

# **INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE**

## **Minutes of the 1st Meeting of the 2025 Interim**

**June 4, 2025**

### **Call to Order and Roll Call**

The first meeting of the Interim Joint Committee on Appropriations and Revenue was held on June 4, 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, Scott Madon, Amanda Mays Bledsoe, Gerald A. Neal, Matt Nunn, and Craig Richardson; Representatives Kim Banta, Tina Bojanowski, Adam Bowling, Josh Bray, Randy Bridges, George Brown Jr., Stephanie Dietz, Ken Fleming, Chris Freeland, Chris Fugate, Mark Hart, Matt Lockett, Shawn McPherson, Steve Riley, Walker Thomas, Timmy Truett, Ken Upchurch, and Wade Williams.

Guests: Chay Ritter, Director, Kentucky Department of Education; Kristi Russell, Executive Director, School Facilities Construction Commission; Krystal Smith, Executive Advisor, School Facilities Construction Commission; Jeff Noel, Secretary, Cabinet for Economic Development; Keli McAlister, External Affairs Director, BlueOval SK; Roger Lin, Vice President-Government Affairs, Ascend Elements; Matthew Wingate, General Counsel, Cabinet for Economic Development; Mark Fern, Plant Manager, Ascend Elements; and Carter Hendricks, Executive Director, South Western Kentucky Economic Development Council.

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

### **Discussion of Nickels and School Facility Funding**

Chay Ritter, Director, Kentucky Department of Education (KDE), provided an overview of nickel equivalent taxes used for school facility funding and local and state facility funding by source. In 2025, more than \$900 million was used for school facility funding. The state funding portion is provided through a formula-driven equalization process and does not result in a dollar-for-dollar match.

Kristi Russell, Executive Director, Schools Facilities Construction Commission (SFCC), explained that the SFCC fulfills the unmet financial needs for school facility funding based on KDE's unmet needs report and she discussed the SFCC's offers of assistance plan for school districts. In 2023, the total unmet need was \$6.13 billion and \$951 million was available in local revenues. The General Assembly authorizes the SFCC to make offers of assistance in each fiscal biennium and then funds the offers of assistance in the next biennium. Since the amount of state funding has diminished over the years, an additional \$60 million was requested by SFCC for the next biennium.

In response to Senator McDaniel, Ms. Russell explained that districts can accept, reject, or take no action on SFCC offers for various reasons.

In response to Representative Fugate, Mr. Ritter described the district's timeline for adopting a nickel.

In response to Senator Boswell, Mr. Ritter stated that depending on the district, funds from nickels or general funds can be used to pay for the construction of administration buildings.

In response to Senator McDaniel, Mr. Ritter discussed the process for creating and reviewing a facility plan for each district to determine unmet facility needs.

In response to Senator Funke Frommeyer, Mr. Ritter stated there is a project manager from KDE assigned to work with each district during the facilities planning process and there are rules regarding the type of assets allowed in the school district's facility needs request.

In response to Senator Funke Frommeyer, Ms. Russell stated federal dollars have already been provided to the school districts and she was not sure what happens to federal dollars not spent by the deadline.

In relation to a document provided by the SFCC, Senator McDaniel requested that the original SFCC offers made to each district be submitted to the committee.

In response to Representative Petrie, Mr. Ritter explained the process KDE uses in creating the district facility plan. Ms. Russell confirmed that the bonding capacity at the local level is factored into a school district's SFCC offer and that a district can reduce its bonding capacity by having other facility projects that may not be a priority, which in turn will increase their SFCC offer.

In response to Senator McDaniel, Mr. Ritter provided an overview of the Kentucky Facilities Inventory and Classification System (KFICS) list, which is published once a year, updated monthly, and shared with the Legislative Research Commission (LRC). Not all districts participate with KFICS and it is not required by law.

In response to Representative Petrie, Mr. Ritter confirmed that, similar to the unmet needs report, districts self-report to KFICS and there is not an in-person review process. Representative Petrie expressed concern with the potential of rewarding districts for not maintaining properties, which may move them up on the unmet needs report, based on the way the SFCC currently determines offers of assistance.

