

BUDGET ADDRESS

BY GOVERNOR PAUL E. PATTON
TUESDAY, JANUARY 25, 2000 - 7:00 p.m.

President Williams, Speaker Richards, and members of the General Assembly, Justice Lambert and members of the Judiciary, Governor Henry and other members of the Executive, my fellow Kentuckians.

Once more I thank you for permitting me to come before you and the people of Kentucky to discuss issues which will determine our future. My topic tonight, the budget, the way we spend the people's money during the next two years, is the most important subject we'll debate during these next three months. The fact is, where we spend our money will show where our priorities are. The budget I'm presenting tonight shows that the priorities of my administration are education, our economy, our children, our safety, our farmers, our infrastructure and the health of our people. I'll not go into great detail tonight but this summary, and this printout of our capital expenditure proposals will allow you the legislators, and the press, and interested Kentuckians a good analysis of how we propose to start Kentucky off right in the 21st century. Additional copies are available through my office.

It's not been easy to put this budget together. It's the third budget our team has prepared and let me assure you that it's the most thoroughly considered of the three, and it's been the most difficult. Our staff has been working for months. I've been personally involved since early November. We've worked the past four weekends. We've worked early in the morning. We've worked late at night. We've brought in experts, we've done all that we know to do --- and we've come a long way. Let me assure you that this is a much better budget than I thought possible two months ago. The time has now come for us to act.

Fate has given us a great opportunity. As we stand at the threshold of a new century, we share the awesome responsibility of laying the foundation upon which the next hundred years of Kentucky history will be built.

And we're faced with a critical decision. Do we move forward boldly and continue a course that will build a stronger future for our children and grandchildren, --- or do we avoid the tough decisions as

we've done so often in the past, and take the easy course. --- Should that be the path we follow, we will only fall further behind as the rest of the nation aggressively pursues the benefits of a new economy.

I've made my decision. I intend to forge ahead. The time has come for the people of Kentucky to make their decision through you. Tonight I'll lay out a plan that sets a bold course for the future. It will then be your responsibility to analyze our proposals, to consider carefully each of our recommendations and to do what's best for Kentucky. Should you not agree with our proposed course of action, offer a valid alternative. --- It's not responsible to just be against. Leaders have to produce results. Those who don't have responsibility can criticize. Those who have responsibility must lead. I would ask that you give just as thorough consideration to this entire package as we have --- before you decide its validity.

What you'll decide is not the future of the people in this room. It's the future of our children. ---

This is the third time we've had the opportunity to work together to prepare a budget.

Four years ago I led a new team as we faced the daunting task of putting together an administration, presenting an action agenda, and preparing a budget.

Faced with structural imbalances caused by tax cuts which had not been accompanied by corresponding reductions in spending, we presented you a very austere budget while we went about the business of improving the administration of state government. Our Empower Kentucky program has improved the efficiency of state government by over 300 million dollars that we can document, and has at the same time, improved services to our people in many ways. As we learned the job and got the state's financial house in order, we began to address some of the serious problems facing the Commonwealth and we asked you to meet in extraordinary session three times during that first biennium.

As we approached the second biennium of our first term, we were fully prepared to move this state ahead. --- The '98 regular session of the Kentucky General Assembly was, in my opinion, and in the opinion of many students of state government, the most productive session in the past 20 years, excepting only the '90 session when the Kentucky Education Reform Act was adopted. --- Working together, we made a difference!!!

Working together as well as any governor and General Assembly has ever worked, we made improvements in the structure of KERA. We lived up to our commitments to postsecondary education. We implemented a model juvenile justice program --- and funded it. We enacted a comprehensive reform of our criminal justice system and six significant environmental initiatives. --- And we invested in the future, the infrastructure of our society; water, sewer, school buildings, college classrooms, community parks, roads, tourist attractions, golf courses, community centers and a host of other projects to make our communities more livable, and the future of our children more bright.

