

**Governor Matt Bevin:**

I guess you all expect me to say something about now. Thank you so much. Please do have a seat. I'm grateful for the opportunity to be here with you tonight. I want to start, as is often the case, by thanking those of you that are gathered in this room, for starters. It hasn't been easy today weather-wise for a number of you to make your way here, and yet you've done it, so thank you for doing that. Thank you for making your way here.

For those of you for whom it is your job during this time of year, thank you. I'll come back to that in a moment.

I want to thank those of you that are watching this as well, on some form of video stream. Thank you for taking the time to check in with us here in Kentucky and find out what's happening as we talk about not only the state of commonwealth, but the state of the budget, and they are one and the same, inextricably intertwined in a time like this.

I want to thank a couple of groups in particular. You always run the risk when you start thanking groups, but when we come through the weather we have had in recent days, I'm mindful of a couple of groups who I truly think are worthy of our thanks throughout the commonwealth and frankly in the first group throughout the country.

I want to send a special gratitude to the men and women who mine the coal that produces the electricity and the heat that keeps so much of America warm at times look this. Truly grateful to you. And while there are fewer of you working now than there have been in years past, your job is no less critical, no less important, and certainly at times like this, no less necessary than it is or has ever been.

I want to thank the men and women also who have been plowing the roads that have made it possible for us to get here. From every corner of the commonwealth. I stopped into -- I stopped into One of our state garages last night and it was fairly slim there. A couple people there sort of managing schedules, but the vast majority of folks were out on the road. I'm grateful to you for the job that you've been doing.

I want to thank a group that so often we don't tend to think of except from time to time, even though in reality they're the ones who make everything work, and that is all the state employees. Every single one of them. The tens of thousands of you who come to work every day on so many fronts to do so many things to make the commonwealth work. I want to thank you very much for all that you do and for the 2,000 of you, for the more than 2,000 of you who responded to the email that went out asking for your input, asking for your thoughts on things that we've been doing well but things that we could do better. And while I often in the past have read some of the those notes I'm not going to do that this time but I am going read a few names.

These are just some of the 2,000 names who wrote thoughtful, informative, thought-provoking responses to us. People like Michelle Shipley, Chris Tatro, Sandy Whisman, Anna Kelley, Scott Boroughs, John Watkins, Jerry Willis, Stuart West, Jeff White, Kristen Alexander Wilcher, Leslie Bates, Christina Mason, Elizabeth Vasati, Thelma Blair, Damon Preston.

Yours are some of those I thought about weaving into this conversation. I'm not going to but in the days

and weeks ahead I am going to take some of those emails and respond to them probably one-on-one directly in the form of a video response to the questions that you raise. I want to thank each and every one of you again more than 2,000 who took the time to weigh in.

I want to thank the cabinet secretaries. It is nearly unprecedented that you would have a cabinet that two plus years in is in its entirety the same group that is still here. I don't know where they're all sitting. There they are up here. I want to thank you for the work that you have done. How about a round of applause for our cabinet secretaries?

The fact that they still all sit together and like each other, spend time together inside and outside of work, truthful grateful to each and with every one of you for what you do to lead the commonwealth forward.

I want to thank our lieutenant governor who has been my right arm through the last two years and change and a year before that. I thank you for the job you do to represent Kentucky so well day in and day out in so many organizations and throughout our schools, et cetera. Thank you to our lieutenant governor. Appreciate it. Thank you.

I want to thank the person for whom it would be possible for me to do this, I want to thank my wife and our children who have put up with tremendous sacrifice in order to allow me the opportunity to serve alongside those of you in this legislature. So thank you to my wife, the First Lady.

I want to thank another group that often perhaps doesn't get thanked enough. We get excited about new companies coming, as well we should. We get excited about new jobs being created, as well we should. But there are any number of other companies that have already been here some for many years, and I want to put up on the screen and, Gary, I don't know where you went but I'm going to ask you to do it because I didn't really learn how to use the clicker.

That is a group of about 68 companies that employ at least a thousand people in Kentucky already. And I want to thank these companies who employ so many of our fellow citizens. It doesn't even include some companies like GM that employ hundreds down at the Bowling Green Corvette plant and hundreds more in various dealerships. It doesn't include companies like a Papa John's that has 500 some people at its headquarters and hundreds more around the state. This is just that have these many people located in one or two facilities. It doesn't include those with retail franchises. So there's even other companies perhaps that aren't on this list but it is many, many dozens who employ so many of our fellow Kentuckians and I'm grateful to you.

I want to say three things before we start, and I'm going to touch tonight on just looking briefly back at 2017. I want to look back briefly on 2017. But I really want to look forward to 2018. And the three things that I want to say before we look either back or forward is this: first of all, I love Kentucky. I genuinely, passionately, sincerely love Kentucky. And I know that that is not an emotion that I alone share. And I'm grateful for the fact that so many in this room and so many watching feel the same way. And so much of what we have done and what we are doing and what we intend to do going forward is driven by that fact.