In response to Senator McDaniel, Ms. Russell confirmed that a school district may reduce its bonding capacity by funding the costs of a new administrative building through bonds at the detriment of funding a new school-related facility project and as a result receive an increase in their SFCC offer.

### **Economic Development Projects in Elizabethtown and Hopkinsville**

Jeff Noel, Secretary, Cabinet for Economic Development (CED), shared that both BlueOval SK and Ascend Elements are fully compliant with incentive agreements and both projects are progressing and have created around 1100 jobs. He continued with an overview of the CED's focus on Kentucky's automotive development for the future, and changes in electric vehicle (EV) growth. Keli McAlister, External Affairs Director, BlueOval SK, stated that BlueOval SK believes growth in the EV market to be solid.

Mr. Noel acknowledged the legislature's support with the enactment of Senate Bill 5 in the 2021 Regular Session. He discussed BlueOval SK's progress in terms of the agreement, and the resulting growth in the supply chain from companies investing in facilities and hiring in Kentucky. Mr. Noel also discussed the original terms and conditions of the loan given to BlueOval SK, federal funds involved in the project, the status of the project, and delays and changes to the project. There are currently 1,050 Kentucky jobs, and 350 Tennessee jobs created at BlueOval SK. There will be 5,000 jobs in Kentucky once BlueOval is at full capacity. The Kentucky 1 plant is on schedule to begin production this year. Production is paused at the Kentucky 2 plant.

In response to Senator McDaniel, Mr. Noel clarified that the job creation requirements in the agreement are specifically for the jobs directly tied to the production of batteries. He also explained investment qualifications in regard to the \$2 billion investment required in the agreement. He stated he has no definitive knowledge of a partnership with Nissan

and BlueOval SK at this time. He would not speculate if or how that would affect the original agreement, but said that he would keep the committee informed.

In a response to Senator McDaniel, Ms. McAlister stated that construction on Kentucky 2 is ongoing and will be finished even though production for Kentucky 2 has been paused. She stated BlueOval SK is not fully reliant on China for rare earth materials and has various countries from which it sources the materials.

In response to Senator McDaniel, Mr. Noel stated they would provide a written answer to the committee on their plans for alternative sourcing of materials.

In response to Senator McDaniel, Mr. Noel explained how the loan repayment works and that he would not make any decision or projections regarding extensions.

Mr. Noel gave an overview of Ascend Elements and the incentive structure given in the agreement with Kentucky. Construction is on pause currently, but is expected to resume at the end of 2025, pending the recontracting process. He proceeded to discuss changes in the Ascend Elements project, how Ascend Elements is adjusting production, and the Department of Energy (DOE) grants to produce cathode active material (CAM) and precursor cathode active material (pCAM). Ascend Elements plans to produce only pCAM and lithium carbonate.

In response to Senator McDaniel, Roger Lin, Vice President-Government Affairs, Ascend Elements, responded that while Ascend Elements remains in arbitration with the general contractor, it has been contacting and paying subcontractors for work that has been done. In regard to overbilling, Ascend Elements is taking great care to pay legitimate invoices and continue to investigate others. Mr. Lin explained the property investments with the Hopkinsville Industrial Foundation.

Ms. Atkins and Mr. Lin both affirmed that BlueOval SK and Ascend Elements would not be asking the General Assembly or the DOE for more money to finish the projects.

In response to Representative Bridges, Mr. Lin stated Ascend Elements is contracting with construction contractors and rebidding the rest of the project. The remaining work package will be done more thoroughly and with new leadership. Mr. Lin could not comment on a timeline for the payment of the subcontractors.

## **Correspondence Received**

Correspondence received included Interim Budget Allotment Adjustments for FY 2025, Interim Emergency Appropriation Increases for FY 2025, Interim Appropriation Revisions for Third Quarter FY 2025, and Interim Appropriation Revisions for Fourth Quarter FY 2025 from Jenny Bannister.

### **Reports Received**

Reports Received February through May 2025 from Jennifer Hays.

### **Next Meeting**

July 15, 2025, at 1:00 in Capitol Annex Room 149, chaired by Representative Petrie.

### **Adjournment**

With no further business before the committee, the meeting was adjourned at 2:10 PM.