Yes, we had a good session in '98. Good for the people of Kentucky and good for us. Almost all of us were re-elected, some with little or no opposition. I'd never done that before and I like it!!! Once more we've proven that good government makes good politics. The people of Kentucky saw what we'd done and they liked it. They expect us to work together. They disdain partisan bickering. We all lose when we do it. The people are a lot smarter than they're sometimes given credit for. They understand cooperation and they understand investment, and they appreciate both. They like to see their tax money being reinvested in their community, too. And I enjoyed going around Kentucky and sharing their joy. I think you did too.

Yes, '98 was a good session, and the past two years have seen Kentucky move ahead --- and people are taking note.

Everywhere I go in national education circles, Kentucky's the talk of the town. Whether it's KERA, and our leading edge classroom technology, or our commitment to postsecondary education with programs like Bucks for Brains and the Metropolitan College, which, by the way, was selected as the number one innovation in workforce development last year!!!

The programs of excellence at our comprehensive universities and the tremendous progress being made by our community and technical colleges are being recognized by those who understand what it takes to create a modern educational system that will serve the needs of a 21st century society. Yes, whatever the topic, Kentucky's right there at the top of the chart. --- It makes me proud to be the Governor of Kentucky.

But I'm proud to be Governor of Kentucky for many different reasons because we're receiving national attention in more than just education.

Judi's leadership on women's issues like spouse abuse or child sexual abuse, our Empower Kentucky initiative, the growth of our economy, our Virtual High School; all things we can be proud of. --- Kentucky's on the move and it's our job to keep it going that way!!!!

And that's the challenge we face; as a people, and as policymakers responsible for the future of 3.9 million people. And it all starts with the budget.

I've realized for a year that the unusual circumstances that we faced two years ago wouldn't greet us as we opened this session. I've tried to let you and the people of Kentucky know that it wasn't going to be that easy to move to the next level of achievement. I've let you know, not to prepare you and the people to slow down, but rather to prepare you for the tougher road ahead.

I've already faced it. --- I've realized what we have to do to live up to our commitments; --- our commitment to postsecondary education, --- our commitment to better roads, --- our commitment to keep Kentucky safe from crime, --- our commitment to grow our economy, --- our commitment to make Kentucky better!!!

I've also realized what it's going to take to live up to our responsibilities; --- our responsibilities to our very distressed farmers, --- our very young children, our very sick people. I realize that we're going to have to work even harder to move Kentucky towards the knowledge-based economy of the future and I realize that we have to start with the budget.

As to our society in general, we're making progress, but we continue to lag the nation in too many major indicators of quality of life including per capita income, health statistics and educational attainment. To make progress, we simply must invest in the vital components of a modern society.

Tomorrow, I'll lay out the details of a Tax Fairness and Equity Plan that will bring fairness to the individual's tax burden and equity to a number of areas of business taxation. It will also position Kentucky for the future by creating a more progressive tax system that will grow at a healthy rate with the new economy. It will allow us to pay for the things we need to keep our communities safe. It will allow us to provide basic social services and improve our infrastructure, like roads and water and community facilities, and it will allow us to pay

for our education establishment, the most important responsibility of state government.

The foundation of our educational system is our common schools. That's why our proposed budget increases spending for them by 211 million dollars over the biennium in recurring commitments plus 92 million dollars for new school construction. These initiatives include increasing our minority recruitment program, a middle school demonstration network, and more funding for our gifted and talented program. Our budget includes over 23 million dollars to help our teachers improve their ability to meet the ever-increasing demands of the modern classroom, the most technologically advanced classrooms in the nation. --- Let me repeat that statement one more time. --- This little state of Kentucky, our state, our children, have the most technologically advanced classrooms in the nation!!! Think of that. It makes me proud. And it should make you proud too, because it was your actions two years ago that made it happen, that extra 88.5 million dollars that you approved in our surplus expenditure plan has made the difference, and has given our kids an edge over all the other children in the nation. --- But that advantage won't last long. We have to keep moving, because this world's changing faster than ever before.

Your actions two years ago not only provided 109 million dollars for new school construction but it also promised 92 million more dollars for this biennium. That was a unique policy decision for us, and a good one. Our proposal this year funds that promise, and recommends that we promise another 100 million dollars for the next biennium. Let's not only have the best trained teachers in the nation and the most technologically advanced classrooms in the nation, let's have the safest, most efficient, most modern schools in the nation!!! Let's show our pride in our state, our community, our children by having as a goal, the best common school system in America!!!

