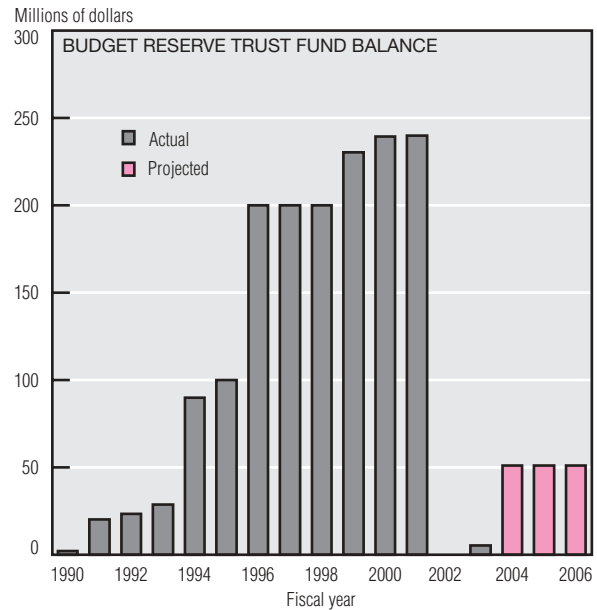
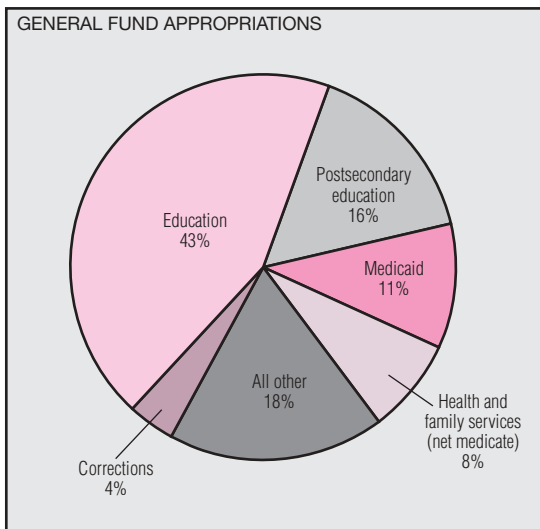
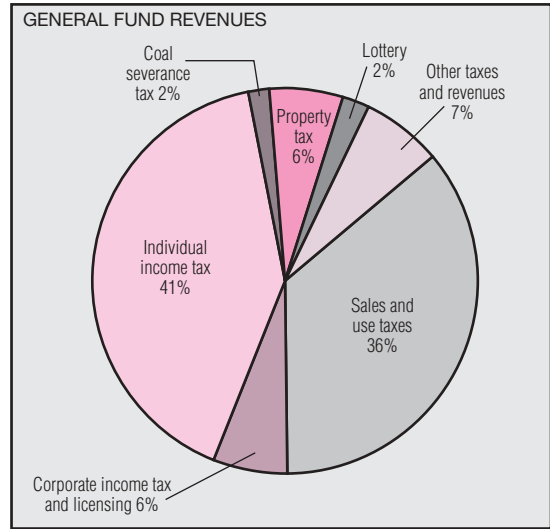
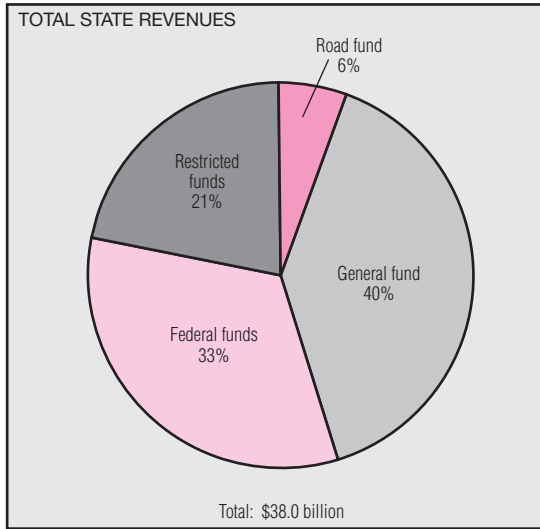


The Kentucky State Budget



NOTE: Biennial budget figures are for Kentucky's fiscal years 2005 and 2006, which begin July 1, 2004.
 SOURCE: State of Kentucky, Office of the Budget.

In January, Kentucky governor Ernie Fletcher presented his proposed budget for the state's fiscal years 2005 and 2006, (The biennial budget process generally occurs in every even-numbered year.) The governor's budget focuses primarily on expenditures from the general fund. That fund accounts for nearly 40% of the state's total revenues, most of which are collected from sales taxes and individual income taxes. The remaining 60% of revenues are restricted in various ways. For instance, fuel tax receipts are earmarked primarily for constructing and main-

taining state highways and interstates; most federal government dollars are used for social welfare programs.

Governor Fletcher has said that the proposed budget is aimed at improving the state's competitiveness by "resolving budgetary shortfalls without burdening the people and businesses of Kentucky with higher taxes." His proposed appropriations allocate about 80% of the general fund revenues to education, health, and human services.

For the 2004 fiscal year, which ends June 30, Kentucky had expected to

have a budgetary shortfall, something prohibited by the state's constitution. But because of a series of spending restraints (some enacted as early as the end of 2002) and, to a lesser degree, federal fiscal relief, the state expects to end the fiscal year in the black. Moreover, it expects to achieve this without drawing down its budget reserve trust fund, which fell nearly to zero in 2002 and 2003. Instead, Kentucky is working to build this fund back up and projects a reserve of almost 1% of general fund revenues in each of the next two fiscal years.