



GLI Gubernatorial Candidate Survey

May 2007

Greater Louisville Inc. serves as the “voice of business” in advocating policies and investments that contribute to a higher quality of life and level of prosperity for our community and Kentucky. Helping our members be as informed as possible on the issues and elected officials representing them is of extreme importance to us.

Bringing together our members' individual choices and GLI's collective voice of business creates a powerful combination for our community – a combination that does, indeed, make a difference.

Each election season, GLI prepares a candidate questionnaire for distribution to our members to assist them in making informed voting decisions. The questions included in the questionnaire represent issues that our members have indicated are of particular importance to them, both personally and professionally.

Responses from eight of the nine candidates in the upcoming Kentucky gubernatorial primary are included in this guide. One candidate did not provide responses to GLI.

Due to space considerations and to maintain equity between candidate's answers, we requested that responses to each question be limited to approximately 200 words. Each of the candidates provide detail on their positions on issues and policies on their respective websites, which are listed in this guide.

We appreciate the candidates taking time to complete this survey.

Remember to take time to vote on May 22!

List of Candidates

Candidate: **Steve Beshear**
Party: **Democrat**
Running Mate: **Daniel Mongiardo**
Website: www.stevebeshear.com

Candidate: **Otis Hensley**
Party: **Democrat**
Running Mate: **Richard Robbins**
Website: www.otisbullmanhensley.com

Candidate: **Ernie Fletcher**
Party: **Republican**
Running Mate: **Robby Rudolph**
Website: www.ErnieFletcher.com

Candidate: **Bruce Lunsford**
Party: **Democrat**
Running Mate: **Greg Stumbo**
Website: www.lundfordstumbo2007.com

Candidate: **Gatewood Galbraith**
Party: **Democrat**
Running Mate: **Mark Wireman**
Website: www.gatewood.com

Candidate: **Anne Northup**
Party: **Republican**
Running Mate: **Jeff Hoover**
Website: www.NorthupHoover2007.com

Candidate: **Billy Harper**
Party: **Republican**
Running Mate: **Dick Wilson**
Website: www.harperforgovernor.com

Candidate: **Jody Richards**
Party: **Democrat**
Running Mate: **John Y. Brown III**
Website: www.jodyandjohny.com

Candidate: **Steve Henry**
Party: **Democrat**
Running Mate: **Renee True**
Website: www.henrytrueforky.com

QUESTION 1

Do you support construction of the state's major transportation projects – including the Ohio River bridges and reconstruction of spaghetti junction in Louisville? If so, how do you propose Kentucky fund the project?

Beshear: Yes, I support the Ohio River bridges and spaghetti junction projects. For many years the Administration and the Legislature have been robbing Peter to pay Paul, taking money from the road fund to dump into the general fund. This has to end if we are going to adequately fund our transportation needs.

In addition, Dr. Mongiardo and I will utilize a portion of the \$500 million a year in additional revenue from limited expanded gaming to ensure funding for these important economic development projects.

Fletcher: I absolutely support these projects moving forward and I have worked hard to move them beyond a concept to beginning stages of the project with \$2.5 billion in funding. I will continue to work with the General Assembly to ensure that we will have the resources we need and Louisville deserves. I have worked hard to eliminate tolls in Kentucky, and am committed to do everything I can to fund those bridges without tolls.

Galbraith: I propose to raise Kentucky's gasoline tax by 5 cents per gallon to pay for our major transportation needs. When gas was 35 cents per gallon, a nickel was big. But now it is a smidgeon, given the 30 and 50 cent raises the oil companies put on us regularly. And we need it to protect our traveling citizens.

Harper: I believe that these are important projects for the future of Louisville and the future of our state's economy. What I don't believe however, is that an inordinately large percentage of our state road funds should be devoted to Louisville while letting other projects in other portions of the state lay in need. This is a problem that can be solved through privatization.

Privatizing road projects will increase efficiency and stretch our road budget dollars. I also believe that privatized tolls on new bridge construction in Louisville, Henderson, Northern Kentucky, and all across our state is a viable option to ensure that the needs of all communities are met, not just those with the biggest, most expensive projects.