And we haven't forgotten our Area Technical schools, the schools that prepare our high school students for the world of work. For those operated by local school districts, we provide equity, --- 7.7 million dollars in fact, to move toward fully reimbursing them at the same rate it costs the state to provide the same instruction in the state-operated schools. And for those districts using state-operated schools, we're removing any impediment to the participation of all students in a career-oriented curriculum. We're including 5.7 million

dollars so these districts won't lose money when their students decide to learn a trade or a skill. --- We've included 3 million dollars for new equipment. And 2 million more dollars for new computer technology. All this, preparing our high school students to be more productive workers for our businesses.

Our budget lives up to our commitment to our colleges and universities by fully funding the recommendations of the Council on Postsecondary Education, the largest dollar increase in funding in the system's history!!!

Not only do we fund the needs of our research universities, we provide a biennial increase of 48 million dollars so our comprehensive universities can better serve our people in all areas of the Commonwealth. Our community and technical colleges also receive the largest biennial increase in history, 32 million dollars. --- We've truly put our money where our mouth is. And it's working. House Bill 1 has worked better than I could have ever imagined. If we'll stay the course, we will not fail!!!

As KERA has become the symbol of excellence in our common schools, as House Bill 1 has become the symbol of our commitment to postsecondary education, let us make Senate Bill 1 our battle cry for adult education. President Williams, I appreciate your leadership on this issue. The 15 million new dollars in our budget fully funds the recommendations of the Task Force on Adult Education!!!

And let us pay equal attention to our youngest citizens. Our program for early childhood health, education and development will put Kentucky among the leaders in that field too. And 55% of the 55 million new dollars for this program will flow through our local health departments, strengthening these vital public agencies. Let it never be said of our administration, or of this General Assembly, or of the people of Kentucky, that we had the opportunity and we failed to seize the moment. Let us do what we know in our hearts is right. Let us provide for our youngest children!!!

Yes, this is an education budget. Education, education, education, education. The most important function of your state government and the centerpiece of our budget proposal. But this budget does more.

It does more in many ways but it really concentrates on improving the health of our people. We've heard the cry of our public health service and we've increased our support for county health departments so they can better prevent health problems before they

occur, especially for our children. Our budget includes 16 million dollars in direct support to local health departments. In addition we propose 37 million dollars in new funding for programs to be administered by the health departments. --- We've given the health departments more responsibility, and the funds to fulfill their obligations!!!

And we've fulfilled our commitment to help our less fortunate mentally challenged citizens. Our recommendation will provide 65 million more dollars to support our community living programs and reduce the waiting list of people who need these services. We will take care of our special people!!!

We increase funding for Medicaid by an average of over 13 percent and health insurance for public employees by 19 percent over the biennium and we propose relief for citizens who purchase their health insurance in the individual market. The cost of healthcare is the number one concern of many Kentuckians and we've heard their voices. We're doing all we can, all the while realizing that Kentucky, acting alone, cannot solve this problem.

We intend to conduct an intensive program aimed at our juveniles to prevent substance abuse, but let's not be hypocritical about it. Let's also make it unlawful for children to use tobacco products just as it is for them to buy them. I call on this General Assembly to join me, let's get serious about stopping underage smoking!!!

And since we're the leader in the incidence of lung cancer, let's take the lead in finding a cure. Our proposal to make Kentucky the leader in research in this field is a major effort to recognize and address the fact that, if every person in Kentucky stopped smoking today, we'd still have to deal with the problems that have been caused during these past 60 years. Let's lead in finding a cure for this most deadly of all forms of cancer!!!

While we dissuade our children from using tobacco products, let's not forget the plight of our tobacco farmers. This is going to be a bad year on the family farm. We can and will help, but we can't solve the problems of a basic farm crop which is disappearing by making direct payments to farmers. We must give them the opportunity to move to a new product; --- not piecemeal, but together. We've already discussed a plan to do that and I'll be elaborating on that plan in the near future.

