STATE NEWS

Ky. House GOP budget takes aim at executive branch spending

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Kentucky Lantern

The state executive branch would have to significantly cut spending for a number of expenses, including in-state and out-of-state travel, under a "bare bones" budget bill for the state executive branch filed this week by a key Republican committee chair.

Rep. Jason Petrie, R-Elkton, the chair of the Kentucky House Appropriations and Revenue Committee, told fellow lawmakers Tuesday afternoon that budgetary bills were "scaled back" and just the starting point in the budget process, stripped of budget requests from various agencies.

The executive branch budget encompasses 11 cabinets within state government, ranging from the Energy and Environment Cabinet that oversees environmental regulation to the Economic Development Cabinet that oversees incentives to bring companies to Kentucky. It also includes budgets for the offices of various state constitutional officers such as the attorney general.

The House executive branch budget would spend $29,809,800,800 in General Fund monies over the next two fiscal years; in the previous two-year budget, the legislature allocated $30,070,244,700 in General Fund monies.

Petrie said agencies and other interested parties would have the opportunity to come before the legislature's budget review committees to make their case for additional spending. He said a new version of the executive branch budget would then be introduced through substitute language in a future committee hearing.

"There will be a lot of issues that have already been in the process of vetting, but they will be vetted publicly through those meetings," Petrie said. "There's no amount of revenue that can feed the executive branch and its wants and its desires, but we will find what they need, and that's how we'll come up with a good budget."

Crafting a new two-year state budget, which allocates billions of General Fund revenues, is a large undertaking for lawmakers, though the GOP-controlled legislature has often brushed off budget proposals and suggestions from Democratic Kentucky Gov. Andy Beshear. The initial version of the executive branch budget bill, House Bill 500, is no exception.

Unlike the proposed budget from Beshear, the initial House budget doesn't include mandated raises for school district employees in the state, nor funding for Beshear's priority of "Pre-K for All," — universal preschool for four-year-olds. The state is the primary source of K-12 education funding, combined with local tax dollars, though the amount of state dollars a school district receives can vary. The budget bill instead encourages school districts to give their staff a raise.

HB 500 also directs state officials including the state budget director, the secretary of the Finance and Administration Cabinet and the secretary of the Executive Cabinet to significantly reduce executive branch spending across a number of expenditure categories in upcoming fiscal years.

That includes cutting travel expenses across the fourth quarter of the current fiscal year by 50% compared to the fourth quarter of the previous fiscal year. The executive branch spent more than $30 million on travel in fiscal year 2024-2025 according to the budget language. Other expenditure categories that would have to be cut by at least 20% in future fiscal years include advertising spending and "temporary manpower services."

Petrie on Tuesday said the state does not have a "revenue problem," and that a major theme of this budget would be to "restrain the growth rate of spending."

A press release from the House Majority Caucus stated HB 500 implements a 4% spending reduction in the first fiscal year of the two-year budget and then an additional 3% to most state agencies in the second year of the budget. The release also states there are a number of exceptions to those spending reductions.

PHOTO COURTESY OF ARC
Wielding the ceremonial scissors, Gov. Andy Beshear helps cut the ribbon on the Yellow Banks Recovery Center in Owensboro. Beshear is flanked by Tim Robinson, founder and CEO of Addiction Recovery Care, third from left in the photo, and Rocky Adkins, senior adviser to Beshear, Aug. 3, 2023.

Another creditor lays claim to foundering addiction treatment provider's $8 million

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Kentucky Lantern

A federal lawsuit accusing Addiction Recovery Care, or ARC, Kentucky's largest treatment provider, of defaulting on an $8 million loan has a new twist.

Just two and a half weeks after Angelica Capital Trust sued the embattled provider, accusing ARC of refusing to repay the $8 million, a second company is seeking to join the case, arguing it has a prior claim to the money because it was the first to lend ARC a similar amount.

In both cases, the loans were secured through about $8 million in federal income tax credits ARC was to receive last year, said the filing Jan. 28 in U.S. District Court in New York by Clear Cove Opportunities Fund.

