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December 18, 2025

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

Dear Mr. Hicks:

In accordance with KRS 48.115(1) and KRS 48.120(2), the Consensus Forecasting Group (CFG) met on December 16, 2025, to revise the official FY 2026 General Fund (GF) and Road Fund (RF) revenue estimates and to adopt the official GF and RF revenue estimates for FY 2027 and FY 2028. The estimates adopted by the CFG are listed below.

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Road Fund</u>
2026	\$15,498,900,000	\$1,844,000,000
2027	\$15,882,000,000	\$1,836,000,000
2028	\$16,232,200,000	\$1,909,400,000

The revised official FY 2026 GF estimate adopted by the CFG on December 16, 2025, (\$15,498.9 million) is \$156.0 million (1.0 percent) less than the FY 2026 enacted estimate (\$15,654.9 million) and is \$149.2 million more than the FY 2026 revised official estimate (\$15,349.7 million) that was adopted by the CFG on September 16, 2025. The December revised official estimate suggests FY 2026 GF revenues will decline by 1.3 percent (\$204.4 million) compared to FY 2025 actual GF revenues (\$15,703.3 million).

The official GF estimates adopted by the CFG for the upcoming biennium reflect below trend growth in FY 2027 and FY 2028. GF revenues are estimated to grow by 2.5 percent (\$383.1 million) in FY 2027, followed by 2.2 percent growth (\$350.2 million) in FY 2028.

The revised official FY 2026 RF estimate adopted by the CFG on December 16, 2025 (\$1,844.0 million) is \$50.3 million less than the FY 2026 enacted estimate (\$1,894.3 million) and is \$31.8 million more than the FY 2026 revised official estimate (\$1,812.2 million) that was adopted by

the CFG on September 16, 2025. The December revised estimate suggests FY 2026 RF revenues will decline by 1.0 percent (\$19.5 million) compared to FY 2025 actual RF revenues (\$1,863.5).

The official RF estimates for the upcoming biennium forecast uneven growth over the forecast horizon. Compared to FY 2026, RF revenues are estimated to decline by 0.4 percent (\$8.0 million) in FY 2027. RF revenues are expected to rebound in FY 2028, with forecasted growth of 4.0 percent (\$73.4 million).

Attachment A contains a summary of the General Fund estimates and Attachment B contains a summary of the Road Fund estimates. Detailed tables of the General Fund and Road Fund estimates are included in Attachment C and Attachment D.

In addition to providing estimates for the General Fund and the Road Fund, the CFG provides estimates of the receipts the Commonwealth receives from the Phase I Tobacco Settlement Agreement (MSA).

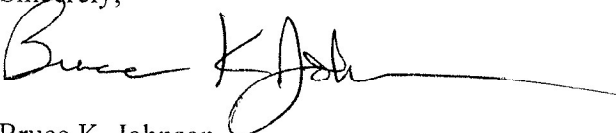
The revised FY 2026 MSA estimate adopted by the CFG (\$90.1 million) is \$3.0 million less than the enacted FY 2026 MSA estimate (\$93.1 million). Based on the CFG forecast, MSA receipts are expecting to decline over the upcoming biennium. FY 2027 MSA receipts are estimated to be \$82.8 million and FY 2028 MSA receipts are estimated to be \$77.4 million.

The table below contains the revised FY 2026 MSA estimate and the official MSA estimates for FY 2027 and FY 2028.

<u>Fiscal Year</u>	<u>MSA Revenue</u>
2026	\$90,100,000
2027	\$82,800,000
2028	\$77,400,000

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 Insight, the Kentucky MAK model, and the revenue models utilized by staff in the Governor's Office for Economic Analysis. In summary, the General Fund, Road Fund, and MSA revenue estimates adopted by the Consensus Forecasting Group represent the members agreement on the most likely revenue outcomes for FY 2026, FY 2027, and FY 2028, given the information available on December 16, 2025.

Sincerely,



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