



Dave Adkisson  
President & CEO

March 1, 2010

The Honorable Greg Stumbo  
Speaker of the House  
702 Capitol Avenue, Annex Room 303  
Frankfort, KY 40601

Dear Speaker Stumbo:

As your work continues on the biennial budget, I would like to share the Kentucky Chamber's perspective on several potential budget provisions that have been widely reported in recent days.

The Chamber strongly supports the proposal to reduce public employee health insurance costs by \$150 million over the biennium. In our "Leaky Bucket" report, we identified public employee health insurance costs as growing faster than any other major expenditure category in the state budget. Increasing by 174% over the past decade, health insurance costs, along with corrections and Medicaid expenditures, are growing much faster than Kentucky's economy or overall state spending. We applaud your ongoing efforts to adjust health benefits and rein in costs.

We are also encouraged by the effort to pare state spending by revising the number of political appointees and use of state contracts.

We remain deeply concerned, however, about the possible suspension or limiting of the Net Operating Loss carry-forward provision that permits companies that have experienced losses to offset some tax liability. This proposal could create serious cash-flow problems for Kentucky's employers, particularly for smaller businesses, as they struggle to regain their footing in the current economy. As one-time money, it also would worsen the structural imbalance of the state budget.

As you undoubtedly are aware, Kentucky's business community is already on record as being willing to do its part to help the state's revenue situation. House Bill 349, which is supported by the Chamber and other leading business organizations, would significantly increase state unemployment insurance taxes by raising the taxable employee wage base from the current \$8,000 to \$12,000 over a period of years. We have agreed to step up to the plate and pay more to make Kentucky's unemployment insurance trust fund solvent, as it is now in debt to the federal government by more than half a billion dollars. Adding to employers' tax burden would put companies – and the jobs they provide – at risk during these challenging economic times.

The Chamber is also concerned about the proposal to remove two instructional days from the school calendar. Shortening the school year at a time when the Commonwealth is starting to implement new, tougher academic standards would be a step backward.

The Honorable Greg Stumbo  
Speaker of the House  
March 1, 2010  
Page Two

We continue to believe that state spending reductions are the best approach to balancing the budget and urge the General Assembly to give additional consideration to curbing corrections and Medicaid costs. But if new revenues are needed, we believe there is a viable alternative to increasing taxes: revenue from expanded gaming. We urge the Senate and House of Representatives to work together to develop a compromise on this issue to generate additional, recurring revenue for education and other vital programs.

Thank you. We greatly appreciate your commitment to the Commonwealth, its citizens and its future.

Sincerely,

A handwritten signature in cursive script that reads "Dave Adkisson".

Dave Adkisson  
President / CEO