

45.241 Definitions for section and KRS 45.238 -- State agencies and Court of Justice to develop inventory of each debt -- Liquidated debts of agency, Court of Justice, or local government submitted to Department of Revenue -- Accounting of uncollected debt -- Treatment of collected debt -- Agreements with public postsecondary education institutions -- Annual reports. (Effective July 15, 2026)

(1) As used in this section and KRS 45.238:

(a) "Debt" means:

1. For agencies, a sum certain which has been certified by an agency as due and owing; and
2. For local governments, a sum certain which has been certified by a local government as due and owing, including but not limited to any delinquent taxes or fees other than delinquent real and personal property taxes;

(b) "Liquidated debt" means:

1. For agencies, a legal debt for a sum certain which has been certified by an agency as final due and owing, all appeals and legal actions having been exhausted;
2. For local governments, a legal debt for a sum certain which has been certified by a local government as final due and owing, all appeals and legal actions having been exhausted, including but not limited to any delinquent taxes or fees other than delinquent real and personal property taxes; and
3. For the Court of Justice, a legal debt including any fine, fee, court costs, or restitution due the Commonwealth, which have been imposed by a final sentence of a trial court of the Commonwealth and for which the time permitted for payment pursuant to the provisions of KRS 534.020 has expired;

(c) "Agency" means an organizational unit or administrative body in the executive branch of state government, as defined in KRS 12.010;

(d) "Department" means the Department of Revenue;

(e) "Court of Justice" means the Administrative Office of the Courts, all courts, and all clerks of the courts;

(f) "Forgivable loan agreement" means a loan agreement entered into between an agency and a borrower that establishes specific conditions, which, if satisfied by the borrower, allows the agency to forgive a portion or all of the loan;

(g) "Improper payment" means a payment made to a vendor, provider, or recipient due to error, fraud, or abuse;

(h) "Local government" means any city, county, urban-county government, consolidated local government, charter county, or unified local government of the Commonwealth; and

(i) "Enrollment-related debt" means a sum certain which has been certified by a public postsecondary education institution as due and owing by virtue of

enrollment at the institution, including debt incurred for tuition, fees, student housing, student dining, and other enrollment-related costs.

- (2) Each agency and the Court of Justice shall develop, maintain, and update in a timely manner an ongoing inventory of each debt owed to it, including debts due to improper payments, and shall make every reasonable effort to collect each debt. Within sixty (60) days after the identification of a debt, each agency shall begin administrative action to collect the debt.
- (3) The Auditor of Public Accounts shall review each agency's debt identification and collection procedures as part of the annual audit of state agencies.
- (4) An agency shall not forgive any debt owed to it unless that agency has entered into a forgivable loan agreement with a borrower, or unless otherwise provided by statute.
- (5) For those agencies without statutory procedures for collecting debts, the Department of Revenue shall promulgate administrative regulations in accordance with KRS Chapter 13A to prescribe standards and procedures with which those agencies shall comply regarding collection of debts, notices to persons owing debt, information to be monitored concerning the debts, and an appeals process.
- (6)
 - (a) Each agency and the Court of Justice shall identify all liquidated debts, including debts due to improper payments, and shall submit a list of those liquidated debts in the form and manner prescribed by the department to the department for review. The department shall review the information submitted by the agencies and the Court of Justice and shall, within ninety (90) days of receipt of the information, determine whether it would be cost-effective for the department to further pursue collection of the liquidated debts.
 - (b) A local government, after making reasonable efforts to collect its debts, may by ordinance, resolution, or otherwise pursuant to law, submit a list of its liquidated debts that have been due and owing for more than ninety (90) days to the department for review to determine whether it would be cost-effective for the department to pursue collection of the liquidated debts. The department shall review the information submitted by a local government and shall, within ninety (90) days of receipt of the information, determine whether it would be cost-effective for the department to further pursue collection of the liquidated debts.
 - (c) The department may, after consultation with the agency, Court of Justice, or a local government, return the liquidated debt to the entity submitting the liquidated debt if:
 1. The request for review contains insufficient information; or
 2. The debt is not feasible to collect.Any return of a liquidated debt shall be in writing, and shall state why the debt is being returned.
 - (d) The department shall identify in writing to the submitting agency, Court of Justice, or local government, the liquidated debts it has determined that it can pursue in a cost-effective manner, and the agency, Court of Justice, or local government shall officially refer the identified liquidated debts to the

department for collection.

- (e) The agency, Court of Justice, and local government shall retain a complete record of all liquidated debts referred to the department for collection until the debt is collected, forgiven, or returned as uncollectible.
 - (f) Each agency, the Court of Justice, and local government shall make appropriate accounting of any uncollected debt as prescribed by law.
- (7) (a) If the agency recovers the debt funds prior to referral to the department, the agency shall retain the collected funds in accordance with its statutory authority.
- (b) 1. Upon referral of a liquidated debt or enrollment-related debt to the department, the liquidated debt or enrollment-related debt shall accrue the following amounts:
- a. Interest on the total amount of the debt plus legal accruals at the tax interest rate provided in KRS 131.183, from the time of referral until paid; and
 - b. A one (1) time twenty-five percent (25%) collection fee on the total amount of the debt plus legal accruals, as of the time of referral;
- unless the interest and collection fee are waived by the department.
- 2. The interest and collection fee shall be in addition to any other costs accrued prior to the time of referral.
 - 3. The department may deduct and retain from the liquidated debt recovered an amount equal to the lesser of the collection fee or the actual expenses incurred in the collection of the debt.
 - 4. In the case of agencies and the Court of Justice, any funds recovered by the department after the deduction of the department's cost of collection expenses may, at the discretion of the secretary of the Finance and Administration Cabinet, be returned to the agency identifying the liquidated debt or to the Court of Justice for allocation as otherwise provided by law. If the recovered funds and interest are not returned to the agency or Court of Justice, the amounts shall be deposited in the general fund, except for Medicaid benefits funds and funds required by law to be remitted to a federal agency, which shall be remitted as required by law.
 - 5. In the case of local governments, any funds recovered by the department after the deduction of the department's cost of collection expenses shall be returned to the local government referring the liquidated debt, for allocation as provided by ordinance, resolution, or as otherwise provided by law.
- (c) Nothing in this section shall prohibit the department from entering into a memorandum of agreement with an agency pursuant to KRS 131.130(11), for collection of debts prior to liquidation. If an agency enters into an agreement with the department, the agency shall retain funds collected according to the provisions of the agreement.

