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Well-Designed Rainy Day Policy An Umbrella For Reserve Funds

By Jim Waters



During the early days of this year's General Assembly session, lawmakers directed \$200 million in relief funding to areas devastated by violent tornadoes which blew through Bowling Green and surrounding areas in early December. accumulation of reserves" in the future by tying such deposits "to above-normal revenue growth or one-time increases of revenue" will help maintain sufficient cash during future economic tempests.

It would be easier for Kentucky to establish that policy now while the state is flush with excess funds, thanks to large budget surpluses and soon-to-arrive federal Covid relief dollars.

McNeill and Oh include Tennessee's example of setting aside 10% of year-over-year additional revenue, allowing lawmakers to save "more than what's needed or anticipated while ensuring the state has enough money to maintain ongoing services." volatility ... should aim for larger reserves" than their counterparts with more stable tax bases.

In 2017, Pew helped North Carolina enact a Savings Reserve Account based on an analysis of its historic revenue volatility. When Covid struck a couple of years later, the state needed – and possessed – robust reserves to deal with the emergency.

Determining the size of an adequate rainy day fund can be informed by studies offering "insight on how frequent and deep a state's revenue shortfalls have been" along with conducting budget stress tests to evaluate how states' existing reserves "would fare against economic shocks," Oh and McNeill write.



By Richard G. Innes

Kentucky has a serious problem with its public education system. It's much more fundamental than disagreements about Critical Race Theory, school shutdowns and student masking. Very simply, astonishingly high numbers of Bluegrass State students aren't being taught to read at anything close to an acceptable level.

Kentucky's reading problem is significant. Based on 2019 results from the National Assessment of Education Progress (NAEP) and 2019 end-of-year enrollment figures for the state's public school system, I estimate at least 64,000 students just in kindergarten to third grade are essentially very weak to non-readers. Across the entire k-12 enrollment, about 200,000 Bluegrass State students lack even a partial mastery of reading. That's a whole lot of kids set to exit the school system to become major burdens in adult life for both themselves and for all of society.

So, what's going on? Many Kentucky teachers haven't been properly prepared to teach reading in accordance with what science shows works best, neither in their education school programs nor in follow-on professional development.

A 2020 report from the National Council on Teacher Quality says that among the five essential elements in strong reading programs – phonemic awareness, phonics, fluency, vocabulary and comprehension – on average, Kentucky's collegebased teacher preparation programs only cover three.

Better Reading Instruction Needed In Kentucky

instruction from an Elgin Children's Foundation program, students in Kentucky's Goose Rock Elementary School in Clay County shot from just 23.1% proficiency in the state's third grade reading assessment in 2012 to an astonishing 89.7% proficiency rate by 2019. That's a higher proficiency rate than all the upper-scale northern Kentucky public elementary schools posted.

Several other Clay County schools in Elgin's program posted dramatically high reading proficiency rates in 2019, as well.

So, Kentucky's current, very serious shortcomings with reading instruction don't have to remain this way.

By the way, poverty is no excuse. Goose Rock achieved its recent results despite an 85% school lunch eligibility rate!

What's clearly needed is better training for our teachers about what science shows works best for teaching students how to read.

The good news is that two pieces of legislation currently in the hopper, Senate Bill 9 and House Bill 226, establish programs to do what the Bluegrass State needs; getting our state on a better track by eventually allowing every teacher access to the training needed to do the job the way Elgin did in Clay County.

Thanks to the healthiest "rainy day" fund in its history at nearly \$2 billion, Kentucky was in a much-better position to provide this type of significant and immediate assistance than just a few years ago when such a large chunk of change would have eaten a large hole out of the state's savings.

Other storms of various kinds will certainly blow through the commonwealth in the future, so it behooves lawmakers to ensure their commitment to building a hefty – and growing – contingency fund continues even while facing criticism from some constituencies for saving too much and not spending enough.

In a recently published Lexington Herald-Leader oped, Angela Oh, a senior manager with the Pew Charitable Trusts' state fiscal health initiative, and Bluegrass Institute Visiting Policy Fellow Andrew McNeill offer best practices learned from other states on how to successfully set up and manage these funds to "mitigate the impact of economic downturns."

First, establishing "deposit rules that encourage a steady

North Carolina also makes contingency savings a priority by allocating 15% of its projected revenue growth to its Savings Reserve Account at the beginning of each fiscal year.

Second, lawmakers help themselves a great deal by taking a proactive approach and establishing rules for withdrawing from the state's savings account before funding requests ramp up.

Without "explicit and objective conditions for withdrawals," as Pew explains North Carolina approach, every day's forecast will offer a 100% chance of rain with flooding likely in Frankfort caused by those who think dollars placed in savings could be better utilized with new government spending.

Finally, Oh and McNeill suggest legislators "tailor reserve caps and targets to their state's fiscal situation."

They advise that states with "greater economic and revenue Once North Carolina understood its historical revenue changes, it was able to set an informed cap rather than continue its historical habit of installing arbitrarily placed ceilings upon its reserve funds.

"More states should adopt this practice," Pew recommends in its analysis of North Carolina's experience.

What could be better policy than a balanced, objective approach ensuring the Bluegrass State also has enough of a cushion during a downturn to weather storms – of both the literal and economic variety – without crowding out needed resources for other priorities?

Jim Waters is president and CEO of the Bluegrass Institute for Public Policy Solutions, Kentucky's free-market think tank. Read previous columns at <u>www.bipps.org</u>. He can be reached at jwaters@freedomkentucky.com and @bipps on Twitter. Furthermore, questions are also being raised about whether several reading programs used in Kentucky's Read to Achieve remedial program follow what science shows works best.

Research from the National Reading Panel and fMRI-based brain activity studies as well as evidence in practice – including in a handful of schools here in Kentucky shows that when students get proper instruction, many avoid any need for remedial activities. Other students more challenged by reading also do better when first exposed to a proper start and then given special assistance that employs what really works.

After receiving special training in proper reading

The bills have a number of features, but key in both is a strong focus on following the science both in teacher preparation programs and in followon teacher professional development.

To enhance follow-on training, both bills establish a Teacher Academy to support working teachers. Mississippi, which has used a similar program since 2015, showed the most remarkable reading improvement of all on the 2019 NAEP, moving ahead of Kentucky in fourth grade reading performance for both white and Black students. Yes – Mississippi!

So, Kentucky does have a reading problem, but it doesn't have to be this way – if the right policies are adopted.

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LETTERS TO THE EDITOR

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