Henry: I do support the bridge projects and the reconstruction of spaghetti junction. A key element of my agenda will be a top-to-bottom review of state agency functions to be conducted by my Lieutenant Governor; Fayette County PVA Renee True, which will identify a number of places to cut spending or change priorities. Other states, such as Texas and Rhode Island, have recognized multibillion-dollar savings opportunities from that type of audit process.

Hensley: I will support these projects. My economic plan will produce \$1 billion budget surpluses in later years relative to today's budget. I will not raise taxes or support toll roads

Lunsford: We need to fund our transportation and infrastructure projects to grow our economy. We'll make sure we are getting our fair share of federal transportation dollars and ensure that state transportation dollars are not being wasted.

Northup: During my Congressional tenure, I worked to obtain funding for the Ohio River bridges and I am still in full support of this and other mega projects around the Commonwealth such as the Northern Kentucky Spence Bridge, I-66 and I-69. Before we consider tolls, Kentucky needs to address all of these mega projects and how to fairly allocate resources around the state. Tolls should not provide an easy way for the governor to use the transportation dollars for his political benefit instead of the public good. We must put an end to the practice of passing out blacktop checks without any type of plan, as this administration has done.

Richards: No response received.



QUESTION 2

At GLI, we believe that increasing educational attainment of our citizens is critical to the future of the Commonwealth. More education equals more success, higher salaries and better jobs. What will you do to support improving the educational attainment of our citizens – from kindergarten through higher ed?

Beshear: Our future depends upon educating all our children to compete for the best jobs – so that we can bring those jobs here to Kentucky, and keep our children here. In order to ensure our children receive a quality education, as Governor, I will make every dollar count by conducting a full education review and updating and/or revamping programs that need changing and eliminating those that are redundant and/or ineffective. I also will focus on improving classroom safety and discipline as well as convert larger schools into smaller ones and reduce classroom size so teachers can teach and children can learn. In addition, we must get back to the basics and make sure our children master basic reading, math and science skills and ensure that intervention is available for students who need extra help. Lastly, I will make higher education a viable option for more young Kentuckians by making more advanced placement courses available, and strengthening high school curricula to reduce the need for remediation.

Dr. Mongiardo and I have also proposed what we call “Kentucky First” scholarships, which are forgivable loans for college students who commit to living and working in Kentucky for at least four years after graduation.

Fletcher: Education is a priority of the Fletcher administration. Unlike many politicians that make this claim, we've put our money where our mouth is. Thanks to the more stable financial foundation we have created for state government, we have been able to provide record funding to education.

P-12 education funding is receiving record increases in funding after a decade of flat funding. This funding has not just gone blindly into the system, but to establish better tools of accountability. We have invested in the technology necessary to create a statewide system of longitudinal tracking, which will track student performance in real time and make it available on the web for parents, and help us identify a student that needs intervention before it's too late. I have advocated directing enhanced compensation to teachers that volunteer to teach subjects of critical need or at low-performing schools, and will continue my efforts to make Kentucky a place where good teachers want to work.

Postsecondary education base funding has seen a 20% increase in average annual funding during this administration compared to the previous eight years. Postsecondary education capital funding has received a 130% increase in average annual funding over the previous eight years, while maintaining a responsible debt level for the state, below 6% of revenues.

Despite these funding increases, tuition continues to rise. In my State of the Commonwealth speech, I called for the creation of a Kentucky Covenant, a pact with Kentucky students that if they work hard, earn good grades and take rigorous courses, that we will guarantee an affordable college education in this state regardless of financial means. Using part of the reserve of the surplus, we can build a program to accomplish this goal.

Galbraith: See my extended answer to this at www.gatewood.com. We propose giving every high school graduate a \$5,000 voucher for books, tuition and fees to any institution of Further learning within Kentucky. We must train our C and D students into employability also. There is no creature comfort and no money ever hits the student's hands. Only after they make up their mind they want to be trained in a career does the state cut a check to their training facility.

Harper: I couldn't agree more. Increasing educational attainment is the key to economic development, lowering health care costs and crime rates, and increasing the standard of living in Kentucky. I have invested a major portion of the last 20 years of my life to reforming the educational system in Kentucky. As the chairman of the State Chamber of Commerce at the time I was heavily involved in the KERA reforms, but unlike many of my contemporaries, I knew we couldn't just stop there.