I want to say secondly, especially to those of you in this room, those of you legislators in particular but then also to the people of Kentucky, I want you to know that I pray for you. I pray earnestly for you. I pray individually for you. I pray for you as a group. I pray for the people of Kentucky. I pray for the

commonwealth that we will be blessed, that we will be preserved from so much that has potential to harm us. I'm a person who believes in the power of prayer, and I want each and every one of you to know that I pray for you.

I also want you to know thirdly that I'm excited for the future of Kentucky. I'm really excited. One of the greatest compliments I got was recently speaking to a reporter who said to me, "You always seem enthusiastic about things."

I'm enthusiastic because I believe in the upside possibility here. The future of Kentucky is bright indeed. I love Kentucky. I pray for you and I'm excited about the future of the commonwealth. I want you to bear those things in mind as we take a brief look backward at 2017.

The reason I'm excited, the reason that I truly believe in the future is because I believe in the American dream. The American dream is a real thing. It truly is. I've lived it. I've experienced it. So, too, have many of you. So, too, have many of you who are watching. And I want that opportunity for the children yet to come in the Commonwealth of Kentucky.

The American dream doesn't come in a box. It doesn't come in some form of a government program. It comes as the result of opportunities that people like us make. That people like us influence the outcome of what people's futures look like.

If we look back at 2017, we've had a couple of challenges. We've been left with a whole lot of things that we need to clean up. Literally and figuratively, some physical things to clean up. Others more figurative. Things of a policy nature. Things of a financial nature. One of the things we've talked about in the briefs that we have shared with some of you is that the real budget focus this year is getting our financial house in order. And this is something that we have talked about for quite some time. But looking back at 2017, I want to show you something here.

This is a slide, those in blue are the top 50 job announcements in 2017 in the counties that they are going to. And some of them, of course, will pull from people in other surrounding counties, but that's where the jobs themselves will be located.

The ones in orange in the top 100. The ones that appear to be kind of gray because they're striped are counties that have companies both in the top 50 and the top 100. I share this with you because I want you to understand that when people talk about economic development, they talk about jobs, everybody wants them in their neighborhood and so even when there's an announcement made, people say, well, it's only happening here but not there. This was just this past year. It covers a pretty amazing amount of Kentucky. It literally covers the northernmost, southernmost, easternmost and westernmost counties of the Commonwealth of Kentucky.

The job opportunities are coming, but these are seeds we're just putting into the ground. We're putting these seeds into the ground now, but they will bear fruit for many, many years to come, and I wanted to put that up there for you as a reminder of that which we have, in fact, done.

I want to show you this next slide as well. This is a before and after of our own state capitol, the very building that we sit in right now. Take a look at the difference. So many of us have seen this building, worked in this building, spent time in and around this building over the last years, in some case decades. Do you realize this building had never been cleaned since it was built? Ever?

We're going to clean up Kentucky. We're going to do it in any number of different ways. But this is the embodiment of what we're talking about. The only part that is yet to be cleaned is the dome, and you can see it still has a lot of the same discoloration that the entire building used to have.

When we talk about the future of Kentucky, the potential of Kentucky, I want to recognize the fact that we have it in our power to make this possible by picking up trash after ourselves, by opening doors for one another, literally and figuratively, by looking out for our neighbors, by taking care of one another, by beautifying the Bluegrass and taking care of our own communities. By looking for things that need to be cleaned, should be cleaned, have not been cleaned, and then cleaning them, we change the perspective we have on how we view ourselves, how others view us. It changes our whole mindset, our whole attitudes. Gives people hope and encouragement. This is what we're trying to do.

The policies that you have put into place, you in the legislature, those of you who have passed legislation last year, the policies you put into place have led to the kind of record breaking investments that we've had. Previously, the best year we ever had in Kentucky: \$5.1 billion of capital invested in our state in a single year. This past year: \$9.2 billion. Directly the result of policies that you put into place last year. Things like right-to-work. Things like repealing prevailing wage, things like all the other things we've done to make it clear that we're getting our house in order. These are the types of things that have attracted people to our state.

17,000 plus jobs were created last year. The most since 2000. Things are changing but these again are seeds that are just now going into the ground. I want to take a look at this next slide real quick. I want to speak briefly.

This is how many of you are in elected office in these two chambers. I want to speak to each of you but I also want to speak to those of you that are watching before we start talking about 2018. What happens in 2018 is going to be driven by 138 men and women. 138 out of 4.5 million people. That's 3/100,000 of the population of Kentucky will make the laws, will make the rules, will spend the money, will make the decisions that affect every single bit of every single life in the Commonwealth of Kentucky. Three out every 100,000.

