

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 3rd Meeting of the 2025 Interim

August 20, 2025

Call to Order and Roll Call

The third meeting of the Interim Joint Committee on Appropriations and Revenue was held on August 20, 2025, at 1:00 PM in Room 149 of the Capitol Annex. Senator Christian McDaniel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jason Petrie, Co-Chair; Senator Christian McDaniel, Co-Chair; Senators Gary Boswell, Shelley Funke Frommeyer, David P. Givens, Gerald A. Neal, Matt Nunn, Steve Rawlings, and Craig Richardson; and Representatives Kim Banta, Tina Bojanowski, Adam Bowling, Josh Bray, Randy Bridges, George Brown Jr., Stephanie Dietz, Ken Fleming, Chris Freeland, Chris Fugate, Al Gentry, Mark Hart, Matt Lockett, Shawn McPherson, Steve Riley, Walker Thomas, Timmy Truett, Ken Upchurch, and Wade Williams.

Guests: John Hicks, State Budget Director, Secretary of the Governor's Executive Cabinet; and Lesa Dennis, Commissioner, Department of Community Based Services (DCBS), Cabinet for Health and Family Services (CHFS).

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

Approval of Minutes

Senator Boswell made a motion, seconded by Senator Nunn, to approve the minutes of the July 15, 2025, meeting. The motion passed by voice vote.

FY 2025 Budget Close Out

John Hicks, State Budget Director, Secretary of the Governor's Executive Cabinet, provided an overview of the general fund, the budget reserve trust fund, and the road fund revenues and growth for FY 2025. The general fund revenue surplus for FY 2025 was \$313 million. The budget reserve trust fund has an unobligated balance of \$3.76 billion at the end of FY 2025. The road fund surplus totaled \$61.6 million for FY 2025.

Responding to Chair McDaniel, Mr. Hicks discussed pass-through entity tax estimates and the liability related to delayed filings. Revenue received from delayed filings will be in FY 2026.

In response to Senator Boswell regarding sales tax related to THC beverages, Mr. Hicks stated his staff along with the Department of Revenue (DOR) are looking into ways to estimate the tax revenues related to THC beverages and the consensus forecasting group will have preliminary estimates for all state tax revenues by the end of September. Mr. Hicks deferred to the DOR in regards to income tax not collected from illegal immigrants.

Responding to Co-Chair Petrie, Mr. Hicks stated the investment interest income for the general fund for FY 2025 was \$323 million and was \$300 million for FY 2024. Co-Chair Petrie commented on the general fund growth for FY 2025.

Impressions of H.R. 1 - 119th Congress

Mr. Hicks discussed the potential economic impacts of H.R. 1 - 119th Congress on the next biennial budget for Kentucky. He included changes in Supplemental Nutrition Assistance Program (SNAP) benefit costs, Medicaid, and the rural health transformation fund.

Responding to Representative Bojanowski, Mr. Hicks affirmed that an individual would apply for SNAP and Medicaid separately. He explained that Kentucky has an integrated eligibility system.

Responding to Representative Fleming, Mr. Hicks stated the federal Centers for Medicare and Medicaid Services will likely require reporting on the use of the funds, which will be about \$100 million for each of the next 5 years.

Responding to Senator Neal, Mr. Hicks explained the rural health transformation fund allocation.

Mr. Hicks and Lesa Dennis, Commissioner, DCBS, CHFS, discussed the SNAP payment error rate. Commissioner Dennis explained the payment error measurement process, trends, and schedule.

Responding to Chair McDaniel, Commissioner Dennis said DCBS is looking at their quality control and case review processes to bring the payment error rate down. It is difficult to predict the fluctuation of the error rate due to the case sample size.

Responding to Senator Nunn, Commissioner Dennis replied the eligibility system for SNAP and Medicaid verifies information from other agencies.

Responding to Senator Funke Frommeyer, Mr. Hicks discussed better efficiencies with the eligibility and referral system.

Responding to Chair McDaniel, Mr. Hicks said there are states that have delayed implementation dates, which may have been related to high error rates.

Co-Chair Petrie commented on lowering SNAP administrative costs. Mr. Hicks said that the reconciliation act expanded the work and community engagement requirements for certain SNAP recipients, which will increase administrative costs, as well as keeping the error rate as low as possible.

Responding to Chair McDaniel, Mr. Hicks stated the rural healthcare trust fund federal payments will flow through the Commonwealth and then to the institutions and providers.

Responding to Representative Bray, Commissioner Dennis stated fraudulent transactions do not affect error rates.

Responding to Representative Fleming, Commissioner Dennis stated not everybody receiving SNAP benefits receives Medicaid benefits, and not everybody on Medicaid receives SNAP benefits. Mr. Hicks stated they do not yet know the number of individuals who are in the work engagement program and on Medicaid.

Correspondence Received

Correspondence received included Interim Allotment Adjustments for FY 2026 from Jenny Bannister, Deputy Director, Office of Budget Review, Legislative Research Commission (LRC).

July Reports Received

Reports received in July 2025 from Katy Jenkins, Committee Analyst, Appropriations and Revenue Committee, LRC.

Next Meeting

September 17, 2025 at 1:00 P.M. in Capitol Annex Room 149, chaired by Co-Chair Petrie.

Adjournment

There being no further business to come before the committee, the committee adjourned at 2:08 PM.