

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 2nd Meeting of the 2025 Interim

July 15, 2025

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Appropriations and Revenue was held on July 15, 2025, at 1:00 PM in Room 149 of the Capitol Annex. Representative Jason Petrie, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Jason Petrie, Co-Chair; Senators Gary Boswell, Shelley Funke Frommeyer, Amanda Mays Bledsoe, Gerald A. Neal, Matt Nunn, Steve Rawlings, Craig Richardson, and Robin L. Webb; and Representatives Kim Banta, Tina Bojanowski, Josh Bray, Randy Bridges, George Brown Jr., Ken Fleming, Chris Freeland, Al Gentry, Mark Hart, Matt Lockett, Shawn McPherson, Steve Riley, Pamela Stevenson, Walker Thomas, Timmy Truett, Ken Upchurch, and Wade Williams.

Guests: Jenny Bannister, Deputy Director, Office of Budget Review, Legislative Research Commission (LRC); Seth Dawson, Assistant Budget Director, Office of Budget Review LRC; Katy Jenkins, Committee Analyst, Appropriations and Revenue Committee, LRC; Jon Roenker, Assistant Director for Economic Analysis, LRC; Dr. Leslie Sizemore, Vice President, Workforce and Economic Development, Council on Postsecondary Education (CPE); Michaela M. Steverson, Program Director, Healthcare Workforce Initiatives, CPE; Dr. Miles Feroli, Senior Associate, Workforce and Economic Development, CPE; Lesa Dennis, Commissioner, Department for Community Based Services, Cabinet for Health and Family Services (CHFS); Andrea Day, Director, Division of Child Care, Department for Community Based Services, CHFS; Jeff Noel, Secretary, Kentucky Cabinet for Economic Development; and Matthew D. Wingate, General Counsel, Kentucky Cabinet for Economic Development.

LRC Staff: Cynthia Brown, Katy Jenkins, Sarah Watts, and Heather Hamilton.

Approval of Minutes

Representative Lockett made a motion, seconded by Representative McPherson, to approve the minutes of the June 4, 2025, meeting. The motion passed by voice vote.

History and Trends of General Fund Appropriations

Jenny Bannister, Deputy Director, Office of Budget Review, LRC, discussed the history and trends of general fund appropriations. The general fund appropriations have increased from \$11.3 billion in FY 2018 to \$15.8 billion in FY 2026. Focus for the next biennium will be on sustainability and resilience, investment priorities, and structural spending trends. The K-12 education appropriations increased from \$4.9 billion in FY 2018 to over \$6.1 billion in FY 2026. Since 2020, Medicaid benefits have had consistent growth with the average monthly cost per eligible person having increased from \$615 in FY 2018 to \$1,034 through the third quarter of FY 2025.

Seth Dawson, Assistant Budget Director, Office of Budget Review, LRC, discussed the Budget Reserve Trust Fund and investments from 2024 Regular Session HB 1 and SB 91 appropriations. It is projected that the Budget Reserve Trust Fund will maintain a strong balance throughout the biennium.

Responding to Chair Petrie, Ms. Bannister clarified the \$3.1 billion is to be spent over two full fiscal years and then a partial fiscal year.

Responding to Representative Bojanowski, Ms. Bannister replied she could not comment on inflation adjustments, but the Support Education Excellence in Kentucky (SEEK) funding program per pupil guarantee in FY 2018 was \$3,981 per student and in FY 2026 had increased to \$4,586 per student.

Senator Boswell commented on the increase cost of Medicaid.

Chair Petrie commented on the increase of expenditures in K-12 education and Medicaid despite the decrease of participants.

Responding to Representative Fleming, Ms. Bannister replied that the Office of Budget Review has more information on specific Medicaid program costs.

Disaster Response Funding Provisions

Katy Jenkins, Committee Analyst, Appropriations and Revenue Committee, LRC, provided an overview of disaster response funding and proactive and reactive disaster management strategies. She briefly discussed Kentucky's Division of Emergency Management (KYEM) and South Carolina's Office of Resilience, which is a state agency related to comprehensive disaster management. She highlighted a Kentucky sales tax

incentive that allows a refund, up to \$6,000, of the tax paid on building materials used to repair or replace buildings destroyed in the disaster area.

Chair Petrie stated his purpose for requesting the presentation on disaster response funding.

Responding to Senator Funke Frommeyer, Ms. Jenkins could not comment on the speed of disaster relief reimbursements or on South Carolina's priority projects serving low to moderate income households in disaster relief areas.

Responding to Chair Petrie, Ms. Bannister stated a centralized agency would help with requests for funding and the coordinating of federal, state, and local resources.

Senator Webb provided information on the Disaster Prevention and Resiliency Task Force.

Senator Boswell shared comments about the underinsured and federal government buyouts.

A Report from The Office of Economic Analysis

Jon Roenker, Assistant Director for Economic Analysis, LRC, provided an economic overview of the United States and Kentucky by highlighting gross domestic product, unemployment data, the 10-year US Treasury yield, and inflation. He presented trends in revenue for Kentucky's general fund and road fund by showing a 15-year history of revenues, growth rates, and the differences between actual revenues collected and the Consensus Forecasting Group's estimated collections. Mr. Roenker demonstrated features of the new Fiscal and Economic Resource Center that is available on the General Assembly's website under the Office of Economic Analysis.