In 2005, I organized and chaired the Business Forum on Kentucky Education, which produced 52 recommendations to reform education in Kentucky and are now commonly referred to, collectively, as the Harper Report. As Governor, my focus would be on implementing the over 50% of the report that has yet to be enacted.

These include:

- focusing on early childhood development so that we can identify children with learning disabilities or other ailments that, untreated, may retard their learning curve;
- bringing business people into the classroom so that students understand how the things they are learning will help them get a good job in the future;
- removing the stigma that those who work with their hands are less than what they are. Our students need know that an associate or vocational degree will give them a trade or skill that offer them a decent wage and make them contributing members of society.

Henry: I agree that Kentucky will only be able to compete in the world economy if we make the right kind of investments in education and demand accountability for results. For example, for primary education, I will work to improve our focus on math and science education, and improve the school learning environment with a commitment to childhood health and nutrition led by a newly-created Kentucky Surgeon General.

For college, I'll restore our investment in Bucks for Brains, and my “Coalfields to Cornfields” plan that will make a new \$200 million investment in renewable energy research to make Kentucky institutions leaders in energy research.

Hensley: I will provide more money for low-cost loans for college, vocational, and trade school students. I will put pressure on universities to reduce costs and find new sources of revenue to control rising tuition. Many colleges could become “profit centers” if managed properly. I will work to reduce the paperwork burden on our teachers, providing more time to work with students. I will provide low-cost loans for parents to send their children to kindergarten and pre-kindergarten programs of their choice. I will work to create enough jobs so that there will be plenty of good jobs for students when they graduate, providing additional motivation to learn and reducing the “brain drain.”



2007 GLI Gubernatorial Survey Responses

Question 2 (cont.)

Lunsford: I've proposed universal pre-Kindergarten so that every child can have a head start in their early childhood education. We need to strengthen our math and science curriculum, so that our students are prepared for jobs in the global economy. I've proposed the Valuing Teachers Tax Credit so that businesses can invest in our public schools and help raise teacher salaries. We need to make higher education more affordable, so more Kentuckians can go to college. I've proposed locking in in-state tuition rates for every entering freshman class for four years and investing in need-based financial aid.

Northup: My first priority in reforming education is to examine our testing system and update it so parents and teachers have an easier and clearer way to track their child's progress. Next we must bring new emphasis to math and science education in the classroom. We must prepare our kids for the technical jobs of the future. Meanwhile, higher education must be affordable and colleges/universities should become closely tied to Kentucky's economic development. It three and a half years, this administration has done nothing to address these issues.

Richards: No response received.



QUESTION 3

The rising cost of health care is a major concern for our member businesses. How would you recommend state government address the rising cost of health care and increased accessibility?

Beshear: State government must actively work to control the runaway costs of health insurance. This is the first step in reducing the cost of health insurance across the board and making health coverage more affordable for all Kentuckians. Slowing the rise of health care costs will enable us to realistically put a plan in place to provide universal health care to all Kentuckians. In my Patients First plan, I stress the importance of controlling health care costs by expanding e-Health technologies to reduce costly medical errors and the overuse of health care, expanding preventive care, cracking down on Medicaid fraud and abuse and strengthening the provider safety net to provide health insurance to more low-income, working Kentuckians who currently lack health insurance.

In addition, as Governor, I believe it is essential that all Kentucky children have health insurance. To accomplish this, I have called for expanding Medicaid and K-CHIP programs to cover more children and providing a buy-in option for families above the income threshold using a sliding payment scale.

Fletcher: Reforming healthcare started with Medicaid, where we have eliminated an inherited \$1 billion shortfall and created a national model program. In prior administrations, Medicaid was a problem that was addressed by rapidly increasing sums of money; now it is a program that is interactively managed to improve the health of its recipients.

We have also passed three consecutive years of health insurance reform designed to expand access to insurance and healthcare for Kentuckians. We have created affordable plans specifically tailored for small businesses to offer their employees, and begun the ICARE program to encourage small businesses to provide new coverage.

Because we have run government efficiently and reformed Medicaid, we have been able to generate a surplus with recurring revenue from improved economic growth. From this surplus we will place an unprecedented amount in the Budget Reserve Trust Fund which will provide us flexibility as we work to continue to reform and expand access to health care. We will also continue to push to a solution to abuse of the medical liability system.

