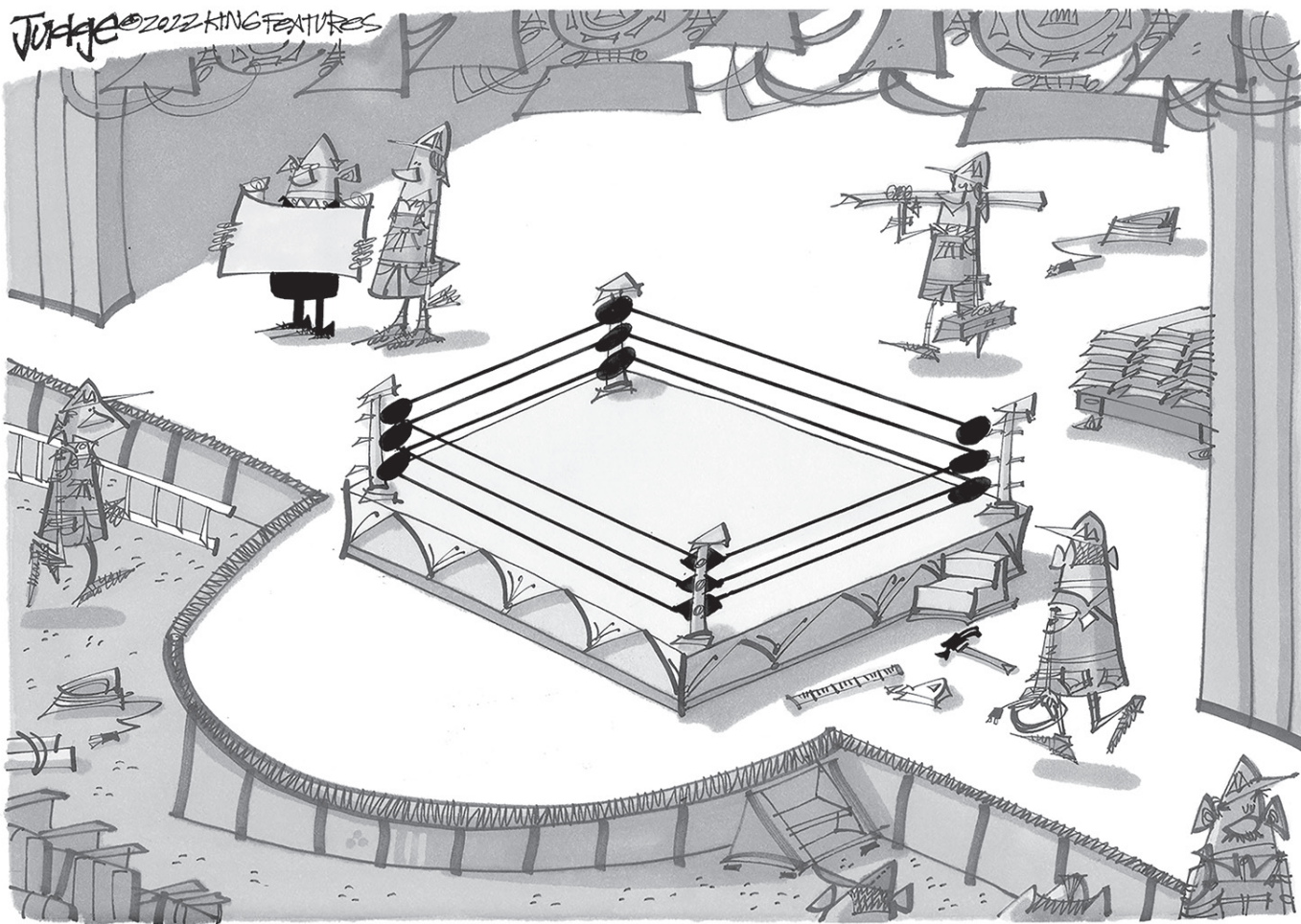


Views expressed on this page are those of the author alone and not necessarily endorsed by this newspaper.

The Times Journal

# OPINION

April 7, 2022



PREPARATIONS FOR NEXT YEAR'S ACADEMY AWARDS CEREMONY HAVE ALREADY BEGUN.

## #KYGA22 Update

By Sarah Durand

The General Assembly has finished the bulk of their work for the 2022 legislative session. We are now in a 10-day period (excluding Sundays) Gov. Andy Beshear will review the bills passed and either sign or veto them. After the veto period, the legislature will reconvene on April 13 and 14 to vote on override vetoes.

### Final Passage of Budgets

This week, legislators sent their transportation budget along with their executive, legislative and judicial branch budgets to Beshear's desk. Of note is an 8% salary increase for executive and legislative branch employees, a \$2,000 salary boost for non-elected judiciary branch employees, an increase in state funding for education across the board, funding for full-day kindergarten, a huge increase in payments for the Kentucky Retirement Systems and, at the urging of the Bluegrass Institute, a historic investment in the state's Budget Reserve Trust Fund, also known as the rainy day fund.

### School Choice Bill moves on to Governor's Desk

Another historic moment was the passing of charter school legislation requiring Northern Kentucky and Louisville to open the commonwealth's first public charter schools. Despite passing a law five years ago to allow charters schools in the state, the General Assembly failed to provide funding for the schools. The new law, once signed by the governor or upon a veto override, spells out that SEEK funding - the money the state gives to local school districts for per pupil spending - would follow children to charter schools.

