

## Governor orders 17.4 percent cuts to state agencies; SEEK funding won't be affected; some question the severity of the cuts

Lexington Herald-Leader, Sept. 8, 2017

**Bevin seeks 17.4 percent budget cuts to deal with expected \$200 million shortfall**  
BY JACK BRAMMER

The Bevin administration asked constitutional officers and cabinet secretaries Friday to cut spending in most state agencies by 17.4 percent this fiscal year to address an expected \$200 million budget shortfall.

The cuts would not affect SEEK, the state's school funding formula; universities; Medicaid; the Department of Corrections; and debt payments, said Bevin communications director Amanda Stamper.

In a letter to state officials, State Budget Director John Chilton said Kentucky "must start preparing for the ongoing financial challenges facing the state" and come up with a budget reduction plan by Sept. 25.

Chilton said the cuts would save an estimated \$350 million, enough to close the \$200 million projected shortfall for the fiscal year that began July 1 and replenish the state's \$150 million rainy day fund for emergencies. He said the emergency fund will be spent in coming months and must be replaced to protect the state's credit rating.

"While challenging, the current fiscal constraints present a unique opportunity to evaluate the effectiveness and necessity of programs within state government," Chilton said. "Limited resources must be allocated to programs providing critical services and a strong return on investment."

Chilton said agency heads are "best positioned to make critical judgments about which programs deserve full funding, and which should be significantly reduced."

The legislative and judicial branches of state government were also asked to make similar cuts.

Bevin's move to cut costs comes after a group of economists known as the Consensus Forecasting Group revised the state's official revenue forecast downward last month by \$200 million.

Kentucky has endured repeated rounds of budget cuts since the Great Recession of 2008. In all, some state agencies will have seen more than 70 percent of their budgets disappear in the last decade, according to the liberal-leaning Kentucky Center for Economic Policy.

House Minority Leader Rocky Adkins, D-Morehead, called Bevin's request "unprecedented."

The possible cuts to services, programs and jobs "seem premature," Adkins said.

"We're only in the third month of the new fiscal year and the governor's move is based on a projection from a group of independent economists," Adkins said. "It would seem to me to be better and more responsible to wait until more months pass in the fiscal year to get a better reading of what the shortfall might be."

Jason Bailey, executive director of the Berea-based Kentucky Center for Economic Policy, said Friday that the new cuts "are sudden, so early in the fiscal year."

He said Friday's announcement coupled with Thursday's announcement by the administration that local governments in Kentucky might have to contribute up to 60 percent more money next year to provide pensions for their employees is "clearly an attempt to create a sudden crisis."

"We need long-term solutions more carefully and thoughtfully reached," he said.

Bailey also questioned whether Bevin has the legal authority to cut spending in order to replenish the rainy day fund.

Sheila Schuster, a public health advocate who called the latest cuts "a huge whack at hurting the quality of care for our disabled people," also questioned the governor's ability to make any cuts to enhance the emergency fund.

State law — KRS 48.600 (2) — says “No budget revision action shall be taken by any branch head in excess of the actual or projected revenue shortfall.”

A spokesman for Kentucky Attorney General Andy Beshear said Friday that the office is reviewing the Bevin administration’s actions.

Kentucky Supreme Court Chief Justice John Minton said in an email that judicial leaders are “considering the governor’s request to return nearly \$39 million of the judicial branch’s current budget.”

“As we’ve said during many budget discussions in the past, the judicial branch receives only 3.3 percent of the state budget but we employ nearly 10 percent of the state workforce,” Minton said. “As always, my priority is to ensure the state court system has the funding we need to meet our constitutional and statutory obligations.”

Minton said he hopes to meet with the governor’s staff “to discuss the judicial branch’s ability to respond to the request without negatively impacting access to justice.”

The state ended fiscal year 2017 with a \$152.2 million budget shortfall. Bevin signed a budget reduction order in July to deal with that shortfall that cut about \$55.5 million in spending across most state agencies, took about \$77.4 million from restricted funds, and transferred about \$15.5 million from excess funds.

Bevin promised as recently as July that he would call a special legislative session this year to overhaul the state’s tax system and fix its financially ailing pension plans, but he has since backed away from that promise and said lawmakers should consider the issues separately, starting with pensions.

Pension consultants hired by Bevin released a list of recommendations last week that would save an estimated \$1 billion, though leading lawmakers have said some of the most controversial proposals are “highly unlikely.”

Without the changes, Chilton has said the state would have to cut funding for K-12 schools by \$510 million and slash spending at most other agencies by at least 16.8 percent to make up the difference. Meanwhile, Bevin has pledged to fight any proposal that increases taxes to pay for pensions.

Posted: Monday, September 11, 2017