Galbraith: We are too poor to have universal health care so I would invite in every health insurance company in the world to compete with each other to offer us the lowest cost, most comprehensive policies available, then I would fully fund the County Health Departments to provide a safety net for the very poor.

Harper: In Kentucky, our biggest problem is not the high cost of health care; that's only a symptom. Our biggest problem is that we are an unhealthy state. That is why I believe we need universal wellness, not universal health care. Everyone, from our children to our adults need to know that their health care costs will go down if they chose to live in a healthier manner. Our children need nurses in the school, more recess time, and proper training in hygiene, diet, and the dangers of drugs, alcohol, and tobacco. Our adults need to be better educated on the dangers of prescription medication and the fact that exercise and dietary changes can lower cholesterol, not just prescription drugs.

My goal as governor will be to make Kentucky a healthier state. We can put a band-aid on health care to bring down costs in the short term, or we can start to get serious about our health and permanently fix the problem in the long run. When I fix a problem, I like to know it's going to stay fixed.

Henry: Improving public health has been a mission of mine all along – as a trauma surgeon; as Lieutenant Governor, where I chaired the Commission on Child Nutrition and helped end the sick tax; and as a private citizen and cancer survivor, where I founded the Kentucky Prostate Cancer Coalition. Expanding access to affordable health care – which, in turn, will reduce health care costs for the rest of us – will be one of my top priorities as Governor.

As Governor, I intend to create the Office of Kentucky Surgeon General, to give a single individual the high-level authority to coordinate state and local public health campaigns on issues like smoking, obesity, and preventive care. Kentucky's Surgeon General will also serve to spread the word about best practices among Kentucky's state governmental departments and local jurisdictions.

And I intend to change our health care priorities -- to shift our focus towards lower-cost, higher-impact actions like preventive care, pre-natal and well-baby programs, and more aggressive outreach to underserved communities, as well as emphasizing "continuity of care" for a population that is too often allowed to slip through the cracks.

I also intend to replicate a successful North Carolina plan that has allowed counties to negotiate cheaper inoculations, that has moved the state closer to universal childhood vaccination.

Hensley: I will (1) form a commission to review the health care industry and find a way to operate that will reduce the cost of health care and bring more health insurance companies into Kentucky; (2) form a commission to review our worker compensation system and find a way to reduce its cost; (3) allow Medicaid recipients to work without losing benefits; and (4) open the Medicaid program to allow those who do not have health insurance now to buy in.

Lunsford: I've proposed a universal health care plan so that every Kentuckian has access to affordable and quality health care. A real universal health care plan that works will provide quality care to all Kentuckians, lower the cost of health care, and make Kentucky a more attractive place to live. We will emphasize preventative care, good nutrition and wellness programs. Lower health care costs will also make Kentucky more attractive for businesses, thus growing our economy.

Northup: By promoting catastrophic coverage and Health Savings Accounts, we ease the strain skyrocketing healthcare costs have on businesses. Catastrophic plans with high deductibles prevent workers from losing all they have because of costly procedures, while HSA's let people save funds they can use for various medical expenses. Buy limiting catastrophic coverage to companies with fifty or fewer employees, as this administration did, these policies are not widely available.

Richards: No response received.





QUESTION 4

This past session, Louisville and the other urban areas received significant funding compared to previous budgets. What will you do to continue to invest in the economic engines of the state to raise revenue for the entire commonwealth?

Beshear: Jobs, jobs, jobs. There's little more as important to our economic success than guaranteeing the availability of good-paying jobs for Kentuckians across the state. The best way to ensure a bright economic future is to invest in our people. As Governor, I will work to improve our education system so students graduate from high school with more sophisticated skills and a higher level of learning. In addition, I will retool our workforce development system so that it supports the needs of businesses and industries and provides workers with the right skills to give them an opportunity to find a good job.

And I want to get Kentucky out of the business of providing large tax breaks and incentives to out-of-state businesses as a means of luring them to Kentucky with the prospect of job creation only for them to pack up and leave a few years later, and instead re-direct those funds to grow Kentucky-based businesses, especially our small businesses.