I want to speak to those of you who have this responsibility yourselves. But I know for a fact some of you are not going to be running again. Some of you are retiring. Some of you are going to be pursuing other things. That's going to leave open opportunities. And I want to speak directly to those of you who are not in this chamber. Those of you, perhaps you're in this chamber but perhaps you're somewhere at home and you've thought about serving at some point in time. I want to encourage you to step up and throw your hat in the ring. The greatness of Kentucky and the greatness of the political process in America as a whole is in fact that men and women who understand how wealth is created, who have created payroll, who understand how to budget, who understand how to spend their own money easily and thoughtfully than they would want to spend others' money. Those are the men and women that we need to run. 138 is all we need. So many are already here and so many will be back, and I'm grateful for that fact. But for those that are not going to be coming back, for those where there's an improvement to be made, I would truly ask if you're out there to think about throwing your hat in the ring, because those that come here every day to serve the commonwealth, led by these men behind me, our Speaker David Osborne and our President of the Senate, Robert Stivers, they need 136 other people with them, and I want to challenge you please to throw your hat in the ring. And for those of you who

are not even sure if you're going to do it again, thank you for serving. Thank you for your willingness to be public servants. It is at times a thankless task, but we need that 3/100,000th to do the job.

I want to read you a quote that was written. We're in an interesting time right now where the weather causes us to kind of hunker down inside, and on a similarly cold December night in 1776 there was a man not even 40 years old who hunkered down inside a house, took a pen out, sat at the paper and wrote these words, the first line of which you all know. The next lines of which you may not. Not even 40 years old, this man, Thomas Paine, wrote:

"These are the times that try men's souls. The summer soldier and the sunshine patriot will in this crisis shrink from the services of their country, but he that stands by it now deserves the love and thanks of man and woman."

These, too, are the times that try our souls here in the commonwealth. We may not be at war as our nation was when those words were written. But the battles, the divisiveness, they continue. We find ourselves under assault. We find ourselves divided on issues of morality, on issues of spirituality, on issues of politics, on issues of ideology, on economic issues. These too are the times that try men's souls. And again, it is the 138 that will be here through this session and the 138 that will follow them into the next session and into the next generation and into the next century that will always be 138 Kentuckians that whenever the times are tight and trying will step up and stand in the gap.

I want to take a look at what we're talking about in 2014. -- or 2018, I'm sorry, as we look forward, so long we have had issues that have been ignored, and I want to put a graphic up here that will be perhaps a little bit of an amusement to some but speaks to the truth of about we're about to discuss. This is the truth about our challenges.

We have in the commonwealth lined up for many, many years, some intentionally, some not, realizing that's this were in this line being told a whole lot of comforting lies, especially about financial issues. When in reality nobody wants the unpleasant truths. The unpleasant truths are a-plenty. And they need to be discussed. And I want to briefly take you through some of the things that we need to talk about as we look forward.

One of the things I want to make clear is this, and you can leave that up on the screen. One thing I want to make clear to you is that we are going to fund our pension system. 100 percent of the obligation that is owed. That is going to happen in this budget that I will be presenting that's going to be released publicly after this.

I'll come back to that in a moment. We're going to fend fund our pension. We're going to fix our foster care and adoption system. We have 8,500 children in foster care, 2,400 plus eligible to be adopted right now. Those numbers are only growing. We are going to fix that. You're going to see those efforts reflected in this budget. We're going to fight this opioid crisis.

There's only five more, so I'll pace you guys. We're going to fight this opioid crisis.

There are seven of them. There are seven things I want to make sure you understand, among the others that will be reflected in this budget.

This opioid crisis is exploding. It's not getting better, and we're going to spend the money, the resources and the attention necessary to address this problem in Kentucky like it's never been addressed before.

We're going to invest in education and workforce development like we never have before. We're going to continue to invest as we have done in the last two years, the first two years of this administration, by investing more money per pupil in SEEK than has ever been invested in the history of Kentucky.

That number is not going to be changed. The amount that's being spent in the classroom is still there in the budget. We'll come to specifically where there will be change as we move forward. But education in the classroom, education with workforce development, these areas are going to continue to be a priority as we move forward.

We're going to reform entitlements in this state. Kentucky is going to lead on this front. You have seen this of late. We did us have our 11-15 waiver approved and Medicaid for able-bodied working aged men and women without dependents is going to change. The expectation and the opportunity and the incentive for people to do for themselves is going to change. We are going to see the impact of that as we move forward. That's going to be implemented starting in July. And the opportunity to connect people to the dignity and the opportunity associated with doing for themselves is going to start happening, and I want to thank those who have worked tirelessly to get us ready, and for Kentucky to be chosen as the first in the nation for this, to be a model for the rest of America is a high compliment to the tremendous works that has gone into making that possible.