As we consider the future of our original industry, agriculture, we must pay equal attention to our future industry, marketing the intellectual ability of our people; building a knowledge-based economy. And we can do it. We are doing it, in Louisville and Lexington and northern Kentucky. And we're doing it in rural Kentucky, too, in western Kentucky; and in eastern Kentucky.

Marketing the intellectual capital of our people. If that is our future, can we have any doubt about the wisdom of investing in the education of our children? Can we in any way even consider not making that investment? Surely not. Surely Kentucky won't approach a new century on the brink of greatness and once more falter. Not while I have the responsibility of leadership, not on my watch. I trust you will have the same resolve!!!

We must expand our efforts to build a knowledge-based economy and we, along with Speaker Richards, will be discussing that proposal with you in the very near future. Thank you, Speaker Richards, for your leadership in that area.

But as we look to the new knowledge-based economy, we can't abandon another industry in trouble, coal. We propose a very modest 5 million dollar commitment this biennium for a cost-sharing program to encourage investment in the mining of thin seam and high sulfur coal, the largest reserves in our state, another proposal we'll be talking more about in the near future.

And we cannot abandon our inner cities. We've already announced our plan to create economic opportunity zones in some of our metropolitan areas, and our budget includes 2 million dollars to invest in our inner cities for economic revival.

Our Renaissance Kentucky program will invest 12 million dollars in downtown revitalization and we'll be providing 24 million dollars to help our counties pay the cost of juvenile detention. --- This is a budget which allows our state government to partner with local governments to improve the lives of our people.

Improving and protecting the lives of our people, --- the very essence of government. That's why this budget funds 50 more state police officers, the first increase in 20 years. It provides 10 million more dollars for our public defender system, and 11 million more for services to our disadvantaged children, a 37.5 million dollars increase to operate our prisons, and 20 million more dollars each year to bring equity and adequacy to our state employee compensation system.

Let me pause to thank the employees of my office and of the Office for Policy and Management. It's been almost non-stop for 2 weeks, with dozens of them working all night or sleeping over at the office. We couldn't have produced this proposal without their dedicated work. I thank all of you!!!

As we invest in the intellectual capital of our people, we must continue to invest in the infrastructure of our communities. We must invest based on what we can afford. --- Two years ago we proposed a new investment policy, a policy of investing a set percent of our annual income in long-term capital. After communicating with bond rating agencies, the percentage we settled on was 6%, and that's about the average of the past 30 years but the most important part of that policy was to select a fixed percent of income to invest in the future, and stick with it as a firm commitment. If we're spending 94% of our current income on today's needs, I think it's entirely prudent, in fact the only responsible thing to do, to invest 6% in the future.

Let it not be said of us, that we prospered on the infrastructure built and paid for by those who have come before us, and we failed to do the same for our children and grandchildren. Let us not do that!!!

This budget proposes to continue to invest 6 percent of our income in the future, \$935 million in new investment, mostly for the essential services for state government.

163 million dollars for new juvenile justice and corrections facilities

92 million dollars for new schools

227 million dollars for postsecondary education

63 million dollars in renovation and expansion of the State Capitol

210 million dollars for a variety of other critical needs of state government and

200 million dollars in the infrastructure of our communities - all our communities, large and small.

We've heard the pleas of Louisville, the economic engine that drives our economy, and we're proposing the largest state government investment in Jefferson County for community development in the history of the Commonwealth, over 49 million dollars!!!

It includes the state's final 12.5 million investment in the gateway to Kentucky, the Louisville Waterfront. 7 million for the Home of the Innocents, 3 million for the African-American History Museum, 5 million for the Louisville Medical Center, 4.6 million for Iroquois Park, and a host of other investments in our premier Metropolitan Center.

And this budget makes some promises too. It sets aside 10 million dollars as a promise to become a partner with the private sector, not just here in Kentucky, but around the world, to promote the legacy of Kentucky's most prominent living citizen, Muhammad Ali. Muhammad and his wife, Lonnie are with us tonight and I'd like them to stand and be recognized.

