**Senate cuts spending on education, programs, projects**
**By Tom Loftus and Stephenie Steitzer • The Courier-Journal • March 22, 2010**
FRANKFORT, Ky. — The Kentucky Senate passed a $17.3 billion, two-year budget Monday night that makes deeper spending cuts than the House proposed to nearly all programs and agencies and rejects House Speaker Greg Stumbo’s massive plan for building new schools.

The Senate's version of the budget bill, House Bill 290, reduces funding to public schools by about $38.5 million over the next two years compared with the House budget — but it restores two school days the House removed as a cost-saving move.

The Senate passed the budget 35-2. Democrats Walter Blevins of Morehead and Kathy Stein of Lexington voted no. Democrat Julian Carroll of Frankfort passed.

“This is a good solid budget,” Senate President David Williams, R-Burkesville, said during debate on the bill, saying the bill balances the budget during tough economic times while still funding essential services.

But Stumbo, D-Prestonsburg, threatened to adjourn the session without a budget unless the Senate leaders agree to restore the school projects — part of his “Kentucky Jobs for Kentucky Families” plan to create jobs while building schools and other projects.

“We are so committed to the ‘Kentucky Jobs for Kentucky Families' that we may have to leave here without a budget,” Stumbo said.

Differences between the two versions of the bill will be resolved by a conference committee that is expected to begin deliberations Wednesday — the 54th day of a session that can’t exceed 60 days.

Each chamber has labored to balance the budget because revenues are expected to fall about $1.5 billion short of funding all state programs at current levels over the two-year period that begins July 1.

Both chambers’ leaders rejected Gov. Steve Beshear's proposal to close more than half of that gap by passing a bill to legalize slot machines at the state's horseracing tracks.

The Senate had a more difficult time with its budget bill because it rejected two House revenue measures to raise about $275 million — suspending a business' ability to carry forward past losses for income tax purposes and accelerating collection schedules for the sales tax.

The Senate's bill largely met that burden by cutting funding of most state agencies deeper than proposed by Gov. Steve Beshear or the House. Generally, the Senate cut funding of most agencies by 1.5 percent more than the House budget in 2010-11 and by an additional 1 percent in 2011-12.

Also getting the axe were $684 million in school construction bonds and $169 million in bonds for water and sewer projects championed by Stumbo as ways to create jobs.

The difficulty showed during the Senate's floor debate. Sen. Bob Leeper, chairman of the budget committee, cried as he closed his summary of the bill.

“We've done our best. I can honestly say we've done our best,” Leeper said.

Williams and Leeper said the state could not afford the added debt for so many construction projects during lean times. Leeper said that under the Senate bill, the state would commit almost 6.9 percent of its revenue to paying off debt, compared with roughly 7.6 percent in the House budget bill.

Williams said the Senate budget gives school districts flexibility to use capital outlay funds to help pay for the additional two instructional days — even though they will have fewer state dollars than the House appropriated.

Leeper said the restoration of the two days “sends a better message, without question, for education.”

State Education Commissioner Terry Holliday has raised deep concerns about dropping the school
days when Kentucky is competing for federal education grants. Kentucky was listed recently among 16 finalists in the first round of the U.S. Department of Education's “Race to the Top” competition, which will deliver $4.35 billion in school grants.

“The commissioner is concerned if would be a black mark on our status as a finalist if we cut instructional days to save money,” said Kentucky Department of Education spokeswoman Lisa Gross.

Sharron Oxendine, president of the Kentucky Education Association, said she is concerned about restoring the two school days without a direct appropriation to pay for them.

“If the decision rests on school districts to cut, districts might first look to cut instructional assistants and library,” Oxendine said. “I hope that's about the last place they look because those employees have very important jobs.”

The Senate also cut House appropriations for most state agencies by 1.5 percent in 2010-11 followed by an additional 1 percent in 2011-12. In many cases these cuts come on top of cuts the House had already proposed.

And the Senate cut funding for Medicaid by about $26 million more than the House.

Also, the Senate mandated that Gov. Beshear find $10 million in savings per year by cutting the number of politically appointed jobs and cut spending on state contracts by about $166 million. Both moves increased the mandated savings ordered by the House.

The Senate also mandated that the governor impose about $46 million in unspecified efficiencies.

Leeper said that the House mandated a staff reduction for the legislative branch that was proportional to the one imposed on Beshear. And the legislative branch budget eliminates for the next two years funding for the legislature's own Long Term Policy Research staff.

While it was cutting spending, the Senate found room to pass a few tax breaks, including a break for distillers who in the Senate budget would get an income-tax credit beginning in 2012 for the local property tax they now pay on barrels of spirits in storage for ageing. The move will cost the state about $4.4 million in 2012.

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