One of the primary roles of government is public safety and we are going to remember roles of government. We're going to opt to keep the KLEF funding at \$4,000, the highest it's ever been. We're going to continue to invest in our law enforcement.

We're going to buy new automobiles so that these law enforcement officers, our state police, are not driving around in cars with 200,000 miles on them. You see so many of the accidents and problems that we have had come from that. We're going to get them modern weapons so that they're able to protect us.

That is one of the roles of government, and we are going to invest in our law enforcement officers in 2018.

We're also going to at the same time, as part of that, focus on our prisons and prison reform. I want to make one commitment to you. Certainly no budget that I'm ever going to be putting my stamp of approval on, we're not going to invest another dollar in building another prison here in Kentucky.

We're not spending any more money building prisons to warehouse people. We are going cut down on the recidivism, we're going to find ways to pour into people who have screwed up, who are in prison so that we rehabilitate and re-assimilate them and don't have them recidivate back into the system over and over again. We can do this as part of the way in which we focus on protecting and serving our people.

The final thing I'll say is this: tax reform is coming. It is coming.

Whether it comes as a part of this session time will tell. It depends on the band width and the appetite and the opportunity that beholds us.

But we will in 2018 address tax reform, and it's not simply going to be, and it's not simply going to be, as some would have it to be just raising taxes.

It's not a simple function of raising a tax here and raising a tax there "and that's tax reform." It needs to be comprehensive, it needs to focus on making us competitive. It needs to be focused to make sure we compete with states around us all over this country as well as those that border us, to make businesses want to come here.

These are the things that we're going to be focused on in 2018.

As I said a moment ago, the focus of this budget is to get our financial house in order. I want to speak to a few of the specifics of that.

A few of the specifics that I want to speak to are things that relate to things that we're calling for, and I'm just going to read a few of these.

I talked about funding the pension like we've never funded it before. In this budget that's being presented for you all to consider, there is for state employees, there are currently over \$1 billion being funded in the biennium that's going to be put into our state retirement system, our KRS.

\$1.1 billion. This is fully funding not only the ARC as it has been called.

But -- fully funding what has been owed.

By fully funding it we now have an understanding of how much is truly owed, our obligation.

I want to make it clear to some of those in this room, certainly those watching don't necessarily understand. You hear we're 13% funded.

What does that mean? What 13% funded means, is that if you're a state worker in the krs non-hazardous plan which is 13% funded, which it is, and you're expecting to retire some point, if there's 100 of you, 13 of you will get what you think you're going to get. ,87 of you won't.

That's what 13%-funded means. 87 out of 100 will not get the retirement they think they're going to get.

And for those of you in other plans, maybe the KTRS plan, teachers, that after a strong year in the markets last year, people are appropriately feeling good and happy that we're more funded than we were and yet we're still only 56% funded. What does that mean? That means that 56 out of every 100 teachers that retire will get what they think they're going to get and 44 of you won't.

It's not as simple as that, of course. It could also mean that everybody gets 44% less than you think you're going to get.

But the bottom line is, the money's not there. So whether it's the KTRS, whether it's the KRS plan, we are going to be funding these like we never have. Never in the history of Kentucky, the whole idea of an arc was put into place back in 2006, '07, '08 because 12, 15, 20 years ago we were fully funded. 15 years ago we were still fully funded for most of the plans.

Starting about 15 years ago, that began to change, and so about 12 years ago there was the realization that something needed to be done, and so this Arc was -- this actuarially required contribution was put in place, and it was then suggested to the legislature that certain amounts be contributed.

Never once since then, never once in the history of Kentucky has the arc been fully funded for all of our pension systems, not one time, which is why we now find ourselves in the situation where they are all so severely underfunded.

This year they will be funded in their entirety for the first time in the history of the commonwealth of Kentucky.

[ applause ]

For the teachers' retirement plan, that means nearly \$2.3 billion in the biennium is being put into the ktrs pension system, \$2.3 billion.

14-1/2% of the general requirement goes to -- of the general fund -- goes to retirement.

And it's very difficult, though, at a time like this when you're putting this kind of money into the retirement system to be able to protect all of education, so let's talk about what this looks like as we move forward.

We are going to continue in this budget to fund seek classroom dollars at \$3,981 per pupil. It's the same as it was the year before. It's the highest it has ever been in the history of Kentucky.

Never have we put so much into that. It would be fantastic if we could put still more, but the reality is we don't have enough money to meet the obligations that this state has. So the \$3,981 is not going to be touched because frankly we've got to take care of making sure that we don't rob our students.

So where then is the money going to come from? It's going to come by cutting administrative overhead that's where it's going to come from. And we can go into specifics, some of which you'll see in the budget. I'm not going to go into that now.

