

# **Kentucky's 2022-2024 Executive Budget**

## **SUMMARY – SECTION 2**

### **THE FUTURE IS NOW**

Kentucky's economy is surging. The Commonwealth is experiencing a rapid recovery from the economic impacts of the COVID-19 pandemic and saw record new private sector investment in 2021. These successes have vaulted Kentucky's finances to a historic position, and sets the table for game-changing and state-changing investments.

Fiscal year 2021 saw an all-time record-setting revenue surplus. The revenue estimates for the 2022-2024 biennium is bright, with \$1.9 billion more in General Fund revenues than budgeted in the current year, and a growth rate of 7.5 percent that follows the 10.9 percent growth rate last year. These are the best back-to-back years since 2005-2006. General Fund receipts have grown over 15 percent in the first half of the current fiscal year. The Consensus Revenue Forecasting Group predicts growth rates for fiscal years 2023 and 2024 to be 2.1 and 4.2 percent, respectively; in line with historical patterns.

For the past several decades, Kentucky has faced painful cuts. With the exception of funding full-day kindergarten last year, Kentucky has not invested in its education systems in meaningful ways. Fixed costs, such as pension liabilities have dominated the use of marginal revenue growth but only after exacting to-the-bone budget cuts to much of Kentucky state government year after year. The budgets for postsecondary education institutions were cut by nearly \$250 million from 2008 to 2020. In ten of the last twelve years, state employees have had no salary increment at all.

Governor Beshear's 2022-2024 budget recommendation embodies game-changing and state-changing investments. He proposes to deploy historic levels of resources to build the world-class education system that creates the world-class workforce. Such a workforce will continue Kentucky's success at attracting world-class companies.

This budget infuses a record amount of badly needed resources into education, funding universal pre-school for all four year olds and authorizing another round of bucks-for-brains in higher education. It shores up the system of protecting abused and neglected children. It directs funding to continue access to health care for the low-income and disabled. It establishes economic development initiatives to improve preparation for additional mega-investments and the growth in the economy. It targets workforce readiness to align with business needs and investments. It pays down our liabilities in pensions and deferred maintenance. It is responsible and disciplined in using one-time money for one-time uses. It fully funds our pension systems. It provides relief and recovery from the devastating storms and tornadoes of December 10, 2021 and prepares for future natural disasters. It raises pay for all state and school district employees, with higher amounts for those in critical shortage and public safety areas.

## **A RESPONSIBLE AND REAL BUDGET**

Governor Beshear's 2022-2024 budget is both responsible and real. The Governor's budget:

- Is based on sound economic assumptions agreed to by the ten-member Consensus Forecasting Group of outside economists and financial experts who under state statute determine the official revenue estimates
- Devotes non-recurring resources solely to non-recurring uses
- Pays down on the Commonwealth's largest pension liability
- Creates the largest Budget Reserve Trust Fund, or rainy day fund, in state history
- Pays down on the deferred maintenance debt of the Commonwealth
- Is more than structurally balanced, with less recurring spending than recurring revenues, setting up positive outlooks and flexibility for future budgets
- Establishes a disaster relief and recovery fund to be better prepared for future natural disasters
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6% with a ratio of just 3.68%, the lowest debt ratio since the policy was adopted

## **PREPARING A WORLD-CLASS WORKFORCE**

### **Workforce Initiative – Connecting a Guaranteed Job with Education and Training**

The Governor includes \$20 million each year for a competitive workforce initiative grant program administered by the Education and Labor Cabinet. Public and private education entities can apply for one-time funds for new or expanded programs that incorporate a commitment from employers to hire the student completers. Programs that lead to a licensed credential or degree will be eligible.

### **Unemployment Insurance – Restore Staffing and Public Services Capacity**

The budget funds the restoration of 90 staff positions eliminated in past budgets, phased in at 45 in fiscal year 2023 and another 45 in fiscal year 2024. They are being restored to provide in-person services to unemployed persons with their unemployment insurance claims at the twelve career centers across the state. The employees will be cross-trained to also provide employment-related services to employers and job seekers including employment counseling and job search assistance. The funding for the 90 positions is \$5,650,000 in fiscal year 2023 and \$11,300,000 in fiscal year 2024 from the General Fund

### **Louisville Urban League – Commercial Drivers License Training**

Nearly \$700,000 is provided each year to the Louisville Urban League for a program that provides training to disadvantaged individuals toward a commercial drivers license that will result in jobs with good wages.

