

Kentucky's 2022-2024 Executive Budget

EXECUTIVE SUMMARY

THE FUTURE IS NOW

Kentucky's economy is surging. The Commonwealth is experiencing a rapid recovery from the economic impacts of the COVID-19 pandemic and saw record new private sector investment in 2021. These successes have vaulted Kentucky's finances to a historic position, and sets the table for game-changing and state-changing investments.

Fiscal year 2021 saw an all-time record-setting revenue surplus. The revenue estimates for the 2022-2024 biennium is bright, with \$1.9 billion more in General Fund revenues than budgeted in the current year, and a growth rate of 7.5 percent that follows the 10.9 percent growth rate last year. These are the best back-to-back years since 2005-2006. General Fund receipts have grown over 15 percent in the first half of the current fiscal year. The Consensus Revenue Forecasting Group predicts growth rates for fiscal years 2023 and 2024 to be 2.1 and 4.2 percent, respectively; in line with historical patterns.

For the past several decades, Kentucky has faced painful cuts. With the exception of funding full-day kindergarten last year, Kentucky has not invested in its education systems in meaningful ways. Fixed costs, such as pension liabilities have dominated the use of marginal revenue growth but only after exacting to-the-bone budget cuts to much of Kentucky state government year after year. The budgets for postsecondary education institutions were cut by nearly \$250 million from 2008 to 2020. In ten of the last twelve years, state employees have had no salary increment at all.

Governor Beshear's 2022-2024 budget recommendation embodies game-changing and state-changing investments. He proposes to deploy historic levels of resources to build the world-class education system that creates the world-class workforce. Such a workforce will continue Kentucky's success at attracting world-class companies.

This budget infuses a record amount of badly needed resources into education, funding universal pre-school for all four year olds and authorizing another round of bucks-for-brains in higher education. It shores up the system of protecting abused and neglected children. It directs funding to continue access to health care for the low-income and disabled. It establishes economic development initiatives to improve preparation for additional mega-investments and the growth in the economy. It targets workforce readiness to align with business needs and investments. It pays down our liabilities in pensions and deferred maintenance. It is responsible and disciplined in using one-time money for one-time uses. It fully funds our pension systems. It provides relief and recovery from the devastating storms and tornadoes of December 10, 2021 and prepares for future natural disasters. It raises pay for all state and school district employees, with higher amounts for those in critical shortage and public safety areas.

A RESPONSIBLE AND REAL BUDGET

Governor Beshear's 2022-2024 budget is both responsible and real. The Governor's budget:

- Is based on sound economic assumptions agreed to by the ten-member Consensus Forecasting Group of outside economists and financial experts who under state statute determine the official revenue estimates
- Devotes non-recurring resources solely to non-recurring uses
- Pays down on the Commonwealth's largest pension liability
- Creates the largest Budget Reserve Trust Fund, or rainy day fund, in state history
- Pays down on the deferred maintenance debt of the Commonwealth
- Is more than structurally balanced, with less recurring spending than recurring revenues, setting up positive outlooks and flexibility for future budgets
- Establishes a disaster relief and recovery fund to be better prepared for future natural disasters
- Stays significantly below the Commonwealth's debt service to revenue policy cap of 6% with a ratio of just 3.68%, the lowest debt ratio since the policy was adopted

PROTECTING AND EXPANDING HEALTH CARE

Addressing Kentucky's Nursing Shortage

To supplement Governor Beshear's recent actions to address the nursing shortage in hospitals and other health care areas through an Executive Order, the budget includes additional efforts to address the need for attracting more nursing students into the pipeline, to retain existing nurses, and to promote the nursing profession as a critical component of Kentucky's health care system.

Promoting Nursing as a Career – Expanding the Pipeline

The existing Nursing scholarship program, financed by a portion of nursing license fees, can provide scholarships to only 150 students. The Governor's budget includes \$6 million each year from the General Fund to significantly increase the number of scholarships awarded and to double the maximum award from \$1,500 per semester to \$3,000 per semester.

Nursing and Nursing Faculty Student Loan Forgiveness

To improve both the recruitment and retention of nurses in Kentucky, a new student loan forgiveness program financed from the American Rescue Plan Act State Fiscal Recovery Fund is proposed in the Governor's budget. Starting in May of 2022, it will provide \$5 million each year for five years to provide student loan forgiveness up to \$3,000 per year for each year a nurse or a nursing faculty member is employed in their positions in Kentucky.

Broadcasting the Benefits of the Nursing Profession

The Governor is proposing to use \$2 million from the American Rescue Plan Act State Fiscal Recovery Funds to finance a marketing and outreach program to highlight the nursing profession as part of a response to COVID-19 and the nursing shortage that became so apparent.

Fully Funding Medicaid

The Governor's budget fully funds the Medicaid program, including Medicaid expansion, based on an updated forecast. The impacts of actions to reduce the infection rate of COVID-19 has resulted in many more Kentuckians accessing health insurance through the Medicaid program. Due to the coronavirus public health emergency, the federal government provides states with a 6.2% enhancement to the federal medical assistance percentage (FMAP) which is assumed to be effective through March 31, 2022.

Medicaid Waiver – Michelle P. and Supports for Community Living Slot Increases

The Governor's budget recommendation includes funding for 500 additional slots in the Michelle P. waiver program and 100 additional slots in the Supports for Community Living waiver program.