I intend to promote the proposed facility on the Waterfront in Louisville, around the world as a learning center, not only for our children, but for children from all across America and around the world; a center where they can realize that if you have a dream, if you work hard, if you have courage, if you have vision, you can become something, somebody, a person of value. --- Hope, inspiration, energy, --- that's what the Muhammad Ali Center will be, and it'll be in Louisville, Kentucky. Our promise is, that when the private sector matches our commitment with 40 million dollars of support, we'll add another 10 million to the first 10 million and build a first-class facility that will make Kentucky a focal point for inspiring young people. That second 10 million dollars will be in the budget that I propose to you in 2002!!!

I'm asking you to make another commitment to Louisville and our statewide travel and tourism industry, the Kentucky Fair and Exposition Center. It's in Louisville, but it's the Kentucky Fair and Exposition Center, long a leader in large conventions and trade shows, a facility we all take pride in, and a facility we've just recently invested in, but another demonstration of why we here in Kentucky can't stand still. The rest of the nation is moving on. I'm proposing a 4 million dollar appropriation to design and begin preliminary work on a new 40 to 50 million dollar investment to keep that facility world-class and competitive. It may be that it'll take two more biennia to complete that modernization, just like I'm recommending that we take a phased approach to the very worthwhile plans of the Lexington community to expand and improve their convention facilities, including Rupp Arena!!!

I just can't squeeze 30 million dollars out of a 210 million dollar statewide community development initiative for this one project. I am recommending that we commit 15 million dollars now, and with the concurrence of the Fayette County delegation, I've committed to including another 15 million dollars in the budget I submit to you in 2002. One of the reasons I can't commit more to this project is that there are other needs in our second largest city, such as the needs of

the Kentucky Horse Park, a monument to our signature industry. We propose 3.3 million dollars for improvements there. And just as we've proposed a specific project to improve the inner city of Louisville, we propose 1.7 million dollars for the Johnson Community Center in Lexington. We must serve all of our people!!!

We're continuing to support the growing economy of Northern Kentucky too. A major increase in support of postsecondary education in that area is accompanied by significant investments in other projects in several cities in the three- county region.

But there's a lot more to Kentucky than the Golden Triangle. From Paducah to Pikeville, we're recommending that we also invest in the rest of Kentucky. We recommend additional funding to complete several projects we participated in two years ago; a performing arts center in Paducah, a convention center in Hopkinsville, the Paramount Theater in Ashland, an exposition center in Pikeville, a rural health center in Hazard, a challenger learning center in Elizabethtown, an industrial park in Radcliff, a community center in Mount Sterling, an artisan center in Berea, a state office building in Winchester, a community center in Versailles, a science center in Prestonsburg, entire community development initiatives in Hindman and Jenkins, the Country Music Hall of Fame in Mount Vernon, the boat dock at Kentucky Dam Village, a technical college in Clinton County, and a host of other continuing commitments.

And some new projects, too. A new Capitol Arts Center in Bowling Green and help for the Owensboro Fine Arts Museum and the Owensboro Science and History Museum and a new area technical school in Lincoln County and the purchase of an existing building in Henderson; and a host of other state investments in every region of Kentucky, in every county of Kentucky. And let me repeat that, I'm recommending new state investment to improve the infrastructure of every county in Kentucky, from fire stations to playgrounds, from city halls to courthouses, from senior citizen centers to sewers and sidewalks, all things that you, the representatives of the people, have said your people need, and that you want the state's help on.

And water. Water, water everywhere and lots of water to drink. And to bathe, and to cook, and to wash clothes and water lawns, and fill swimming pools and carry on industry and to give all our people one of the basic necessities of life, a plentiful supply of clean safe, affordable water. I said it three weeks ago and I'll say it again tonight,

water isn't a great big thing unless you don't happen to have any, and then it can be a matter of life or death. --- 10% of our fellow Kentuckians don't have a good supply of water: and we're going to change that!!!

Over 200 million dollars invested in water and sewer, the largest such commitment ever in the history of Kentucky. A major step on our path to provide water to every Kentuckian in 20 years.