Responding to Senator Boswell, Mr. Roenker replied that ongoing unemployment claims data exists, but his presentation was based on initial unemployment claims.

Responding to Representative Bojanowski, Mr. Roenker explained two possible reasons why individual income tax receipts have increased. Since enacted in 2024, the revenues from the pass-through entity tax have been categorized as individual income tax receipts in the Office of State Budget Director's report, and for fiscal year 2025, the pass-through entity tax revenues totaled approximately \$510 million. Natural employment and wage growth will also result in additional revenue collections. Mr. Roenker could not comment on the impact of the federal job losses on unemployment claims.

Chair Petrie commented that the cost to reduce the individual income tax rate in 2018 was less than the cost to make the same rate reduction in 2025, and while the tax rate has declined, market growth has continued since 2017, resulting in an increase in wages and workers in the economy.

Responding to Representative McPherson, Mr. Roenker stated detailed data is not available to determine how much income tax revenues will be collected due to tax deferments granted to individuals impacted by a disaster. However, given the interest rate charged for late tax payments, many people do not defer their payment of taxes. Mr. Roenker stated the general fund investment income amount for FY 2025 is \$322,995,000, which is above the Consensus Forecasting Group's estimate.

Responding to Representative Fleming, Mr. Roenker explained he has not looked at healthcare workforce data in detail. While data is available at the job title and industry level, it is not current enough to reflect the impact of recent federal funding cuts. Mr. Roenker explained that under the Job Openings and Labor Turnover Survey (JOLTS), job openings are considered to be both openings from new jobs created and the replacement of a worker. He stated he would have to check on the denominator used in the definition of total employment for JOLTS.

Updates from the Council on Postsecondary Education

Dr. Leslie Sizemore, Vice President, Workforce and Economic Development, CPE, provided an update on the Healthcare Workforce Initiative and highlighted benefits of public-private partnerships in workforce and economic development.

Michaela M. Steverson, Program Director, Healthcare Workforce Initiatives, CPE, provided an update on the Healthcare Workforce Investment Fund (HWIF), the institutions offering training programs, and the scholarships awarded from the fund. Eleven of the 39 healthcare partners involved in the initiative are employers with 50 or fewer employees. The scholarships awarded are targeted towards training healthcare workers for hospital jobs with the highest vacancy rates.

In response to Chair Petrie, Ms. Steverson confirmed that with the General Assembly's \$10 million appropriation, they have already awarded \$17.6 million.

Dr. Miles Feroli, Senior Associate, Workforce and Economic Development, CPE, provided an update on the Aerospace Education Reinvestment Opportunity (AERO) Act. The Kentucky Aerospace, Aviation, and Defense Investment Fund Advisory Committee will

advise the CPE on the implementation of the AERO Act to ensure it is in line with the aviation workforce and higher education institutions.

Ms. Sizemore explained future initiatives and goals of CPE, and requested a \$20 million appropriation for the HWIF and \$15 million for the AERO Act.

Responding to Co-Chair McDaniel, Mr. Feroli stated there is a work requirement with receiving scholarships. Employers also can provide other restrictions on the partnership proposals. If the work requirement is not fulfilled, they have to pay back the money with eight percent interest.

Responding to Senator Funke Frommeyer, Mr. Feroli stated that 2024 Regular Session Senate Bill 127 corresponds with 2025 Regular Session Senate Bill 87 in regards to air traffic controllers, and there is an ongoing feasibility study to help develop the air traffic control workforce development.

Budget Allotment Modifications

Jeff Noel, Secretary, Kentucky Cabinet for Economic Development, was present to answer questions concerning a \$500,000 budget allotment change, from Business Development to the Science and Technology Program, for the Kentucky Enterprise Fund.

Responding to Chair Petrie, Mr. Noel stated he would make sure the records are properly changed and adjusted. He further explained the process and procedure that was followed with the modification of the allotment. He stated the modification changed the allotment from a non-carry forward to a carry forward.

Lesa Dennis, Commissioner, Department for Community Based Services, CHFS, and Andrea Day, Director, Division of Child Care, Department for Community Based Services, CHFS, were present to explain the transfer of \$9 million in general funds from the Early Child Care Assistance Program to the Division of Child Protection and Permanency.

Responding to Chair Petrie, Ms. Dennis stated the transfer of the allotment did not change the carry over status. The \$9 million was a continuing appropriation. Ms. Dennis agreed to discuss the details of the transfer of funds with Ms. Bannister.

Correspondence Received

Correspondence received included Interim Budget Allotment Adjustments for FY 2025 and FY 2026, Interim Appropriations Revisions First Quarter 2026, and Interim Emergency Appropriation Increases for FY 2025 and FY 2026 from Ms. Bannister.

Reports Received

Reports received in May and June 2025 from Katy Jenkins.

Next Meeting

August 20, 2025, at 1:00 PM in Capitol Annex Room 149, chaired by Co-Chair McDaniel.

Adjournment

There being no further business to come before the committee, the committee adjourned at 2:32 PM.