Medicaid-Extend Temporary Nursing Home Facility Reimbursement Rate

The Governor's budget provides extends the \$29 per-diem reimbursement rate increase for nursing homes that expired December 31, 2021. This represents \$150 million annually to nursing homes. The current budget included one-time funding and the Governor's budget keeps the temporary increase through June 30, 2024. The General Fund amounts for the rest of fiscal year 2022 is \$18,100,000 and \$41,745,000 each of the next two years. Federal Medicaid funds provide the rest.

Local Health Department Transformation

Substantial funding of \$17.7 million in fiscal year 2023 and \$19.1 million in fiscal year 2024 is recommended to fund the intent of Public Health Transformation legislation that was enacted in 2020. These funds will be allocated to the 60 local health departments to add support for their workforce and operations in delivering foundational programs and services to Kentuckians in all areas of the state.

988 Crisis Support Line Implementation

Effective July 1, 2022 the three-digit calling number of 988 will become active and replace the 1-800-273-8255 number currently used for the National Suicide Prevention Lifeline. The number of calls are expected to increase 56% from approximately 120,000 per year to 190,000.

The budget includes \$3.4 million in fiscal year 2023 and \$9.9 million to phase in 170 additional staff of Kentucky's Community Mental Health Centers for 24/7/365 crisis support line support. Currently, the Centers use \$1.7 million to support crisis services for those who have a serious mental illness from existing federal and state funds, but none of those funds are specifically designated for the operation of the crisis line.

Tim's Law Pilot Expansion to Two Other Psychiatric Hospitals

Tim's law, which passed in 2017 but not funded, authorizes state courts to order assisted outpatient treatment for the small number of individuals diagnosed with a serious mental illness, but would not voluntarily agree. This program currently exists at Central State and Eastern State hospitals, and soon at Western State Hospital, funded with federal funds. State funding of \$500,000 and \$1,000,000 during the two fiscal years will expand the program to Eastern State Hospital and Appalachian Regional Hospitals.

Kentucky Pediatric Research Trust Fund

The Governor's budget increases funding to the Kentucky Pediatric Research Trust Fund by adding \$1,250,000 each year to the base funding of \$2,500,000. The Trust Fund serves as an umbrella organization to organize all pediatric cancer work across the state.

PROTECTING CHILDREN & FAMILIES

Child Care Assistance - \$2 Per Day Increase

Due to COVID-19, the fiscal year 2022 budget included one-time funding to provide a \$2 per child per day increase in the Child Care Assistance Program provider reimbursement rate. The Governor proposes the use of American Rescue Plan Act State Fiscal Recovery Fund to continue this temporary increase through June 30, 2024, \$12 million each year.

Prevention Services for Abused & Neglected Children

The Governor's budget in each fiscal year includes additional funding of \$19.6 million each year, \$10.0 million from the General Fund and \$9.6 million from federal funds to sustain and expand prevention services that work with families to mitigate issues when a child is at imminent risk for removal.

Child Advocacy Centers, Domestic Violence Centers, Rape Crisis Centers

The Governor's budget includes a 34 percent increase in funding direct to Domestic Violence Centers (\$2,550,200 each year), Rape Crisis Centers (\$1,788,200 each year), and Child Advocacy Centers (\$1,349,600 each year).

Senior Meals – Continue to Ensure No Waitlist

Federal pandemic funds have eliminated a waitlist of about 7,000 meals. These funds expire December 31, 2021. The Governor's budget includes \$36.2 million over the next two and a half years to continue providing an additional 49,000 meals per week fully meeting the current need for meals to Kentucky's senior citizens age 60 and older living in the community. The wait list prior to the use of federal pandemic funding was approximately 7,000 Kentuckians.

New Office of Dementia Services

Funding is provided to support staffing for the new Office of Dementia Services established in the 2021 legislative session. There are approximately 73,000 Kentuckians with Alzheimer's disease and other dementias, projected to increase to 86,000 by 2025. The Office of Dementia Services will administer programs related to dementia care services and coordinate and manage the Alzheimer's Disease and Related Disorders Advisory Council.

Kentucky Caregiver and Hart-Supported Living Programs

The Governor's budget expands funding the Kentucky Family Caregiver Program by \$1,000,000 in each fiscal year to, and expands funding to expand the Hart-Supported Living program by \$2,000,000 in each fiscal year.

Residential & Therapeutic Foster Care Rate Increase

The Governor's budget includes a 17 percent rate increase for residential/congregate care providers that serve children which require the highest quality of care and cannot be placed in a family based setting.

INVESTING IN VETERANS

Veterans Services-Homeless Program, Additional Staff, Veterans Service Organization Outreach

The Governor's budget includes additional \$200,000 each year for the Homeless Veterans Program, over \$700,000 each year to increase the number of veteran benefit field representatives, nearly \$300,000 each year to fund an expanded outreach program.

Veterans Cemeteries-Addressing More Interments

The number of veteran interments has grown from about 1,300 in 2019 to about 1,700 in 2021. Additional positions at four of the Veterans Cemeteries are funded to bring them up to a staffing level that is appropriate for the number of committal services conducted annually.

Kentucky Medal of Honor Renovation/Redication

Funding is provided to replace the fiberglass obelisk honoring Kentucky's Medal of Honor recipients with a permanent one at the Campus of Freedom's Foundation in Valley Forge, Pennsylvania. Most state memorials have been replaced with stone or granite often native to that state; however, Kentucky is one of the few remaining that have not.

Bowling Green Veterans Center – Beginning Operations

The budget includes about \$1 million in fiscal year 2024 to phase in the operations of the newest state Veterans Center in Bowling Green.