Fletcher: There's no question about Louisville's importance to the state and our economy. I am proud that we have been able to deliver over \$1.84 billion in state funds to Louisville, which has also seen over \$1.7 billion in private investment and the creation of over 11,700 jobs during my administration. Efforts to build downtown attractions like the Arena, Museum Plaza and the Iron Quarter District have been a priority of this administration, as is growing the Louisville arts community, including \$2.5 million invested in the Louisville Orchestra, Opera, Ballet and Actors Theatre.

As Anne Northup said to WHAS 11 last July: "Ernie Fletcher has not let Louisville down."

Galbraith: We will do whatever is right.

Harper: We need to look at every penny that we're spending. We need to make sure that every dollar we have is spent to create a job or improve education. While Lexington, Louisville, and Northern Kentucky are important economic engines, we must also make sure that we are helping the poorer communities in the state grow. If we can bring up the less fortunate areas in the commonwealth, more of the tax revenue generated in the big cities can stay in the big cities in the future. Right now, portions of our state are dependent upon other portions for aid. I believe we need to work to balance that trend.

We cannot ignore the 'golden triangle' though. The best way to help this area is to take state out of the business of business. For far too long, we have over-legislated our businesses and tied their hands in red tape, taxes and fees. The best way to help our economy flourish is to move our government towards serving businesses and the people rather than the other way around.

Henry: I believe that it's time we put our state government back in the business of creating jobs in Kentucky. My "Buy Kentucky First" plan will move Kentucky companies to the front of the line for state government contracts if they create jobs in Kentucky. A similar plan in Indiana boosted the percentage of government contracts going to in-state companies from 60% to 83%, creating billions in local revenue.

My "Coalfields to Cornfields" program will invest millions in the kind of cutting-edge technologies that will make Kentucky a leader in the renewable energy economy of the 21st Century. And I'll restore funding to the "Bucks for Brains" that made Kentucky a leader in cutting-edge medical research.

Perhaps as important as any individual plan, however, is changing the way Kentucky does business and ending Ernie Fletcher's style of government by cronyism.

Hensley: I will (1) form a commission to review the health care industry and find a way to operate that will reduce the cost of health care and bring more health insurance companies into Kentucky; (2) form a commission to review our worker compensation system and find a way to reduce its cost; (3) allow Medicaid recipients to work without losing benefits; and (4) open the Medicaid program to allow those who do not have health insurance now to buy in.

Lunsford: As someone who started and grew a small business and has invested in a number of other Kentucky companies, I have experience in creating jobs and helping businesses grow. I've proposed several ideas to help small businesses grow, create good jobs, and how to grow our economy, including private-public partnerships and incubator programs.

Northup: Every area of the state got more dollars because the state borrowed \$4.1 billion in the past 24 months. That is unprecedented and unsustainable.

Richards: No response received.

QUESTION 5

Do you support additional changes to the AMC to correct the unintended consequences created by the tax, such as eliminating the LLET based on gross receipts or gross profits and the restrictions on utilizing net operating losses?

Beshear: In our Business First plan available at www.SteveBeshear.com, we discuss the need to evaluate the alternative minimum calculation and other business taxes to measure their fairness and effectiveness to decide if changes need to be made.

Fletcher: When I came to office, Kentucky's income tax was among the Nation's harshest in its treatment of the poor; the corporate license tax was a tax on investment, and loopholes allowed large companies to shift their profits out of state to avoid paying taxes here. We cut income taxes for 78% of working Kentuckians, eliminating about 500,000 of the poorest from the tax rolls. We cut the corporate income tax from 8.25% to 6%. We repealed the very unfriendly corporate license tax and the tax on intangible property.

In 2006, we reduced the AMT by \$45 million. This session, we passed a wholesale revision of Tax Increment Financing to ensure the state has the tools we need to help businesses be successful in their early years. We are always looking for ways to lower taxes further.

Galbraith: I would eliminate the unfair portions of the AMC. I never liked that tax anyway.

Harper: I believe the alternative minimum tax must be repealed in its entirety. It is a punitive tax and sends the wrong signal to entrepreneurs and businesses looking to locate to Kentucky. While the General Assembly did alleviate some pressure on small businesses by enacting a floor of \$3 Million in revenue, it still says to Kentucky businesses, "we want you to grow your business, but not too much." Businesses should be taxed only when profitable.

Henry: The current structure of the AMC is anchor around our economy and an embarrassment to the state of Kentucky. The most recent changes to it don't go far enough.