### Changes to Tax Reform Bill rushed through the Legislature

Also heading to the governor's desk is a tax reform bill that would expand industries subject to state sales taxes in order to lower the personal income tax rate slowly over time as certain conditions are met. The bill originally was developed in the House and it reduced the state's current income taxes from 5% to 4% beginning in 2023 and had automatic triggers set in place to further reduce the income tax based on state revenue growth.

### Rural Hospital Relief

Another bill heading to Beshear's desk establishes a rural hospital revolving loan fund for counties with a population of less than 50,000. When first passed through the House, the legislation would have allowed up to 50% of the loan amount to rural hospitals to be forgiven with a maximum amount of \$20,000 for each job retained or each new, full-time job created. With Senate changes, the bill now helps struggling rural hospitals by providing them loans up to \$1 million.

### Regulating Regulations

Also making its way through both chambers of the General Assembly is legislation requiring the Executive Branch to provide a new type of cost analysis when issuing regulations. Currently, when the Executive Branch creates a new administrative regulation, the only analysis of its price tag is the cost to state and local governments. This new legislation would require adding a cost analysis to the regulated entity. This will provide greater transparency, oversight and an understanding of the impact of regulations on our businesses and communities.

With only two legislative days left for the General Assembly to meet next month, we expect some last-minute bills slipped in when the veto days are over.

The legislative update is comprised by Sarah May Durand, director of government affairs for the Bluegrass Institute for Public Policy Solutions. She can be reached at sarahmaydurand@freedomkentucky.com.

## Bolstered Reserves, Lower Tax Burdens Increase Kentucky's Competitiveness

By Jim Waters



Lawmakers made solid progress in improving Kentucky's economic competitiveness during the final days of this year's General Assembly session before adjourning for a two-week veto period.

For one, they held firm against calls to lighten the commonwealth's Budget Reserve Trust Fund by spending excessively on new government programs.

Instead, they put a record \$1.75 billion into the fund to offset the impacts of future revenue declines and provide stability through the ups and downs of the economy and during future emergencies.

This amounts to more than 40 days of expenses - a vast improvement over the situation in the early days of COVID-19 just a couple of years ago when the state had only about four days' worth of reserves.

It's wiser stewardship of these dollars than using them to create new programs or expand existing ones, which would likely

result in major tax increases or painful cuts in future years when surpluses and one-time pandemic relief funds aren't available.

Credit Rep. Jason Petrie, R-Elkton, and Sen. Chris McDaniel, R-Ryland Heights, for providing the leadership in their

respective chambers to produce one of the more responsible budgets in modern history.

It's not perfect, though.

Legislators just couldn't help themselves when it came to continuing to fund Kentucky Wired - the state's broadband boondoggle - and to allowing state police to spike their pensions using a sick-day benefit.

Plus, there's still concern about some hike in the state's gas tax.

However, those on the left side of Frankfort's political aisle should remember that it's the consistent conservatism we've seen in the past few years which has helped improve our fiscal picture, allowing Kentucky to move beyond budget discussions dominated by struggles to fund pension and Medicaid obligations.

This year, legislators passed a two-year, \$26 billion budget that includes raises for state workers and troopers and provides

record funding to school districts, allowing them to bump up teachers' salaries and spend on other wishes they deem appropriate.

This approach aligns with Petrie's repeatedly made point that school districts, not state government, employ teachers and therefore should handle raises instead of having to cope with another one-size-fits-all mandate from Frankfort.

Lawmakers also built a path toward reducing and finally eliminating Kentuckians' personal income tax and, most importantly, lowering taxpayers' overall burden.

A new Wallet Hub comparison of individuals' tax burdens among the 50 states adds to the growing mountain of data showing that states relying more on consumption - or sales - taxes are more economically robust than those like Kentucky with its current reliance on taxing income, which punishes productivity.

The comparison claims Kentucky has the nation's 10th-highest individual income tax burden when considering "the proportion of total personal income that residents pay toward state and local taxes."

According to the survey, Kentucky has a higher personal income tax burden than any of our

neighboring states - including even Virginia with its District of Columbia metro area - and surpasses individual loads in other states like North Carolina and Alabama that we compete with for economic growth and development.

The survey also reminds: not all types of taxes carry an equal burden.

While Tennesseans pay a higher proportion of their incomes in sales and excise taxes than Kentuckians, Tennessee's overall tax burden is No. 49 - second-lightest in the nation.

A lower income tax even with higher consumption taxes is a much more pro-growth combination and results in considerably lower overall burdens on taxpayers than relying on personal income taxes.

The tax-reform policy offered by Kentucky's lawmakers balances the urgency of ceasing to punish productivity and discourage growth with the need to ensure adequate funds are available to properly support state government and keep that rainy day fund strong.

Jim Waters is president and CEO of the Bluegrass Institute for Public Policy Solutions, Kentucky's free-market think tank. Read previous columns at [www.bipps.org](http://www.bipps.org). He can be reached at [jwaters@freedomkentucky.com](mailto:jwaters@freedomkentucky.com) and [@bipps](https://twitter.com/bipps) on Twitter.

## LETTERS TO THE EDITOR

Send your Letter to the Editor to

The Times Journal, P.O. Box 190 • Russell Springs, KY 42629 or email: [editor@russellcountynewspapers.com](mailto:editor@russellcountynewspapers.com)