And roads. Our proposal includes a new program financed by 1 cent of the gasoline tax to help those counties that need the most help with paving their rural roads. The new Roads for the 21st Century funds will be distributed, not at the discretion of the Governor, but rather by a very precise formula based on the miles of unpaved roads in a county.

So Caldwell County, with 86 percent of its county roads unpaved, will get an estimated 627,103 dollars a year to pave their 265 miles of gravel roads. At a cost of \$50,000 a mile, that'll be 12.5 miles a year. In less than 16 years Caldwell County will have 80 percent of their roads paved instead of 86 percent unpaved.

Let's look at Pulaski County with 1,076 miles of unpaved roads, 76% of their 1,412 mile county road system. As well as Pulaski County's doing, they'll never get the job done. The \$2,451,572 a year that Pulaski County will get under this program will pave 51 miles of gravel roads a year. This program will benefit the 76 counties in Kentucky that need the most help.

Grayson County gets \$1,204,000 a year.

Perry County \$1,009,000

McCreary County \$848,000

Allen County \$796,000

Breckinridge County \$735,000

Ohio County \$711, 000

Morgan County \$682,000

Adair County \$665,000

Letcher County \$654,000

Jackson County \$642,000

Leslie County \$627,000

Casey County \$619,000

Clay County \$606,000

Magoffin County - \$602,000

Butler County - \$596,000

Monroe County - \$563,000

Knox County - \$552,000

Greenup County - \$543,000

Carter County - \$525,000 a year, every year.

And 55 other counties that need special help. Gravel roads are a relic of the 19th century. There's no room for them in the new Kentucky. Let's help all of our people live in the 21st century!!!

To the people of Kentucky watching tonight, I call on you to get involved. Your representatives here in the General Assembly will respond to your wishes, if only you let them know that you want a state government that can meet the needs of our people in the 21st century.

We have the 8th lowest tax burden in the nation. Do we want to be the 8th worst state?

There's no way our outmoded tax system can support a modern state government, a good school system, our colleges and universities, the basic services our people need, a quality road system, the necessities of modern life. If our goal is to have the lowest tax rate in the nation, then let's close half our prisons. Let's make people pay all the cost of their college education. Let's not put computers in our classrooms. Let's not improve our roads. Let's slowly sink to the bottom. --- Make no mistake about it. I can write a budget that doesn't require a change in our tax code. It just wouldn't be a budget that would move Kentucky forward.

It wouldn't be a budget I could support. If you want the kind of Kentucky I want, call your legislator and support our vision for 21st century Kentucky!!!

As we look to the future, as we try to move this state forward, we simply cannot afford *not* to fund the initiatives that we've proposed.

This is a budget for all Kentucky, for every Kentuckian, for the future of every Kentuckian to come.

Our honored guest tonight, Muhammad Ali, has been a tremendous source of pride for our state.

We're honored by your presence. You're an international hero. You're an American hero, a Kentucky hero!!! God be with you!!! And Kentucky continues to produce heroes... in fact, last year was a remarkable year for young Kentuckians achieving national and international recognition.

Heather Renee French from Maysville was named Miss America.

Michael Lanham, a 19-year old from Gravel Switch and a student at Centre College was named a Rhodes Scholar.

Hyden's Tim Couch was the number one draft pick for the NFL. And Tori Murden-McClure, from Louisville, was the first woman ever to row solo across the Atlantic.

If these young Kentuckians are the future of our state, then the future is indeed bright. People in every corner of the Commonwealth have watched with pride as individuals like Muhammad Ali and these young Kentucky heroes have become symbols of the American dream. They stand as reminders that every Kentuckian has the potential to be a hero if only we give them the opportunity. What each of these individuals have in common is a foundation in the values that have been this state's greatest strength. A commitment to family, a special spirit of determination to succeed, a pride in individual accomplishment.

It is to that special Kentucky spirit that we must dedicate our efforts in these coming weeks. We must never lose sight of the fact that this budget impacts the lives and the dreams of our people and their children. Their futures are in our hands as we lay the foundation for the next 100 years. Let us not be found wanting.

Good night. God bless you.