As Lieutenant Governor, I took the lead in removing five tax burdens from the citizens of Kentucky: the "sick tax" on doctor visits, prescription drug tax, cancer tax, inheritance tax and the inventory tax. Fixing the AMC will be a continuation of my commitment to that agenda.

Hensley: I will eliminate the AMC. It is a punitive tax, particularly for small businesses. It can turn a small profit into a loss, and businesses with losses may have to borrow to pay their taxes. This is absurd. We need more jobs in Kentucky, so we want to attract and keep businesses here, not drive them out.

Lunsford: I'm opposed to income taxes on businesses that are not generating a profit. I believe the AMC tax should be reviewed so that it will not unfairly tax Kentucky businesses.

Northup: I support repealing the AMC in its entirety. It is a tax on vulnerable small businesses, some in a critical phase in their first few years of business. The AMC was created by this administration and the tax is counterproductive to the economic vitality of Kentucky. During the past several years the U.S. has enjoyed steady economic growth but Kentucky has fallen behind. In 2003 we had the 39th worst unemployment, but today we are 46th. We must develop plans to spur regional economic growth.

Richards: No response received.



QUESTION 6

Do you support continued funding for university-based research programs, similar to the Research Challenge Trust Fund (Bucks for Brains)?

Beshear: Yes, I support continued funding for university-based research programs. Our colleges and universities are catalysts of economic growth and should be funded at a level that enables their good work to continue.

Fletcher: I am fully supportive of our efforts to move our state universities to the forefront of national research programs. When I came to office, I asked the Universities what they needed in order to continue their progress. They told me that they still had funding for the Bucks for Brains endowments, but they needed new facilities to attract professors to accept the endowments. I heeded this call for new facilities and we invested in capital construction, a 130% increase average annual funding during my administration compared to funding in the previous eight years.

We have also increased average base funding 20% versus the previous eight years. With world class facilities from Bricks for Brains, the Bucks for Brains endowments will be more effective than ever. I commit to continuing my support of this effective program.

Galbraith: I am suspicious that these programs don't return enough to make them worthwhile. At a time when we are graduating many students who can't make change for a \$10 bill in their head, I wonder if our money isn't better spent at the K-12 level and our pre-school and kindergarten levels.

Harper: We have set a goal of the state to become a hot bed of scientific research, with the universities serving as the catalyst. We need to make sure that we adequately fund their progress towards this goal. At the same time however, we need to become more active in inviting businesses and corporations into the process so that the universities do not have to rely on the state as their sole source of funding.

Henry: Yes. A renewed commitment to "Bucks for Brains" and investments like "Coalfields to Cornfields" are key to my vision for the Commonwealth.

Hensley: Yes, and my economic plan to increase household incomes by creating over 560,000 new jobs will provide investment capital to move this research out of the lab to commercialization. This will provide an even greater incentive to attract researchers.

Lunsford: Yes.

Northup: Bucks for Brains was one of the most successful programs in this state to advance research at our universities and must be funded. Along with new jobs, the outstanding doctors and researchers who were recruited to move to the Commonwealth because of Bucks for Brains developed new ways to improve the health of Kentuckians and benefit everyone in the world. The governor promised to continue this program but has failed to do so, whereas I am fully committed to reenacting this highly successful initiative.

Richards: No response received.



QUESTION 7

What will you do to solve the current funding crisis of the state employee and teacher pension systems? In the long term, how will you continue to fund the state employee and teacher health care benefits within the context of the Commonwealth's overall fiscal health?

Beshear: We need to properly fund the retirement systems so that we honor the promise we made to our teachers and state employees. As I noted in question one, Kentucky can no longer afford to play the shell game in Frankfort by shifting money from one account to another and ignore the long term implications of not properly funding the retirement system.

The proposal that recently came to light in the Senate may or may not be the best solution. I do not believe however you can solve this problem in 48 hours, with no public discussion and in secret. As Governor, I will lead a thorough review of our retirement system and conduct an open and honest discussion on the best ways to address the retirement issue.

As your question suggests, part of the solution must be controlling the cost of health care.