Want to encourage to you look at our two largest school systems, in Jefferson County and Fayette County. In Jefferson County alone there have been articles, you have seen, more than 600 administrators making \$100,000 a year or more. That's more than \$60 million. Conservatively. And a lot more than that if you factor in the true numbers. 600 people making \$100,000 a year or more who don't touch your students, who don't teach in the classrooms, that's administrative overhead. That's where the cuts are going to come from.

We're challenging -- I'm telling you we need to clean that up in a big way.

[ applause ]

In Fayette county, Fayette county, well over 120 that are in a similar category. The bottom line is we have far too many people that are not teaching our students that are sucking up the dollars that are intended, that you all budget for our students. That is going to change.

We're going to expect the local school districts to contribute -- local school districts to contribute to transportation. More than they have in the past. It still needs to be done but they're not going to be funded to the same degree by the state as they have historically and we're going to ask them to get their overall administrative costs down significantly, the specifics of which are spelled out and you'll see in this budget.

But i want to make something clear because there are certain districts, and some of you know who you are, where you're already cut pretty thin, and yet

In Kentucky there are nearly \$1 billion currently being held in cash reserves by our school systems, nearly \$1 billion.

I'll bet that's news to many of you legislators. I know it is to many out there in the general public. It's over \$950 million that are currently being just held in the reserve fund.

We're going to ask these school districts to tap those reserves. This is exactly what it was intended for, for times like these that try men's souls.

This is how we are going to get through this budget crisis. This is how we are going to fund the obligations that we have.

We are going to continue to dedicate 100%, 100% of all of our lottery money to education. 100% of the proceeds are going to go to scholarships, just as they have, to ensuring that young people have educational opportunities.

While it would be tempting and easy to think we should sweep that money to offset things, the people agreed to that lottery under the assumption that those monies were going to that purpose, and that's exactly what we're going to do, and we owe them the obligation of keeping that promise to them and to the young people and not so young people that will benefit from that.

[ applause ]

We're going to go ahead and put another \$100 million in there for another workforce bond pool, and I'll tell you why we are. Two years ago we did this for the first time. And in the course of doing that, we weren't sure whether we would even have enough in terms of applications. We did.

\$540 million worth of applications for that \$100 million potential investment from the people of Kentucky. We got to choose the best 18% of those.

But guess what? We didn't fund anything that was requested at 100%. In fact, on average we requested them less than 50%. We funded them less than 50% of what was requested.

The net result was the state of Kentucky invested \$100 million, and those local jurisdictions and local businesses invested another \$150 million.

Allowing the investment \$100 million that you supported last time we had a budget to turn into \$250 million worth of investment in Workforce Development. That's the kind of investment, we're looking for when we spend the taxpayers' money.

So many of the emails that we received came from people that are involved in our criminal justice, in our criminal defense, in our prosecution.

We have received a lot of thought, some of those names that I read, you'll recognize. You know what you wrote to us. That was heard.

We have caseloads that are insufferable. We are losing good people. People that we can't afford to lose and don't want to lose. People who don't want to leave their jobs because it's coming at a toll on them and their families and their health in ways that's not fair to expect of anybody.

So you're going to see us investing money like we never have any time in the history of Kentucky in not only people on the prosecutor's side but people on the public defense side, and you're going to see money in this budget to hire 75 new prosecutors and 51 new public advocates in this budget that's going to be presented to you.

[ applause ]

This investment will make a profound difference in terms of the backlog of cases that we have. This will allow people the opportunity to get out from underneath that. This is money that will be well spent.

We're going to leave the cleft money alone, as I suspected we're going to continue to – as I said. We are going to continue to use those monies to provide a \$4,000 stipend to our top certified law enforcement officers. The details of that you will see if there.

Also as I said we're going to take care of funding things like cars and weapons and other things that are needed by our law enforcement officers.

Medicaid I talked about already as it relates to the 11-15 waiver and the changes that'll be coming.

In this budget you are going to see an additional \$34 million being applied to the battle against the opioid drug crisis. That's a significant sum.

We have put significant money in before and it sadly isn't even enough. But \$34 million will go a long way. Many of the specifics of where and how that is being applied you will see in the details of this budget. But 34 additional million dollars we're going to additionally put in millions more focusing on pregnant women that are addicted to drugs because the cost on the children that are born to an addicted woman and the cost on society financially, emotionally, sociologically, communally is too high. Far higher than any a money we're going to spend on this.

[ applause ]

Another area where people are just plain overworked, absolutely swamped, you walk into any DCBS office in Kentucky and you will hear the same story, I don't care which part of the state you're in. You will meet some of the strongest, most passionate, most well-intentioned, hard-working thoughtful people you've ever imagined but they're broken down. It's destroying them to be suffocated by a caseload that continues to grow. So we're going to invest tens of millions of dollars into DCBS and into hiring new people and increasing pay, the likes of which has never been seen. Let me give you some specifics.

