



Media Contact:
Jessica Fletcher
Communications Manager
Kentucky Chamber
jfletcher@kychamber.com
502-848-8731

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Kentucky Chamber responds to Senate budget

Frankfort, Ky. (March 23, 2010) – The Kentucky Chamber of Commerce applauded several provisions of the budget approved Monday night (March 22, 2010) by the state Senate, but said cuts in education funding were regrettable.

Chamber research during the past year has focused on government spending, and the statewide business organization has drawn attention to the fact that Kentucky's funding priorities have been shifting away from education and toward such high-growth areas as Medicaid, corrections and public employee health insurance.

Although the Senate-passed budget includes several provisions to address those areas, it also would cut basic education funding, the Chamber noted.

Specifically, the Chamber applauded the Senate budget for:

- At least \$100 million in savings in the public employee health insurance program (correcting a reported \$50 million calculation error in the House-passed budget)
- Reductions beyond those in the House-passed budget in the number of personal service contracts and political appointees
- Savings in the state Medicaid program and smoking cessation coverage for Medicaid recipients

The Chamber also commended the Senate for rejecting the House-approved tax changes, including the suspension of the Net Operating Loss carry forward provision that allows businesses to offset some tax liability resulting from losses and the accelerated sales tax provisions.

The cuts in education funding are troubling but must be viewed in the context of the current recession that has rocked most businesses in Kentucky and forced thousands of Kentuckians out of work, the Chamber noted.

The House budget eliminated two instructional days from the school calendar – a move the Chamber opposed as a step backward for education. Those days are restored in the Senate-passed budget, but must be funded at the district level. In addition, basic K-12 education funding – known as the SEEK formula – is reduced, and Kentucky's colleges and universities also face funding cuts.

Noting the critical importance of education to the state's future, the Chamber urged legislators to minimize cuts to education by exhausting every short-term possibility to achieve savings in corrections, Medicaid and public employee health insurance. In the longer term, the Chamber encouraged a systematic review of these areas for additional savings in the future.

The Chamber also applauded the lower level of bonding included in the Senate-passed budget, noting the savings realized there and in other areas will address the structural imbalance of the state budget.

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