- (d) This section shall not affect any agreement between the department and an agency entered into under KRS 131.130(11) that is in effect on July 13, 2004, that provides for the collection of liquidated debts by the department on behalf of the agency.
- (e) This section shall not affect the collection of delinquent taxes by sheriffs or county attorneys under KRS 91A.070 or 134.504.
- (f) This section shall not affect the collection of performance or reclamation bonds.
- (g)
 - 1. Notwithstanding any other provision of this section, each public postsecondary education institution and the department:
 - a. Shall enter into an annual memorandum of agreement pursuant to KRS 131.130 for collection of enrollment-related debts and liquidated debts referred by the institution; and
 - b. May enter into a memorandum of agreement pursuant to KRS 131.130 for collection of other debts prior to liquidation.
 - 2. The department is authorized to collect enrollment-related debts, liquidated debts, and other debts designated in a memorandum of agreement with a public postsecondary education institution on behalf of a referring institution.
 - 3. The department shall not decline to collect a specific enrollment-related debt or liquidated debt that is referred to the department by a public postsecondary education institution unless the department:
 - a. Performs an individualized analysis of the debt;
 - b. Determines that the debt is not:
 - i. An enrollment-related debt;
 - ii. Liquidated debt; or
 - iii. Feasible to collect; and
 - c. Provides a written statement to the referring institution that includes an individualized analysis of the reason the specific debt cannot be collected by the department.
- (8) Upon receipt of a referred liquidated debt or enrollment-related debt and after its determination that the debt is feasible and cost-effective to collect, the department shall pursue collection of the referred debt in accordance with KRS 131.030.
- (9) By administrative regulation promulgated under KRS Chapter 13A, the department shall prescribe the electronic format and form of, and the information required in, a referral.
- (10) (a) The department shall report annually by October 1 to the Interim Joint Committee on Appropriations and Revenue on the collection of debts, including debts due to improper payments, referred by agencies and the Court of Justice. The report shall include the total amount by agency and fund type of liquidated debt that has been referred to the department; the amount of each referring agency's liquidated debt, by fund type, that has been collected by the department; and the total amount of each referring agency's liquidated debt,

- by fund type, that the department determined to be cost-ineffective to collect, including the reasons for the determinations.
- (b) Each cabinet shall report annually by October 1 to the Interim Joint Committee on Appropriations and Revenue on:
1. The amount of previous fiscal year unliquidated debt by agency, including debts due to improper payments, fund type, category, and age, the latter to be categorized as less than one (1) year, less than five (5) years, less than ten (10) years, and over ten (10) years; and
 2. The amount, by agency, of liquidated debt, including debts due to improper payments, not referred to the department; a summary, by criteria listed in subsection (6)(a) of this section, of reasons the department provided for not requesting referral of those liquidated debts; and a summary of the actions each agency is taking to collect those liquidated debts.
- (c) Beginning on October 1, 2005, the Court of Justice shall report annually by October 1 of each year to the Interim Joint Committee on Appropriations and Revenue the amount of previous fiscal year unliquidated debt by county and whether in the Circuit Court or District Court; and fund type and age, the latter categorized as less than one (1) year, less than five (5) years, less than ten (10) years, and over ten (10) years. The first year for which the Court of Justice shall be required to report is the fiscal year beginning on July 1, 2004 and ending on June 30, 2005. The Court of Justice shall not be required to report unliquidated debts in existence prior to July 1, 2004.
- (d) The Finance and Administration Cabinet shall report annually by October 1 to the Interim Joint Committee on Appropriations and Revenue on the amount of the General Government Cabinet's unliquidated debt by agency, fund type, and age, the latter categorized as less than one (1) year, less than five (5) years, less than ten (10) years, and over ten (10) years.
- (11) At the time of submission of a liquidated debt to the department for review, the referring agency, the Court of Justice, or, where feasible, the local government shall provide information about the debt to the State Treasurer for the Treasurer's action under KRS 44.030(1).

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Legislative Research Commission Note (7/13/2004). 2004 Ky. Acts ch. 142, sec. 9, provides, "Notwithstanding any statutory law or administrative regulations, any debt approved and funded by the Bluegrass State Skills Corporation or the Kentucky Economic Development Finance Authority may be renegotiated, amended, or forgiven with approval of their respective boards. Any debt collected on behalf of the Kentucky Economic Development Finance Authority or Bluegrass State Skills Corporation shall be returned to them subject to any reasonable fees due for services

rendered by other agencies or private vendors in collecting the debt on their behalf and shall not be deemed general funds."