



Office of State Budget Director

284 Capitol Annex, 702 Capitol Avenue
Frankfort, Kentucky 40601

Andy Beshear
Governor

(502) 564-7300
Internet: osbd.ky.gov

John T. Hicks
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

September 17, 2025

Jay Hartz, Director
Legislative Research Commission
Zach Ramsey, Director
Administrative Office of the Courts

Dear Directors Hartz and Ramsey:

In accordance with KRS 48.130(4), I am notifying the Legislative and Judicial branches of a revenue shortfall for the General Fund and the Road Fund for fiscal year 2025-26 based upon an official revision to the revenue estimates by the Consensus Forecasting Group on September 16, 2025 (attached). The General Fund revenue shortfall is \$305,200,000. The Road Fund revenue shortfall is \$82,100,000.

These shortfalls are both below 5%, which activates the General Fund and Road Fund Budget Reduction plans located in Part VI of the 2024-26 Executive branch budget bill, House Bill 6.

In the General Fund Budget Reduction plan, there is the following provision: "The Governor....., the Chief Justice, and the Legislative Research Commission shall direct and implement reductions in allotments and appropriations only for their respective branch budget units as may be necessary, as well as take other measures which shall be consistent with the provisions of this Part and biennial branch budget bills."

If you have any questions or need further information, please let me know.

Sincerely,

A handwritten signature in black ink that reads "John T. Hicks".

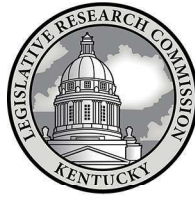
John T. Hicks
State Budget Director

Attachment

TEAM
KENTUCKY

SENATE MEMBERS

Robert Stivers
President, LRC Co-Chair
David Givens
President Pro Tempore
Damon Thayer
Majority Floor Leader
Gerald A. Neal
Minority Floor Leader
Julie Raque Adams
Majority Caucus Chair
Reginald Thomas
Minority Caucus Chair
Mike Wilson
Majority Whip
David Yates
Minority Whip



LEGISLATIVE RESEARCH COMMISSION
State Capitol 700 Capital Avenue Frankfort KY 40601

502-564-8100

Capitol Fax 502-564-2922
Annex Fax 502-564-6543
legislature.ky.gov

Jay D. Hartz
Director

HOUSE MEMBERS

David W. Osborne
Speaker, LRC Co-Chair
David Meade
Speaker Pro Tempore
Steven Rudy
Majority Floor Leader
Derrick Graham
Minority Floor Leader
Suzanne Miles
Majority Caucus Chair
Cherlynn Stevenson
Minority Caucus Chair
Jason Nemes
Majority Whip
Rachel Roberts
Minority Whip

September 17, 2025

John T. Hicks
State Budget Director
Office of the State Budget Director
200 Mero Street, 5th Floor
Frankfort, Kentucky 40622

Dear Mr. Hicks:

Pursuant to KRS 48.115(2) and KRS 48.120(1), the Consensus Forecasting Group (CFG) met on September 17, 2025, to adopt an official revision to the enacted General Fund (GF) and Road Fund (RF) revenue estimates for FY 2026 and to adopt preliminary revenue estimates for FY 2027 and FY 2028. The estimates adopted by the CFG are listed in the table below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2026	\$15,349,700,000	\$1,812,200,000
2027	\$15,706,200,000	\$1,801,000,000
2028	\$16,066,900,000	\$1,856,800,000

The official FY 2026 GF revision adopted by the CFG (\$15,349.7M) reflects a \$305.2 million decrease compared to the FY 2026 enacted GF estimate (\$15,654.9M). The official FY 2026 RF revision adopted by the CFG (\$1,812.2M) is \$82.1M less than the FY 2026 enacted RF estimate (\$1,894.3M).

The preliminary GF estimates adopted by the CFG for the upcoming biennium reflect below trend revenue growth in FY 2027 and FY 2028. GF revenues are estimated to

increase by 2.3 percent (\$356.5M) in FY 2027, followed by 2.3 percent growth (\$360.7M) in FY 2028.

The preliminary RF estimates for the upcoming biennium reflect uneven revenue growth over the forecast horizon. RF revenues are estimated to decline by 0.6 percent (\$11.2M) in FY 2027. In FY 2028, RF revenues are expected to increase by 3.1 percent (\$55.8M) relative to FY 2027.

In addition to providing estimates for the General Fund and the Road Fund, the CFG adopted preliminary estimates of the receipts the Commonwealth receives from the Phase I Tobacco Master Settlement Agreement (MSA). The CFG did not adopt an official revision for the FY 2026 MSA estimate. The preliminary FY 2027 and FY 2028 MSA estimates adopted by the CFG are contained in the table below.

<u>Fiscal Year</u>	<u>MSA Revenue</u>
2027	\$83,700,000
2028	\$78,500,000

Inherent in any revenue forecast is the risk that actual receipts may differ from their forecasted values. The Kentucky economic and revenue forecasts adopted by the CFG are directly linked to the national forecast provided by S&P Global and represent an agreement as to the most likely outcome for revenues for the current fiscal year and the next biennium, given the information available on September 16, 2025.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce K. Johnson", with a long horizontal flourish extending to the right.

Bruce K. Johnson, PhD
Chairman, Consensus Forecasting Group
James Graham Brown Professor Emeritus of Economics
Centre College