



COMMONWEALTH OF KENTUCKY  
**OFFICE OF THE GOVERNOR**

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Dear Members of the Kentucky General Assembly:

Although toward the end of the regular session the leadership of both the House and the Senate publicly acknowledged that they were very close to reaching an agreement on most budget issues, they failed to harmonize their differences and adjourned without passing a budget. Over the last few weeks I have met privately with Senate President David Williams, House Speaker Greg Stumbo, and the A&R Committee chairmen in both chambers and urged them to resolve their differences, but they seem unable to do so.

As I wrote you a few weeks ago, the lack of a budget would cause a partial shutdown of state government, impacting each and every Kentuckian and ending vital services across the state.

Therefore, to help break the impasse, I am coming forward today with a plan to help you resolve the remaining five percent or so of the issues that remain in contention. This is not a new budget. Let me make that clear. We are not starting from scratch. This is a proposed solution that represents my understanding of the areas of general agreement between the House and the Senate on most issues, and it offers a compromise proposal on the major areas of difference. It addresses the major concerns of both sides while meeting the basic needs of our people over the next two years.

The proposal, details of which are attached, relies on no new taxes; maintains certain spending priorities rather than making across-the-board cuts; maintains instructional days; authorizes bonds for a limited number of projects to honor prior commitments; addresses critical needs and creates jobs; continues efforts to shrink the size of state government; reduces the structural imbalance; provides a carry-forward to mitigate deeper cuts; and is a biennial budget.

This proposal includes all projects the House and Senate budgets had in common during negotiations and offers the lowest amount of General Fund-supported bonds in a biennial budget since 1996. It includes funding for all Category 5 schools by providing state equalization for affected school districts and \$100 million in new offers of assistance for school buildings over the next two years.

Over the course of the last few weeks, both leaderships have suggested that I put a proposal on the table. They were stuck, and they thought a proposal from me would allow them to move forward. That is what I am doing today. Do I like this budget? No, I do not. The budget I proposed last January was far better for the citizens of the Commonwealth. However, this proposal is a reasonable compromise on the remaining issues dividing the House and the Senate.

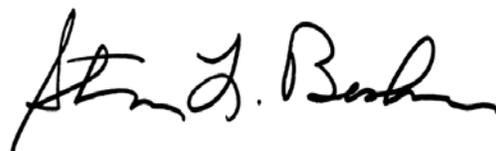
Let me be clear. We need a biennial budget. Any sort of continuation budget is unacceptable. We have received no indication that revenue estimates are going to get any better. And though these are tough decisions, making tough decisions in tough times is what the people of Kentucky elected us to do – and we cannot delay simply because it is an election year. This must be a management decision, not a political decision. A continuation budget reeks of the worst tactics of Washington, D.C., where decisions are pushed off to meet political objectives and they are able to print money to fill a hole. We can't go down that path. If revenue estimates do improve, we can always revise the budget in next year's regular session.

I will be calling you into special session on May 24 to pass a budget. The call will include the Executive Branch Budget, the Transportation Cabinet Budget, the Biennial Highway Construction and Six-Year Road Plans and a revenue-related bill that both the House and the Senate relied upon to balance the budget. As I have mentioned previously, we must have a budget before June 1 in order to preserve significant debt service and other savings counted on by all budget proposals.

I strongly urge you to sit down immediately and reach an agreement, either on this proposal, or some variation of it, and be prepared to act on it by May 24. We must have an enacted budget, and I see no reason why the special session should last longer than five days, the minimum amount of time required to pass a piece of legislation. The consequences of inaction – for Kentucky and for Kentuckians – are unacceptable, and I am doing everything in my power to avoid that scenario. However, in the end, only the House and Senate can pass a budget under the law. It is your responsibility to get the job done, and the citizens of Kentucky will neither forgive nor forget a failure to do so.

As always, my staff and I remain available for consultation and to provide any information that may be of help.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven L. Beshear". The signature is fluid and cursive, with the first name "Steven" and last name "Beshear" clearly legible.

Steven L. Beshear