



Office of State Budget Director

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John T. Hicks
State Budget Director

September 4, 2026

The Honorable Christian McDaniel, Co-Chairman
The Honorable Jason Petrie, Co-Chairman
Interim Joint Committee on Appropriations and Revenue
Legislative Research Commission
Frankfort, Kentucky 40601

Dear Senator McDaniel, Representative Petrie, and Members of the Committee:

In accordance with KRS 141.020, the Office of State Budget Director has reviewed the individual income tax reduction conditions for fiscal year 2025-2026 and is reporting that the reduction conditions have not been met. The statute provides for two scenarios for fiscal year 2025-2026: one requiring the full value of the equivalent of a 1% individual income tax (IIT equivalent) that is added to the "GF appropriations" and one requiring an amount that falls within a range of greater than 50% but less than 100% of the IIT equivalent to be added. Below are the amounts for each item within the reduction conditions used in making this determination.

REDUCTION CONDITIONS-KRS 141.020

	<u>FY 2026</u>	<u>FY 2026</u>
A GF Moneys (General Fund receipts excluding Tobacco moneys)	15,975,510,533	15,975,510,533
General Fund appropriations	22,061,902,071	22,061,902,071
less Continuing appropriations (excluding BRTF)	(1,218,283,969)	(1,218,283,969)
less Tobacco appropriations	(95,586,823)	(95,586,823)
less appropriations to & from the Budget Reserve Trust Fund	(4,811,529,547)	(4,811,529,547)
less lump-sum appropriations to a state-administered retirement system	(250,000,000)	(250,000,000)
GF Appropriations	15,686,501,732	15,686,501,732
plus Individual Income Tax (IIT) Equivalent of a 1% reduction (100%/50%)	1,484,375,311	742,187,656
B GF appropriations for the fiscal year plus the IIT equivalent	17,170,877,043	16,428,689,388
Row A less Row B	(1,195,366,510)	(453,178,855)
General Fund Moneys greater than GF appropriations plus the IIT equivalent?	No	No
Balance in the Budget Reserve Trust Fund balance at the end of a fiscal year plus closeout actions	4,162,439,564	4,162,439,564
Balance in the Budget Reserve Trust Fund balance at the end of a fiscal year plus closeout actions as a percentage of GF Moneys	26.1%	26.1%
Balance in the BRTF at the end of a fiscal year equal to or greater than 10% of the GF moneys?	Yes	Yes

Sincerely,

John T. Hicks
State Budget Director

