

A View from the Capital: What We Learned in 2004

*By Debra Miller
Kentucky Youth Advocates
May 2004*

The opportunity to positively impact children's lives through the legislative process seems to have slipped through our fingers once again.

The political finger-pointing for the failure of the 2004 session to produce a budget, tax reform, or significant legislation is intense. It is a favorite game of Frankfort insiders. A more productive post-session activity for child advocates, however, is to glean learnings from what happened. As my dad is fond of saying, "A day is wasted if you don't learn something new."

Budget or no budget, state money is tight. The lean times in Kentucky started several years ago. In fiscal year 2002, the state collected fewer tax dollars than in the year before. This was the first time real revenue actually declined in more than 50 years.

Since 2002, Governor Patton and Governor Fletcher each made a series of budget cuts in order to compensate for the loss in revenue. The budget presented by Governor Fletcher to the 2004 General Assembly was based on the state's "consensus revenue forecast," which predicts only minimal revenue growth; certainly not enough to cover the regular increase in the cost of doing government business. For instance, teachers' raises and insurance costs are not covered within this small revenue growth. State universities have been forced to raise tuition in the neighborhood of 15 percent to cover their expenses.

Given the fact that the revenue forecast predictions are tight, it is no wonder that the budget proposed by Fletcher, and those approved by the House and the Senate, did not expand program spending in education or human services. In fact, all parties acknowledged that the Medicaid budget was inadequate and predicated on various money-saving programs yet to be implemented. Advocates and service providers testified about the damage of continued flat funding. Legislators heard about needs outstripping program resources in almost all human services and education arenas. Still, without new sources of revenue, legislator's hands are tied when it comes to fully funding human services, including programs serving Kentucky's neediest children. Cigarette and alcohol taxes are simply a stopgap response to a much larger and growing problem, and tax reform is

the only viable solution.

Taxes are a complicated but absolutely critical issue for child advocates. The troubling trend toward declining revenues will continue without an overhaul of Kentucky's tax system, which is a hodgepodge of rules and exemptions. Many are virtually unchanged since the 1950s. Only a handful of legislative and administrative staff, tax attorneys, and special interest groups really understand the system. It is no wonder that the term "tax modernization" took hold.

During the fall of 2003, KYA and our Kentucky Economic Justice Alliance (KEJA) partners studied the tax system and called for comprehensive reform to meet three goals: 1) increase tax fairness; 2) raise adequate revenue; and 3) bring the tax system up-to-date. Our written guide informed citizens and lobbyists alike of the ins and outs of tax reform. We completed a report card on the outline of the Governor's reform plan before the details were finally released on the 49th day of the 60-day session. The primer and the report card were widely distributed to arm people with information for the tax reform debate. While we have often assumed legislators understand the state tax system, several told us they appreciated our easy-to-understand information. (All of this information can still be accessed on our website at www.kyyouth.org.)

Information makes a difference. As soon as the details of the Governor's plan were released, KYA worked with the Institute for Taxation and Economic Policy in Washington, D.C. to analyze the impact of the proposal on different income groups. Using a sophisticated computer tax model, ITEP's analysis showed that taken as a group, only the wealthiest 20 percent of Kentuckians would enjoy a state tax cut as a result of the Governor's proposed tax changes. By contrast, fully 80 percent of Kentuckians would see a net tax hike. On average, the relatively modest income tax cuts for these low- and middle-income taxpayers would be more than offset, in the aggregate, by a substantial hike in the state's cigarette tax. As the Governor has pointed out, this constitutes a tax shift from non-smokers to smokers – but also **shifts the state tax burden from the wealthiest Kentuckians to the poorest state taxpayers.**

Our analysis was the only quantitative information about the impact of the tax plan outside of that provided by the Governor's office. We were recognized as experts because we provided timely, accurate, and accessible information. Advocates, the media, and legislators were able to use this information readily. The information provoked questions around the fairness issue that might not have otherwise been addressed.

Citizens can make a difference. As the debate raged on, economic justice allies, including KYA, generated calls and letters around these tax and budget issues. A citizen lobbying effort was led by Kentuckians for the Commonwealth. Collectively we were able to bring a new perspective to the table, which generated significant media attention. One legislator told me “you all were the other voice in the tax modernization debate.” I accompanied some of these citizens on visits to House and Senate members. Legislators warmly received them and their opinions were carefully considered. The testimony provided before the Appropriations and Revenue Committee by these “regular” citizens was highlighted in Courier-Journal coverage of the tax reform debate. Legislators and the media alike seemed surprised that citizens weighed in on a debate usually controlled by special interest lobbyists. It was a refreshing and indeed newsworthy departure from the norm.

“There’s politics and then there’s politics.” At KYA, we recently browsed headlines from other legislative sessions. Differences between the Governor and the House and the Senate budget proposals are not new. Debate, and even some level of demagoguery about taxes, is commonplace. What is different this time around is the pronounced partisanship of much of the current debate. Sadly, this increased partisanship is scaring away many well-intentioned advocates, preventing them from speaking up for Kentucky’s low-income families with children.

What we learned. If we learned anything from this year’s session, it is that child advocates still have an important place in the debate, politics or no politics. We were also strengthened in our conviction that child advocates need to get involved in the tax reform issue to ensure that the hole in the leaky bucket is patched—that funds for programs and services serving children will be available in the future.

Quality services for children and families are not Democratic or Republican issues. Children are not a liberal or conservative issue. To use a cliché, children are 100 percent of our future. Their well-being is in our best interest. Advocating for a fair and adequate tax system benefits all Kentuckians, but especially the one in five children still living below the poverty level. Sure it’s political – in that we are building support for children and exerting pressure to win – but it is good and necessary work.