[ applause ]

The first thing I want to say is this. Not everybody who works in the state government are the kind of people we need for the long term. That's a fact sadly. Most are. The vast majority are. What we want to do is make sure the people that are there, when this takes effect on July 1<sup>st</sup>, 2018 and beyond, that the people who are there are the right people, the supervisors are the right people, the workers are the right people, that they are here for the right reasons. We will do that over the course of the next six months, make sure we have the right people in the right seats on the bus.

And then what you will see from people who are caseworkers to people who are supervisors, you will see pay increases that range from 10 to 20 percent. We're not 1 and 2 per-centing people. 10 to 20 per cent. Significant pay raises to make sure with the right people we're able to keep them in place and cut down on this turnover that costs us far more money than we save by not investing in this.

So we're going to see changes in people's compensation. We're also going to have funding in there to be able to hire significant new people. We already have positions that are unfilled right now that are open that have been budgeted for previously. We're going to focus now with increased pay on attracting those people and making sure that we have more caseworkers and that they're more properly compensated. That will change in 2019-20 and beyond.

[ applause ]

You're going to see a program \$10.8 million for a new program specifically targeting adoption and foster care. Nearly \$11 million specifically for that purpose. You think about what is the role of government. It's to protect. It's to take care of those who are vulnerable, for those who truly need our help. It should not be as bureaucratic and insufferable as it is.

I want to show you another slide here that will speak to the heart of what we're talking about. I want you to take a close look at the back of these t-shirts.

This is the Derringer family from Louisville. The mother and father, 1218 Days. That is how long it took them from the time they tried to adopt a child in Kentucky to the time that that was first possible. I want to show you three other t-shirts. 437, 937 days. 1,043 days. Et cetera. These are the numbers of days it actually took these children to be adopted. I want to ask this family if you guys could come on up here, I want you to meet this family.

[ applause ]

[Editor's note. At this point, the governor recognized a Jefferson county couple who adopted three children, but had wait more than 1,000 days for one child to clear that process. Ashley Derringer talked about the long process and she asked the legislators to do whatever they can to make the process smoother and quicker for potential foster and adoptive parents.]

This is the face, this is what government is here for. It is only three, as Ashley has said, but I'll tell you what, it's three fewer. There's any number of people that are out there watching that might be able to take one, two

Or three children. We are going to invest in like never. We have said we're going to do it.

We're going to do it and we're going to put \$10.8 million toward making sure that we accelerate this because the idea that a couple like this, who want as desperately as they do to be part of the solution, have to wait between three and four years to even be able to do so is a "shame on us."

And we're going to fix this and we're going to focus on this with the efforts of the first lady and so many others in health and family services and dcbs specifically, and so many outside groups for whom I am grateful and won't even start to mention them all. I'll forget some.

But there folks inside and outside of Kentucky that are going hope to us address this make sure that we find homes for the most vulnerable among us, that we take care of everyone in Kentucky.

We're also going to be focusing on doubling in this budget -- it's a small number in absolute dollars but I think it's important many -- in light of all that's happening both in this state and outside of this state, so much attention to all the things that are happening that should or should not be happening in government. We're going to be doubling the budget for the Executive Branch Ethics Commission. They've been boot strapping it for a long time and we're going to double that money so that they have the ability to do the job that they need to do going forward.

A couple other things I want to touch on.

One of the ways that we make this happen, obviously to be able to fund the things that we are funding, something has to give.

Where does this money come from? If you put billions of dollars, more than 20% of the budget into the pension because that is the cost of making sure that pensions for teachers like Ashley actually get paid -- if those teachers

and others expect to actually get their pensions we need to fund that and if we do where is the money going to come from? There's only a finite amount of it.

So in the budget you will see that we have actually eliminated 70 entire programs, the specifics of which you will see. There's others, arguably, that could be and perhaps ultimately should be as well.

But you have to take the money from somewhere, and so there are 70 absolute programs for which zero funding is included in this budget, and they're scattered throughout state government.

We've been thoughtful about it, not indiscriminate. But had we not done so, then the next number I'm about to give you would be the number that so many of you have been expecting and anticipating and that I've heard hypothesized on. I've heard a thousand ideas of the double digit cuts that are going to come, and indeed if we did not do the things that we just talked about, they would be.

But the net result of all this that is overall cost in reduction is 6.25%.

Everything else in state government other than those areas that I've not mentioned before that are going to be, that are going to be cut, any other areas that we've kept uncut before and the areas that I just talked about with the seek formula for the classrooms and for law enforcement and things of this sort, veterans' affairs, et cetera, there are certain things that we are going to do our best to make whole, but for state government across the board, you're going to see a cut in the next biennium of 6.25%.

