool to allow our universities to rebuild aging infrastructure so they can move into a brighter future.

Our universities and community colleges have been putting off maintenance for years. The last time they had any help from the state to address asset preservation was 2008. This move will allow them to focus more assets on our students.

Speaking of those students, this budget devotes millions in lottery revenues for student financial aid. The lottery brought in record revenues in 2019 and with that additional revenue, we're going to be able to provide scholarship dollars for nearly 60,000 students, including 7,300 more need-based students than in the last biennium.

That is going to break cycles of poverty.

Additionally, this budget helps Kentucky State meet its land grant obligations, it increases the number of students at Morehead State's Craft Academy and it restores funding to the University Press at UK.

With these investments in public education, both K-12 and post-secondary, we are showing that, in Kentucky, education comes first.

But I will admit, the budget falls short in that it does not fund all-day kindergarten or universal pre-kindergarten.

We must do so in the future, so we are going to start in this proposed budget.

First, we invest \$10 million in pre-k funding in disadvantaged communities.

What we can afford to do now is invest these funds in the Kentucky communities that need it the most.

Second, this budget sets up a fund for extra dollars that come in and dedicates them to funding full-day kindergarten and pre-k in the future.

This budget also makes historic investments into our most vulnerable – our children and our struggling families.

That starts with addressing the rampant abuse and neglect of our children in the Commonwealth. And I want to address it now.

Our social workers have too many cases and that has dire consequences. Abuse is not caught, kids fall through the cracks, dedicated public servants burn out.

Isaiah, Chapter 1 verse 17 says "Promote justice, give the oppressed a reason to celebrate. Take up the cause of the orphans. Defend the rights of the widow."

So this budget provides funding to Child Protective Services to hire 350 additional social workers and other support positions.

With this investment, Kentucky will significantly reduce caseloads per social worker, which means we're going to better protect our children.

Let's act right here and right now to stop child abuse and neglect in Kentucky.

I am further committed to ensuring every child in Kentucky has health care coverage. That every child can see a doctor when they are sick.

Unfortunately, in recent years we are seeing a trend where more and more children that qualify for KCHIP coverage are not getting signed up. That means those children have no health care.

This budget specifically dedicates \$2 million to the KCHIP enrollment program.

These extra dollars will be matched by federal dollars to ensure we sign up every Kentucky child for health coverage, and that no child is left out.

Supporting our children also means collecting child support payments, so that our children have the necessary resources to grow and thrive.

Because of chronic underfunding over the past several years, child support collection is on the brink of losing federal funds and our county attorneys are on life support in their collection efforts.

This budget provides the necessary \$13 million over the biennium to save our child support collection system.

This budget also invests in those that help our victimized or struggling families including the Kentucky Coalition Against Domestic Violence.

It also provides significant pension relief to our Child Advocacy Centers and Rape Crisis Centers, along with community mental health and public health departments.

Now, let's talk about our struggling communities.

Our coal counties in Kentucky have been hit hard. They need help. So do parts of our larger cities, where particularly our African American neighborhoods haven't seen the level of investment and development that is happening in other parts of our cities.

In this budget, we do something about both problems.

First, for our coal counties, after paying the required debt service on water and sewer infrastructure, and the state's administrative costs, this budget returns every remaining coal severance dollar back to our coal counties.

Over the biennium, this should provide nearly \$18 million where it is needed most.



Our recommendation provides this money to our counties in a way that can be directly used in their budgets. At a time when basic services are at risk, we should help these counties provide for their people.

For our struggling urban communities, we are putting \$4 million in an Economic Development Venture Fund to help give small businesses in those communities an opportunity to get their ideas off the ground. For far too long, businesses in these areas have been hampered by a lack of credit, harmful insurance practices, and a basic lack of investment.

Finally, we're setting aside \$2 million to help local governments do what I'm committed to doing at the state level -- ensuring equal pay for equal work. If we in government are going to demand women make the same amount as men in the private sector, we have to make it a reality in the public sector.

Now let's move on to another group that has suffered through years of cuts and tough budgets -- our state employees.

These are the folks that work every day building our roads and bridges, that make sure our children have the support and protection they need, and that helped craft this very budget.

These people work hard on behalf of our Kentucky families, and with this budget, they're finally going to get some recognition for their hard work.

This proposal provides state employees a raise. That raise is one percent in the first year, and another one percent on top of that in year two.

This is long overdue and with the costs of everything from groceries to pharmaceuticals going up, it is necessary.

Here's some more good news for public employees, but it's news that should be expected: this budget fully funds the pension plans.

My promise to you is simple: I will always contribute the required contribution amount to our pension plans.

By doing this year after year, we'll protect your pensions and guarantee each of you a solid retirement.

Next is another area where we can't afford to cut -- health care. That's because our people have some of the worst health outcomes in the country -- we're in the top 10 in lung cancer, diabetes and heart disease.

Access to health care is a basic human right and we can't turn our backs on the progress that we've made. That's why we're fully funding expanded Medicaid in this budget and we'll work to sign up every single person who qualifies.