Fletcher: While I have addressed the challenges the state faced from general fund deficits, an unfair and unconstitutional tax structure, stagnant education funding and a billion dollar deficit in Medicaid; the growing liability of the state and teachers' pension funds remains. I had already committed to putting together a research-based proposal for 2008 when House leadership refused to enter in conversation with the state Senate regarding this issue this session, and my administration is moving forward.

I have created a 24-member Blue Ribbon Commission on Public Employees Retirement Systems consisting of administration officials, retirement system representatives, representatives of cities, counties and teachers, and citizens with expertise in investments, fiduciary matters and business administration. They will study both pension and health insurance benefits and develop a plan to fulfill our retirement obligations to current retirees and employees while examining the appropriate level of benefits for future employees. This plan will be presented by December 1, in time for the General Assembly to act in 2008.

Galbraith: Impossible to answer in so few words. Clean up the corruption that keep us perennially poor and devote the savings to funding our present obligations of teacher retirement and health and employee retirement plus the impending Medicaid obligations. Utilize savings from Medicaid fraud and cleaner government plus any new revenue if casino gambling is passed by the voters.

Finally, I want the state to own the casinos so we take \$1.5 to \$2 Billion profits and finally solve our problems instead of only \$400 to \$500 Million in taxes. Let's solve Kentucky's money problems for once and for all.

Harper: First and foremost, we need to understand that this is not a problem we arrived at overnight and it does not require a knee-jerk solution. In fact, I don't think we even truly understand the nature, size, and scope of the problem or what it will require to fix it. I believe that we need to bring in insurance and pension specialists, economists, state employees, and teacher to find a solution that will please everyone. Regardless of

what happens though, we need to make sure that we honor our commitments to those we have made promises to while making smart economic decisions, not just putting more money on a credit card by floating additional bonds.

Moving forward however, we need to look at ways to do business smarter. We need to find ways to move Kentucky from a defined benefit system to a defined contribution system. Almost all of the private sector has already moved in this direction, and it is time we in government do as well.

Henry: Finding a real solution to the pension crisis will be one of the top priorities of a Henry - True administration. The long term unfunded liability is draining out entire system and limiting the effectiveness of state government.

I believe that because I'm a doctor I come at the problem from a different direction and recognize that 85% of the fiscal problems inherent to the system are related to health care benefits. This is why I believe we must get all of the stakeholders at the table, both public and private, and stay there until a remedy is found that protects existing employees and retirees. We'll make certain that new employees are offered competitive benefits so that Kentucky's government can continue to attract the best and brightest to public service.

My running mate Renee True and I also would require that the answers to the problems are found to be actuarially sound by professionals outside of the government and those financially involved so that the taxpayers can feel confident in the system.

Hensley: This is a very important issue to me, and I have been giving it a lot of thought. I will make sure that the pension funds have the money they need to meet their obligations when due. The current funding "crisis" is a projected crisis based upon estimates of future events. I want to review the assumptions made in determining the underfunded condition before I commit more taxpayer dollars. I also want to review the fund managers' performance over the last 5-10 years.

I do not want to invest more money with fund managers who have been underperforming. I prefer to put money into the funds out of the budget over time, rather than borrow, to save the interest cost. In the long term, we have to change. The demands for money from Frankfort are much greater than the taxpayers' ability to pay. I will form two commissions to look into how we can reduce the cost of health care and how we can reduce the cost of living. This will reduce the demand for pension and health care funding.



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Question 7 (cont.)

Lunsford: First, we need to keep our covenant to Kentucky's teachers and state workers and ensure that promises made are promises kept. Second, we need to develop a real universal health care plan to lower health care costs. Soaring health care costs are driving the increased costs for the Retirement System. If we can lower health care costs, we can save the Retirement System money. Third, we need to look at restructuring the pension program so that the health insurance program is separate from the pension program. That will make the Retirement System more actuarially sound.

Northup: The unfunded liability of our state employee pension fund is a critical issue. We must examine ways to fully fund the pensions of current and retired employees. We cannot go back on the promise we made to state workers. But for future employees, we must also realize that the current retirement system must be restructured as people live longer. The private sector and most of the public sector have already done this. Kentucky is behind. The debt owed to the retirement system is nothing new, but in three and a half years the only action the current governor has taken to address it is to create a Blue Ribbon Commission that reports in December of next year, after the unfunded liability grows even bigger.

Richards: No response received.