ARC sold the "very same" tax credits to both financial firms, which buy such credits from businesses that are "in need of immediate liquidity," said Clear Cove's filing. In turn, businesses repay the firms with interest when they receive the money from the Internal Revenue Service.

ARC sold the same credits to Clear Cove in July and again, to Angelica in November, Clear Cove's filing said. It is seeking to intervene in the lawsuit to protect its claims, it said.

"ARC has now been exposed as having perpetrated fraud in attempting to sell Clear Cove's property (the tax credits) to another investor," said the filing by the Chicago-based Clear Cove.

ARC in December received $8 million in tax credits but has repaid neither company, according to court filings. Both are asking the federal judge to freeze funds to keep ARC from dissipating what's left of the $8 million.

ARC spokeswoman Vanessa Keeton provided a brief response in an email after the Kentucky Lantern asked for comment.

"A lawsuit only represents one side's perspective," ARC spokeswoman Vanessa Keeton said in an to the Kentucky Lantern. "We aren't going to litigate our case in the media and will not comment on pending litigation."

The litigation appears to be another major hit for the Louisa, Ky-based company, already the subject of an ongoing FBI investigation into possible health care fraud and facing mounting financial problems that have forced it to close facilities and lay off staff.

Clear Cove firm's court filing comes as Angelica is asking U.S. District Judge George B. Daniels to hold ARC and its owners, Tim Robinson and his wife, Lelia, in contempt of court for spending assets Angelica says it is owed.

The court had scheduled a hearing on the matter for today but the online docket shows the hearing is now scheduled for Feb. 11. Meanwhile, the judge on Thursday issued an order for ARC to place $4.7 million in an escrow account and update the court daily on the account balance to "ensure the funds have not been dissipated."

Angelica, based in the Bahamas, has alleged ARC is on "the brink of insolvency" and has threatened to file for bankruptcy if forced to repay the funds.

"ARC has explicitly threatened to go into bankruptcy absent some prayed-for asset sale to a third party, which does not appear at all likely," its lawsuit said.

ARC had claimed it was negotiating to sell the company and needed the $8 million advance from Angelica to "get the deal done and survive," Angelica's court filing said. But the proposed sale, which ARC announced in October, fell through last month, the company announced.

It is among a series of setbacks for ARC, once Kentucky's fastest-growing provider of treatment for drug and alcohol addiction.

ARC was founded in his native Eastern Kentucky by Tim Robinson, a lawyer and recovering alcoholic. The for-profit company grew rapidly in recent years, fueled by an expansion in Medicaid payments for such treatment and Robinson and his company emerged as prolific political donors.

But ARC has foundered in recent months amid fraud allegations and cuts in reimbursement from insurers who pay Medicaid claims and had questioned what they described as aggressive billing practices.

Angelica, in a court filing, said ARC engaged in "massive fraud" by submitting millions of dollars in false claims to Medicaid and Medicare, both government health plans.

It said ARC, to attempt to resolve an ongoing federal investigation, has negotiated a proposed settlement with the U.S. Department of Justice to pay the government $27.7 million, $16 million of which is restitution.

According to the proposed settlement, which Angelica filed in court, the federal investigation began after some individuals filed a "qui tam," or whistleblower lawsuit alleging fraudulent practices by ARC. Such cases typically are sealed while the government investigates.

Allegations under investigation include that ARC and its affiliates falsified medical records, billed for services already paid for by other programs, provided and billed for "medically unnecessary services" and unlawfully distributed certain medications used to treat addiction.

NOTICE OF PUBLIC HEARING

There will be a public hearing of the
Madison County Board of Adjustments
On February 19th, 2026, at 5:30pm
At the Madison County Courthouse Annex at
135 W. Irvine St, Richmond Ky 40475, 1st floor
The purpose is to consider the following:
Conditional Use:
110 Hensley Lane, Richmond Ky, 40475
Conditional Use:
2680 Lancaster Rd, Richmond Ky, 40475
For more information call:
Madison County Planning & Development at 859-624-4780
Or Applications and other documentation may be found on the Madison County website at **madisoncountyky.gov**
under the Planning and Development tab.