### **Area Health Education Centers – Health Care Workforce Development**

At a time when promoting health care career preparation was badly needed, state funding for Area Health Education Centers was eliminated in the 2018-20 budget. Area Health Education Centers promote health careers at schools, prepare students for the Medical College Admission Test, and create a nursing pipeline. There are program offices at the University of Kentucky and

the University of Louisville, eight Regional Centers, nine host institutions, and a host of community partners. \$2.5 million is provided each year.

### **Talent Attraction Media Campaign**

To ensure that the Commonwealth is competitive now and into the future, significant strides must be taken to attract talent to Kentucky's workforce. Aligned with the Kentucky Chamber of Commerce's 2022 legislative priorities to build a competitive Kentucky, the Talent Attraction Media Campaign will contribute to the creation of a globally competitive talent development system. The campaign will include national outreach to recruit top talent to Kentucky, local coverage to retain talent in Kentucky - utilizing various media platforms. Funding is \$10 million each year from the General Fund.

### **Everybody Counts Expansion**

The Governor's budget supports the expansion of the Everybody Counts program. This program recently began in Jefferson County public schools which aims to have every Jefferson County public school senior, before they graduate, hired into a job at one of four participation companies including Ford Motor Company, United Parcel Service, General Electric, and Kroger, or enrolled in post-secondary program, or both. The funding provides for outreach efforts to work with other Kentucky communities to install a similar program with their schools and employers. The funding is \$1.5 million each year.

## **CREATING AND ATTRACTING JOBS**

### **Kentucky Site Identification & Development Program**

The Governor's budget includes \$250 million in one-time funds for Kentucky's Site Identification and Development program. When companies are making decisions on where to expand or locate their operation, Kentucky's ability to provide location options which are "build-ready" is critical. The types of funding uses include land acquisition, site assembly, site preparation and improvement, infrastructure-water, wastewater, utilities, broadband; construction or improvement of buildings, environmental remediation, architectural/engineering/surveying professional services.

### **Northern Kentucky Life Sciences Lab**

An investment of \$10 million is proposed to the city of Covington to support the construction and fit-out of a shared research and development lab facility to serve the rapidly expanding life sciences research and development sector in the region. This initiative is a collaboration among the City of Covington, several life sciences companies, the regional economic development organization, the entrepreneurship ecosystem and higher education.

### **AgriTech Research and Development Facility**

The Governor's budget includes \$75 million to assist in the establishment to support a state-of-the-art AgriTech research and development center in the heart of Eastern Kentucky focusing on controlled-environment agricultural production, horticultural innovation, and technological solutions to the agricultural and food supply challenges facing North America. This project, along with companion initiatives, will attract well-paying jobs and national and international investment in Kentucky's most coal-dependent and economically disadvantaged region.

### **Worker Training**

General Fund of \$2.5 million each year is included for training for Ford workers to be up-skilled on robotics and other advanced manufacturing technologies as they continue to add new technology and features to their products.

## **INFRASTRUCTURE INVESTMENT**

### **Transportation – Roads and Bridges**

The Governor’s Budget includes an historic investment of \$250,000,000 from the General Fund for Major Transportation Infrastructure Projects. The intention of these one-time funds is to lock in an ability for Kentucky to meet an expected state share of potential federal competitive grants for major transportation infrastructure projects in combination with other resources. The three major projects targeted are the replacement of the Brent Spence bridge, the I-69 Ohio River crossing in Hendersonville in concert with the state of Indiana, and the completion of the Mountain Parkway project. These funds give Kentucky an improved prospect at leveraging new federal funding from the Infrastructure Investment and Jobs Act.