It's a whole lot less than it would have been had we not been as intentional in this budget. And it's less than what some were expecting but that's still a significant cut.

That's what it's going to take to balance our budget. We don't have any alternative. The only alternative we have is to generate more revenue, and that's a topic that will ultimately lead to our conversation on taxes.

I want to talk about debt though, because another solution I've heard from the past, I'm going to be very blunt here, there are people that are in this room who have many criticisms about the pension bill, they have many criticisms about tax bills that they've heard discussed who've never in their entire lives, and some have been here for decades, never had a solution of their own, not one, they have plenty, they love to go on TV and talk about everything that's wrong with what other people propose. But they have never had a solution.

In fact, some of them supported the idea that on the tax front, for example, or the pension front, I should say, that borrowing money to pay off the pension obligation was a good idea.

That was floated a couple of years ago. It didn't end up happening. It's like using your MasterCard to pay off your American express. It doesn't make sense.

It's a bad idea. For those individuals, I'm asking you get real, to be real, to step up and make honest decisions about the kind of ways in which we have to balance this budget because we have to do it by law.

But we're for the going to borrow inordinate numbers of dollars. Once again, we are keeping the amount of bonding in this budget to a much lower level than it has been historically. The ten-year average is over 6 and a half per cent. The ten-year average has been 6.58% of our budget has been associated with debt services.

In this budget it will be 5.63%, the second year in a row that it's below 6%.

And yet I will say, I will say this, that also includes a tremendous amount of money to take care of things like the amazing amount of deferred maintenance on our college universities. Our college university campuses have a tremendous amount, \$6 billion worth of deferred maintenance, and there is debt service allowed in here for that to start to be taken care of in conjunction with those Universities using their own resources to make it a priority if they choose to do so.

So we're taking care of again similar to the picture you saw of cleaning up physical things, we are going to invest in things look our university campuses.

We're going to invest this in things like our bridges and the buildings that we operate in, cleaning things and improving things and repairing things.

This is an obligation that we have, not only to those in the commonwealth now but for those that will come for years to come.

We also have got to put money in our rainy day fund. We are on trend right now, we're going to end our year, this fiscal year, and as you know we've had to cut the budget in order to make it fit inside of this year's actual dollars. We've had to cut the budget in an emergency cut just in recent weeks.

We're going to end our year with zero dollars in the bank. Think about that.

How many of you would recommend having nothing in reserve? Nothing, no matter what you earn.

You have nothing in savings, nothing in a checking account, something for an emergency. What if something happened like we have seen happen in other states in our country in the past six months happened here?

We wouldn't have the resources to be able to pay for it.

I'm putting in this budget half of the bare minimum we should have.

All credit rating agencies and others have said that we should have at least \$550 million in our rainy day fund. That's about 5% of our total operating budget. I'm putting in this budget half that amount. It's a fraction of what it needs to be.

It won't be looked upon as favorably as it might otherwise be by credit rating agencies but it's better than nothing.

And again I want you to bear in mind that we have universities that have hundreds of millions of dollars in cash reserve. We have school districts that have hundreds of millions of dollars in cash reserves.

Jefferson county school district has hundreds of millions of dollars in reserves. Why should one school district in our state have hundreds of millions of dollars more for an emergency but never be expected to use those, than the commonwealth of Kentucky itself does and the idea that we have nothing in our reserve is bad why and it's going to be, and I truly challenge those of you in this legislature to make sure we do not shortchange the possibility of something happening in this state and our ability to deal with it.

The last thing I'll say is just on the tax front. Modernizing our tax code is something we've got to do. It has to be brought into the 21st century. It just does, to be more competitive with states around us. And that is something that you are going to see proposals coming from me. And I want to hear any and all proposals coming from you.

I have put out emails asking every single legislator to weigh in with your ideas. I've heard from very, very few of you.

Some of you I've heard from, I appreciate the fact that you've weighed in, but the idea that just simply raising everybody's taxes isn't the solution.

But there are so many of you from whom I have heard nothing but complaints, nothing but comments about how your voice isn't being heard, nothing but plenty of negative commentary after 30 something years of being in this body and never having a solution.

We deserve better than that. For those of you that that might apply to I would say this. I want to show you one final picture here. And I'm going to actually hold off on that. I'm going to come to this in a moment.

I want to talk about at the end of the day why this matters. This matters because it's the responsibility of our state to take care of its people, to pay its bills, to educate, and provide infrastructure.

It's interesting you often hear of people that want to get a piece of the pie or people saying they get too much of the pie or we need to grow the pie.

I find it ironic and I noticed as I was writing about the actual role of government that it's actually an acronym, as I was writing out these three words in that order I noticed that they spell P I E: protection, infrastructure, education.

