INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 5th Meeting of the 2025 Interim

October 15, 2025

Call to Order and Roll Call
The fifth meeting of the Interim Joint Committee on Appropriations and Revenue was held on October 15, 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 Shelley Funke Frommeyer, David P. Givens, Scott Madon, Amanda Mays Bledsoe, Matt Nunn, Craig Richardson, and Robin L. Webb; 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, Shawn McPherson, Walker Thomas, Timmy Truett, Ken Upchurch, and Wade Williams.

Guests: Matthew T. Ross, Associate Commissioner, Office of Finance and Operations, Kentucky Department of Education (KDE); Karen Wirth, Director, Division of District Support, KDE; Chay Ritter, Director, Division of District Support, KDE; Tom Miller, Commissioner, Department of Revenue (DOR); Stephen Crawford, Division Director of the Office of Collections, DOR; Aaron Schaffner, Executive Director of the Office of Enforcement, DOR; Chris Calvert, Chief Financial Officer, Northern Kentucky University (NKU); and Jenny Sand, Executive Director for Government and Community Relations, NKU.

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

Approval of Minutes

A motion was made by Senator Funke Frommeyer and seconded by Senator Nunn to approve the minutes of the September 17, 2025, meeting. Minutes were approved by voice vote without objection.

Kentucky Department of Education Discussions

Chay Ritter, Director, Division of District Support, KDE, provided an overview of recent changes to Support Education Excellence in Kentucky (SEEK). SEEK was created from the 1990 Kentucky Education Reform Act (KERA). Recent budget bills increased the SEEK guaranteed base amount per pupil, which in turn, increased the funding received from SEEK add-ons. Other increases included in recent budget bills were funding for children enrolled in kindergarten and funding for transportation costs. For the current biennium, the Tier I funding factor increased from 15% to 17.5%, which results in additional funding for most school districts. Beginning this year, on-behalf payments are required to be included in KDE's reports.

Matthew T. Ross, Associate Commissioner, Office of Finance and Operations, KDE, provided a summary of on-behalf payments for FY 2025 that totaled about $1.5 billion.

Responding to Representative Bojanowski, Mr. Ritter explained it is difficult to merge on-behalf payments with the SEEK per pupil amounts to reflect a total per pupil funding amount. Mr. Ross further explained the differences between the payments from the SEEK funding formula and on-behalf payments. For reporting purposes, there can be a SEEK per pupil amount and a total per pupil amount that would include on-behalf payments.

Senator Givens stated 2025 RS SB 6 addressed the reporting mechanism for funding and did not impact SEEK funds. Other states look at the totality of what they spend on education, and Kentucky has not done that in the past. SB 6 simply deals with reporting the per pupil funding number, but does not impact funding.

Responding to Senator Mays Bledsoe, Mr. Ritter said the statewide home/hospital figure has been consistent. He would review district numbers to determine if they have seen a significant increase.

Responding to Chair McDaniel, Mr. Ritter explained Tier I funding requirements. Tier I funding incentivizes schools to levy local taxes. Some school districts with higher property wealth do not qualify for Tier I funding. When the Tier I funding factor was increased from 15% to 17.5%, it resulted in an additional $44 million for school districts. Tier I funding is in addition to the SEEK per pupil amounts.

Responding to Senator Givens, Mr. Ross agreed the state contributions are approximately $7000 per pupil when considering SEEK funding and the $1.5 billion in on-behalf payments.

Responding to Co-Chair Petrie, Mr. Ritter explained the process for projecting accurate forecasts of SEEK data and stated that he would review the 2011 report from the Office of Education Accountability (OEA).

Discussion on Collection of University Debt

Tom Miller, Commissioner, DOR, provided background information on the DOR's collection of university debt.

Aaron Schaffner, Executive Director of the Office of Enforcement, DOR, shared state statutes on debt collection, staffing challenges, and compared collection revenues for university debt versus regular tax debt.

Responding to Chair McDaniel, Mr. Schaffner stated they had 13 collectors in 2023, 11 collectors in 2024, and seven in 2025 for collecting university debt. DOR is actively recruiting debt collectors. DOR receives 25 percent of the debt collected for universities, which is added to the general fund. When DOR collects tax revenue, 100 percent of the tax collected is added to the general fund. Stephen Crawford, Division Director of the Office of Collections, DOR, stated DOR can place a lien and conduct levies on university debt without a judgment. Universities cannot place a lien or conduct a levy on university debt without a judgement.

Responding to Co-Chair Petrie, Mr. Crawford stated collectors can be attorneys, but the seven individuals that collect university debt are not. DOR cannot contract with attorneys or collection firms, as it is precluded by statute. DOR has not considered changing the statute to allow third party collectors.

Responding to Senator Givens, Commissioner Miller replied he did not know how expenses from collecting university debt are reimbursed. He emphasized attracting and retaining collectors is difficult. In his opinion, using DOR's collectors to collect university debt is not as beneficial to the state as collecting taxes owed to the Commonwealth. Mr. Crawford discussed using a third party to collect university debts, and expressed his concern about the legality of it.

Responding to Chair McDaniel, Commissioner Miller stated the university debt collectors also collect debt for other executive state agencies.

Responding to Senator Funke Frommeyer, Mr. Crawford explained that state law precludes rewarding employees for higher collections. Commissioner Miller stated they have been communicating with the universities about debt collecting. He believes it is not a good business decision to collect the university debt instead of tax dollars. He spoke about and provided more detailed examples regarding the recruiting process for the tax collectors.

Chair McDaniel commented on competitive wages in state government and the importance of collection of university debts.

Responding to Chair McDaniel, Chris Calvert, Chief Financial Officer, NKU, explained the revenue from the collected debts helps the university offset the expenses of offering competitive wages and supporting academic programs. NKU recently laid off 18 employees, which saved the university $1.5 million in salary expenses, and eliminated 32 positions. Along with other factors, the loss of revenue from collected debts was a factor in the decision to reduce the number of positions at NKU.

Responding to Senator Webb, Mr. Calvert stated 54 percent of accounts placed with DOR are collected, versus 12 percent when using a third party. Third parties charge about a 33 percent collection fee, whereas DOR charges 25 percent for collections.

Mr. Calvert explained how NKU receives a significant response rate just by notifying debtors that their uncollected debt is going to the state. NKU is willing to work together with DOR to help with staffing shortage issues.

Correspondence Received

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

Senator Givens requested an explanation of an amount the Cabinet for Health and Family Services (CHFS) reported for federal Medicaid benefits.

Reports Received

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

Next Meeting

November 5, 2025, at 1:00 PM in the Capitol Annex Room 149, chaired by Co-Chair Petrie.

Adjournment

There being no further business to come before the committee, the committee adjourned at 2:05 PM.