### **Federal Infrastructure Legislation – Additional Road and Bridge Funding**

The new Infrastructure Investment and Jobs Act provided states with a 22 percent increase in funding from the federal Highway Trust Fund in federal fiscal year 2022 and an additional two percent increase in the subsequent four years. The Highway Trust Fund provides an 80 percent share and states must provide the other 20 percent. Additional Road Fund in the amount of \$57,216,100 in fiscal year 2022, \$61,617,600 in fiscal year 2023, and \$66,107,100 in fiscal year 2024 is included in the budget to provide Kentucky’s share of the increased federal funding. This additional state match of \$184.9 million will leverage around \$774.7 million of additional federal dollars over federal fiscal years 2022-2024 from the Highway Trust Fund and a new bridge program, yielding an additional \$959.6 million in combined road and bridge funding over the three-year span.

### **Governor’s 2022-2024 Biennial Highway Construction Plan**

The 2022-2024 biennial highway construction plan is based on \$8.5 billion in anticipated state and federal highway program revenues. Much of this funding is committed to continuing the development and construction of projects carried forward from the 2020 Highway Plan. Highlighted in the plan is a recommendation of almost \$600 million annually for investment in Kentucky’s existing pavements and bridges. This plan also charts a toll-free pathway for funding the I-71/75 Brent Spence Bridge project in Northern Kentucky, provides funding for continuing the development of the I-69 Ohio River crossing, and begins the roadway widening work necessary to extend the 4-lane Mountain Parkway along KY 114 from Salyersville to Prestonsburg.

### **Electric Vehicle Charging Stations – \$100 million - Preparing for the Future**

The new Infrastructure Investment and Jobs Act includes an estimated \$69.5 million for Kentucky to install electric vehicle charging stations. The Governor adds \$30.5 million from the General Fund, for a total investment of \$100 million. The state funds are necessary to meet the 20 percent state match and to provide funding for the purchase of electric vehicles for the state government fleet.

### **Better Kentucky Cleaner Water Program**

The Governor's budget includes nearly \$500 million over the biennium for the Better Kentucky Cleaner Water program that finances drinking water and wastewater projects, \$250 million from the federal American Rescue Plan Act State Fiscal Recovery Fund and \$247.7 million from the new federal Infrastructure Investment Jobs Act. These funds will be matched with \$11.3 million from the General Fund for drinking water and wastewater low-interest loan projects. The Infrastructure bill provides \$159.3 million more than the baseline federal program over the biennium.

### **Broadband Expansion**

The budget includes new staffing within the Kentucky Infrastructure Authority to create an Office for Broadband. Kentucky is one of the few states without an Office to provide strategic direction, coordination, and planning for deployment of the significant federal funds flowing to states for the last mile of broadband access.

Broadband funding in the amount of \$200 million is provided in the Governor's budget. It is comprised of \$100 million from the federal Infrastructure Investment Jobs Act and another \$100 million comprised of \$55,769,300 from the American Rescue Plan Act Coronavirus Capital Projects Fund and \$44,230,700 from the General Fund. These funds go to the Broadband Deployment Fund which assists private sector entities and government agencies in the cost of constructing the last mile of broadband access to unserved and underserved households and businesses across Kentucky. These funds will supplement the \$300 million of the State Fiscal Recovery Fund portion of the American Rescue Plan Act that was appropriated in the 2021 Regular Session of the General Assembly, as modified by proposed action of the 2022 Regular Session.

### **General Aviation Airports and Paducah Airport Terminal Project**

The Governor recommends investing \$50 million in Kentucky's general aviation airports for the development, rehabilitation, and maintenance of public use aviation facilities, from the state's General Fund. An additional \$6 million is provided to support the construction of the new Airport terminal building at the Barkley Regional Airport in Paducah.

## **TOURISM**

### **State Parks Improvement Fund**

The Governor is proposing \$200 million in one-time General Funds as a significant and needed investment in our State Parks. A Parks Improvement Pool will fund essential preservation projects to include maintenance, renovation, demolition, repair, replacement, expansion and new projects various Parks across the Commonwealth. The goal is both to preserve capital assets and to enhance the State Park facilities to attract and build upon its important role in Kentucky tourism.

### **Kentucky Tourism Industry Marketing**

The Governor recommends using \$10 million from the State Fiscal Recovery Fund of the American Rescue Plan Act to market the safe return of visitors to Kentucky's many tourism destinations.