

**STATE and LOCAL GOVERNMENT REACTIONS:  
Summary of a Panel Discussion**

Moderator: Larry Hayes, Secretary, Governor's Cabinet  
Panelists: Dr. Charles F. Haywood, Professor of Finance, UK  
Edwin L. Griffin, Executive Director, KY Municipal League  
Prentice Harvey, Executive Director, KY County Judge/Executive  
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In the near future there will be no new money, no windfalls, no excitement, and the economy will continue to grow at predictable rates.

We have to make the problems that the state faces and that the local units of government and other constituent groups face relevant to the people in Washington. Often times, we get very frustrated at how little we seem to be able to accomplish. It's a matter of priorities; somehow and somehow we need to make the problems relevant to the choices that are made in Washington. Every year the federal budget continues to rise. The deficit continues to increase. Money is being spent in areas that are of less concern to us than our transportation problems, and that isn't likely to change.

Certainly one solution to funding better transportation is a tax increase, but it will be at the state or the local government level. Historically, counties and cities have lived and died with the property tax. There are problems with that now, partly because of the statutory law and partly because of what's happened to the value of property in this state. It is not increasing at the rate it once did, so more cities and counties are looking at payroll taxes.

This brings up a not so uncontroversial subject. I think the payroll taxes in many communities where the counties have levied them are up to the maximum liable limit. Add to that the predictable situation that by the time a tax increase comes up for a vote, it's going to have been portrayed as opening the flood gate for new taxes for the people; the tax increase is defeated before the ink is dry on the proposal.

If a tax increase is going to be considered at the polls, mayors, county judges, and local officials need to work very hard to help the public understand the reason for it, whether it be a tax on property, payroll, or whatever. It's a hard message to get across. Equate it to what can be called a tar baby. The state keeps passing the tar baby down to the local governments, and the locals keep coming back and leaving it on the state doorstep. What we ought to do is all get together and decide we're going to get on the same plane and put the tar baby down where it belongs. The real resources are in Washington. The priorities are set there, not just for Kentucky but for the entire country. They emanate from Washington; and when the priorities are decided, that's where they are decided. Washington determines what is important to us. At the state, city, and county level, we are close enough to a problem to know the story about the individual involved. However, in Washington, everything is a number -- they never hear about the individual. And so the problem of funding becomes one of communication. The state and federal legislatures are no more willing to pass taxes than are our local officials.

It's frustrating that we know all the problems and we have none of the solutions. We sometimes have no choice but to use the crystal ball, hope we haven't reached the bottom, and hope even more that the way back isn't too far or too difficult.