

Kentucky governor announces austerity budget

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Kentucky's Democratic Governor Steve Beshear proposed budget cuts of 8.4 percent for many state agencies and spending freezes for other critical areas. Among the most austere budgets in Kentucky history, the plan will cripple the already underfunded public infrastructure at a time when record numbers of families are in need.

Beshear outlined the two-year \$19.5 billion budget proposal in a speech on January 17 before a joint session of the House and Senate. The plan includes \$286 million in cuts over the 2013/2014 fiscal years. Environmental agencies and higher education face among the most drastic reductions, and infrastructure projects will see the lowest funding allocation levels since 1996.

Since assuming office in 2007, the Beshear administration has overseen 10 rounds of budget reductions. Budgets for some agencies have been slashed by 38 percent in that time, and most have cumulative cuts of 25-30 percent. "In these agencies," Beshear said, "the fat has long been burned away. Now we're cutting muscle and bone."

"It's a budget that, to be candid, is inadequate to the needs of our people," Beshear said. He added that the "unavoidable" cuts "may well force us to retreat on some core services, and that risk jeopardizing progress we've made over decades in education... The day of reckoning has come because, with this budget, we begin to carve into some of our most critical services."

The governor's threats were intended to bolster his efforts to expand gambling at state-owned racetracks in the name of increasing state revenue. Expanded gambling is an unpopular proposal among legislators of both parties because of the influence of that conservative religious organizations play in state politics.

The legislature will review the governor's plan and make a decision on it by mid-April. The Democratic-controlled House has signaled that it will change little in the proposal before sending it to the Republican-led Senate. House Budget Committee chairman Rick Rand (Democrat of Bedford) commented, "We all knew going in that it was going to be a tough budget... It's certainly grim, but under the circumstances, I think it's the best we can do." Senate Republicans have indicated that they will likely call for even steeper cuts.

The cuts come atop reductions for many state agencies of 3.5 percent in 2011. In his January 4 "State of the Commonwealth" speech, Beshear emphasized that no tax increases were on the agenda.

Kentucky has a total state debt of more than \$63 billion, including public pensions, loans to buoy its unemployment fund, and the budget gap.

The new budget plan freezes the wages of state workers, who have not received raises since Beshear came to office.

Beshear highlighted a handful of areas that would receive small increases in spending. The frayed Department of Family Services will receive \$21 million over the next two years. This sum will do nothing to repair the agency, which has been decimated by \$80 million in budget cuts over the past four years and crippled by high caseloads.

The governor also proposed \$15 million in preschool education funding, \$4 million for a state tracking of prescription drug abuse, and \$8 million in Medicaid funding for substance abuse treatment.

These small increases pale in comparison to the repeated cuts to basic programs. Public education funding has fallen by hundreds of millions of dollars since the onset of the economic crisis. Some areas of education have been cut by nearly a third over the past

four years.

“It’s going to be a difficult situation for school districts to handle,” Beshear said. “They’ve worked diligently with me over the last four years ... with amazing results.”

Although the governor’s current proposal includes no outright cuts to the main funding formula for K-12 education, per student spending would continue to decline due to population growth over the two-year budget cycle, effectively returning to 2008 per-pupil levels. In addition, education officials have said that the state low-balled the current population estimates, resulting in a cut of more than \$50 million. Other educational services, such as funding for technology and family resource centers, will see cuts of 4.5 percent.

Medicaid funds have been raided by the state multiple times in order to fill budgetary holes in other agencies, leaving a large shortfall in the program that has been amplified by the commensurate drop in federal spending on the jointly funded program. Last July, Beshear announced the privatization of Medicaid case management, a sell-off estimated to reduce state outlays by \$1.6 billion over three years.

The state’s \$6 billion Medicaid program serves 815,000 Kentuckians, one in five residents. With the onset of the recession, 3,000 Kentucky residents per month enrolled in the health care program for the poor. After four years, the state’s Medicaid rolls continue to expand by 1,500 people each month.

The judicial, law enforcement, and corrections systems will be dealt smaller cuts than other agencies. The Kentucky State Police will see a cut of 2.2 percent. The state Attorney General’s office budget is to be reduced 8.4 percent in the first year and held level in FY 2014. The judiciary would see a 1.5 percent increase in the first year, but an 8.4 percent cut the next. In conjunction with drug enforcement expansion, the governor’s plan allocates \$8 million in substance abuse treatment.

Higher education is to be cut by 6.4 percent. While the budget does not reduce bonds for projects that are projected to turn a profit for universities, such as dorms and athletic arenas, academic programs are likely to feel the impact of cuts. Students will also face tuition and fee hikes. Since 2000, tuition at the University of Kentucky has risen by 161 percent.

Cuts to environmental agencies include 8.4 percent cuts to water management and park services, but pass over coal mine permitting, inspections and other mine programs. The Kentucky Coal Association hailed Beshear’s proposal, calling it “good fiscal sense.” Air, water, and land protection funding has already been cut by 25 percent over the past four years.



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