

Last updated - March 7<sup>th</sup>, 2018

## HB 366- Revenue

- Increases the tax on cigarettes by 50 cents a pack, although it does not include an accompanying tax increase on other tobacco products and e-cigarettes. (~\$120 MM)
- Includes a wholesale tax on opioid prescriptions of 25 cents per dose. (~\$70 MM)
- Suspends the film industry tax break for two years as well as tourism development tax breaks. (>\$25 MM)
- Elimination of the inefficient \$10 Personal Exemption tax credit (~\$33 MM)
- Total - **TOTAL New Revenue: \$250 MM annually**

## Budget - Restorations

- House budget restores many cuts that the Governor proposed
  - School districts transportation: +\$139 MM
  - SEEK Funding: +202 MM
  - Full funding of ACTIVE teacher's health insurance (Gov. = school districts)
  - Restores 6.25% cut to post-secondary education
  - Restores funding to Poison Control Center
  - Restores 6.25% cut to Veterans Affairs
  - Provides \$59.5 MM for retired teachers healthcare
    - 1 year fix only; TRS must pay in the second year of the biennium

## Budget - Cuts

- House budget still contains significant cuts
  - MOST areas of government still receive 6.25% cut
  - NO funding for the Commission on Women
  - NO funding for textbooks
  - NO funding for writing programs
  - 50% cut for Executive Branch Ethics Commission
  - NO raise for state employees

## Budget – Fund Transfers

- House budget contains \$742 MM in fund transfers
- 57% increase over the Governor's budget
- Raiding one fund to pay another
  - \$467 MM from the KY Employees Health Fund
  - \$150 MM from the (not so) Permanent Pension Fund
- **Senate Bill 1 - Public Pension Bill**
  - Release Feb. 20th, Hearing Feb. 28th - state workers flooded the annex - didn't pass
    - Demonstrates fully funding of the Actuarial Required Contribution (ARC)
    - No forced plan to a 401K
      - Still a reduction in benefits
      - Paying the same for less
    - Removes the inviolable contract
    - "Saves" 4.8 billion, with almost \$4 billion of that coming from cutting benefits
      - New income losses for teachers
        - One, the 0.5% reduction in COLA for retired teachers for the next 20 years is functionally equivalent to a new income tax of 8.5% on retired teachers' pensions.
        - Two, the provision of only 85% of investment income to those teachers participating in the tier 3 cash balance plan is functionally equivalent to a 12% (estimated) new fee (effectively a tax) on investment income.