That's the role of government. That's what we're here for. If we provide for the protection of our people, the infrastructure needed to get goods and services to market and for the education of our people, that's the pie.

That's what this budget is intended to do.

I want to encourage you please to take this seriously. These are serious times. These are the times that try men's souls.

I'd love to sit here and give you lots of rah-rah. Nobody likes the idea of having to cut budgets. Nobody likes the idea of having to make these difficult decisions.

There is not enough money, and it's easy to throw stones without coming up with solutions. But now is the time where we need people who are experienced, people who are capable of coming up with solutions to do exactly that, to not just give lip services to working across the aisle but to truly work together to find what is best for Kentucky. We owe this to the people of Kentucky.

We need to actually balance our budget in a way that takes care of our obligations. So many of the things that we need, the protection, the infrastructure and the education, can barely be paid for even with this budget that we've put forward.

Then there's all the things that we want. If we want more of what we want, then we're going to ultimately have to have the resources to pay for it.

And that's going to come by continuing to put seeds in the ground, getting a tax structure and resolving our pension crisis and balancing the budget in a way that will attract other businesses, that when you have \$9.2 billion worth of investment going into the ground, that the jobs, 17,000 plus and growing, That will come from those investments alone will take root and germinate and the fruit will be borne for generations but it will take an environment in which we continue to fertilize the ground.

That's your job. I'll work with you and I look forward to it but I need and want your support and your help in order to do it.

Every year I've shared with you as part of my address a book that I would encourage you to read. The first year I recommended that you read a book called "Dreamland" and if you haven't read it I would still recommend it to you. "Dreamland." It's about the opioid crisis.

Last year I recommended you read a book called "Hillbilly Elegy." while it's salty and you may not want to have your young children read it, nonetheless, it's a powerful tale of what grips so much of our eastern part of our state in particular but frankly other parts of our state as well. If you have not read that I would encourage that you do.

This year I want to encourage you to read a different book and you see it up here on the screen. This was published a couple years ago by David McCullough. "The Wright Brothers." you say 'why that book?' this is a book about people who dream big. This is a book about people who believe in bigger possibilities.

My high school quote yearbook was by Henry Wadsworth Longfellow,: "lives of great men all remind us we can make our lives sublime and in passing leave behind us footsteps on the sands of time."

The footsteps that this legislature is going to lay down that our administration is going to lay down in conjunction with you, that we collectively are going to lay down for the people of Kentucky as someone's going to follow in them.

I want you to encourage you to read this book. It's a powerful story about people that you've heard about but maybe don't know much about, about the father and the sister who helped to make everything that the two brothers we've heard of, able to do the things that they did.

It's an incredible story. It's not long, 300 pages maybe. But I encourage you to read it and to dream big dreams, to think about the possibilities ahead of us here in Kentucky.

There is no reason why we cannot truly lead the nation. We're doing it now with Medicaid reform. We're doing it with prison and criminal justice reform. We're doing it on pension reform if we will pass the bill that you have the capacity to pass and that I know the votes exist and I look forward to having that done.

So many people are turning to our state when it comes to red tape reduction. I just gave my pin away to the young man that was here. I did warn his mother it was sharp if he took the back off it.

But the fact is we're leading the nation on things like that. And on so many things. Why not on economic development? Why not on what it looks like to

Have a rich environment for people to create jobs for future generations?

This is my challenge to you. Read this book. Dream big dreams. Let Kentucky aim high and disregard the ridicule as these two brothers did.

Disregard the seemingly overwhelming odds as these two brothers did. Disregard all the naysayers and all the dollars that seem to be lined up in other pockets working against you.

We do have limited resources. So, too, did they. They were so outgunned it wasn't even funny. But the bottom line is this, if you dream big dreams and you pursue them and you don't quit, what is possible is almost inconceivable.

I want to thank each and every one of you for your willingness to serve. We do have differences of opinion on any number of things but we need every single person to be at the oars.

We need every single one of you to step up and to serve like you never have in this session because we are going to lay down footsteps. They're going to lead one way or they're going to lead the other way.

And the great men and women who comprise this legislature are going to be followed and the things that you do are going to be followed by 4.5 million and growing other Kentuckians.

So let's lay down deep, bold, straight footprints for others to follow in the years to come. And let's dream big dreams.

I thank you for the opportunity to serve you. I thank you for your attention to this. I thank you for your thoughtful consideration of the budget that will be presented to you.

It is a realistic budget. It is one that is not wishful thinking. It's one that we must pass. And it will set us on course for to get our house in order so that the future will be bright and so that our excitement that we have will continue to be as real as it is today.

Thank you for your time and attention, for your service to the commonwealth. May god bless you and may god bless the commonwealth of Kentucky.

[ applause ]