We're also setting aside money for important programs, including 100 more slots in the Supports for Community Living program, and 500 more slots in the Michelle P. waiver program. A good

friend of mine had to wait years for his son to get a Michelle P. slot. I saw that family's pain. More slots are simply the right thing to do.

We're also going to continue to fund pediatric cancer research at U of L and UK. Last week at Children's Advocacy Day, I met David Turner Jr., a young man fighting cancer. Before the event, we invited him and his family into the governor's office to sit behind the governor's desk.

He grabbed a signing pen, and declared that it was ice cream day in Kentucky.

It was a really special moment. David and other Kentucky kids that are battling cancer are worth fighting for and we must push forward with this research.

Finally, the budget provides the \$35 million requested by the University of Louisville to help support its hospital acquisition, and it does not take that money out of the rainy day fund.

Let's now turn to transportation.

Transportation is critical for the safety of our families and the future of our businesses.

And the right projects provide opportunities to transform regional economies, to provide a better future.

So in the road plan, I will be prioritizing two major projects: accelerating the Mountain Parkway in the east and building the I-69 bridge in the west.

These projects will open up commerce in rural Kentucky in a major way and will improve the quality of life for our people that live in these regions.

We're also investing a record amount of money into the safety of our rural roads. Our rural roads are the seventh most dangerous in the country. We've lost nearly 7,500 of our brothers and sisters, our parents and children, on these roads over the past 10 years.

Using a combination of state and federal funds, my administration will put \$100 million to improving our rural road conditions.

We're also investing in law enforcement and public safety.

State and local law enforcement are seeing fewer applications and smaller training classes.

To help address this concern, we're increasing the annual training stipend for our police and firefighters. We need these extra dollars to recruit and retain the very best.

We're also investing in the Kentucky State Police, both in our troopers and in their radio system.

Everyone in this room knows how hard it can be to communicate in some parts of Kentucky. Recently, KSP dispatch couldn't reach a trooper who was on a traffic stop on I-71 near the Kentucky Speedway.

Dispatch was conducting a routine check-in with the trooper and couldn't make contact. They had to call a nearby truck stop to verify the trooper was OK.

This is a much-needed upgrade to our infrastructure that most of our surrounding states have already implemented. It will make our troopers safer and more effective on the job.

This budget further provides more funding to our Commonwealth Attorneys so they can continue to protect our families. It provides dollars for new PTSD services for our firefighters, and it sets aside money for the state crime lab to retain analysts and speed up investigations using new technology called Rapid DNA.

We're also taking some small but important steps in reestablishing the Kentucky Commission on Women, the Office of Minority Empowerment, and we're increasing the funding for the Kentucky Human Rights Commission.

I am convinced that these investments, in education, health care, child safety, and public protection will move this state forward.

But this budget also lays bare the challenges we face.

The biggest challenge is corrections.

While the rest of state government has been experiencing cuts year after year, budget after budget, corrections has been exploding, taking dollars that could go toward education and pensions.

We have one of the highest incarceration rates in the country and in the world.

Our people aren't more violent, we don't have more criminals.

We just put more people in our prisons and jails.

Since 2004, the state's incarcerated population has increased more than 40 percent.

That is not sustainable.

At the same time, in the last 4 years, the state has lost 1,269 beds, mostly at medium security facilities, due to crumbling infrastructure.

In the last biennium, we spent \$1.2 billion on corrections.

The estimated cost increase in this budget is \$109 million above and beyond that \$1.2 billion.

Folks, we must address this problem.

From a moral standpoint, criminal justice and prison reform is the right thing to do. My faith teaches me that.

But we must also change based on our current reality and on our budget. We cannot afford to continue this incarceration rate and continue to educate our children.

Like I said earlier, this is a responsible budget. The debt ratio speaks for itself – it's the lowest that we can find in any budget documentation.

But there are things we weren't able to do because we can't spend money we don't have.

So I urge this legislature to find ways to generate more revenue without raising taxes on working families.

In this proposal, we include four revenue measures: sports betting, a small cigarette tax hike, a new tax on vaping, and an increase in the minimum of the limited liability entity tax to adjust it for inflation based on its passage in 2007.

My hope, moving into the future, is that we can embrace full expanded gaming to compete with Indiana, Ohio, and the rest of our neighbors – Republican-led states that are taking Kentucky dollars.

You've heard me talk about my administration focusing on the WHERE – Wages, Health care, Education, Retirements, and Example.

These are our priorities. This is what we work for every day on Team Kentucky.

That's reflected in this budget.

I promised in my inaugural address to focus on our shared values, the values that tie us together as Kentuckians and as Americans.

And I said two weeks ago in my State of the Commonwealth address that we have an opportunity. An opportunity to stop the yelling and the name-calling. Kentuckians deserve better than the bitterness that defines our politics.

And they deserve a budget that stops cutting and starts rebuilding.

I know we can do that. Let's get it done.

Thank you, God Bless you and God Bless the Commonwealth of Kentucky.