

Feb 7, 2005

Would the tax 'trigger' shoot down future governors?

By MARK R. CHELLGREN

Associated Press Writer

FRANKFORT, Ky. (AP) -- During the past six months, while operating state government without a legislatively enacted budget, Gov. Ernie Fletcher has had to patch some gaping holes.

He moved \$80 million to partly shore up a runaway Medicaid program and more millions to pay for the unexpected flow of criminals into Kentucky cells. Last year, when the General Assembly did get around to passing a partial state spending plan, it poured more money into health insurance coverage for outraged teachers and public employees.

If Fletcher has his way, future governors and legislatures may not be able to make such repairs.

Fletcher's budget proposal contains a "trigger," a formula that would reduce the income tax if revenue receipts reach a certain threshold, thereby reducing taxes. There is not a corresponding formula for increasing taxes in the event receipts fall below expectations.

The General Fund is expected to receive about \$660 million more than predicted back in January 2004. Fletcher and the legislature already have spent or obligated huge amounts of that. And Fletcher proposes to spend every dime of it - and hundreds of millions more in other government receipts that are not counted in the General Fund - to balance the budget proposal he made last week.

Fletcher said Friday the trigger would not have kicked in to cut revenues this year if it had been in place. He said the formula is so conservative that it would not unduly restrict future governors.

The idea is in keeping with the philosophy embraced by Fletcher and his fellow Republicans - shrink government.

"Philosophically, the governor is at opposite poles from us," said Rep. Jim Wayne, D-Louisville.

The trigger, Wayne said, is a "disaster."

The philosophical differences do not end there.

Fletcher's plan would lower corporate income taxes by 27 percent immediately. Individual income tax rates would decline by 3 percent at first and then fall further. Wayne's proposal would add \$300 million to the corporate tax bill.

Rep. Harry Moberly, D-Richmond, the chairman of the House Appropriations and Revenue Committee, said Fletcher's tax and spending plans do not move the state forward, as the governor has repeatedly claimed.

"The state's problems will not be solved by his tax plan. That's not a panacea, as I think he's tried to present it to be," Moberly said.

Education Commissioner Gene Wilhoit is less strident, but said the direction provided by Fletcher's plans is not forward, but at best stationary.

"This is a maintenance budget. It allows us to continue to function at the current level," Wilhoit told the State Board of Education last week. "I think if you were to ask a superintendent or school person about this budget, they'd say you can't maintain. It's actually a lost budget for them because their costs are escalating. They have increased demands."

Wilhoit said he is not the only voice that will be questioning Fletcher's plan and claims.

"Higher education is coming back with a statement they simply want to, in the short term, replace what they lost the last time around. Now this budget doesn't adequately do that," Wilhoit continued.

Borrowing from his administration's new "unbridled spirit" logo, Fletcher said of his tax plan, "I propose that we invest the extra money to grow opportunity, build careers and strengthen education. I prefer and I believe Kentuckians will prefer this unbridled path."

Others have a different perspective on the future and the slogan.

"We may have 'unbridled spirit,' but that's meaningless if we're stuck at the gate without the resources needed to move full speed ahead," said K.A. Jones of Louisville, a representative of the Kentucky Economic Justice Alliance.

The Rev. Nancy Jo Kemper, director of the Kentucky Council of Churches, has a different take on the philosophy of the budget.

"As far as I can discern, after a fair amount of reflection on the issues relating to Kentucky's budget crisis, 'shrink, shift, and shaft' are not categories of morality that conform to principles of justice and fairness," Kemper recently observed. "They are, instead, terms that appropriately define the attitudes, and methodology of current budgetary proposals that have been floating around Frankfort for the past year or two."

Mark R. Chellgren is the Frankfort, Ky., correspondent for The Associated Press.