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## LOCAL TAXES TRY TO KEEP UP

### KENTUCKY SCHOOLS IN SEARCH OF FUNDS



The Arvin Education Center's Sam Noffke stacks a tray of cookies earlier this month as students in the vocational school's culinary program make 1,700 for Oldham County High School's 60th anniversary. The program could face cuts.

SCOTT UTTERBACK/THE COURIER-JOURNAL

Boards find they are backed into a political hot seat as cuts force their hand

#### ONLINE

Watch a video about school districts relying on local taxpayers to help support them after declines in state and federal funding at [www.courier-journal.com/localnews](http://www.courier-journal.com/localnews)

#### By Mike Wynn

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The Courier-Journal

FRANKFORT, Ky. — Trying to make up for cuts in state and federal funding, nearly half of Kentucky's 173 school districts have increased local property tax rates as much as allowed — driving inequality among districts and turning school boards into political pariahs.

"Districts have no choice," said Brad Hughes, spokesman for the Kentucky School Boards Association. "The only option they have is to go to local taxpayers."

So far, 81 districts have adopted tax rates that will increase revenue by 4 percent, the largest amount allowed under law without being subject to a voter recall.

That's an increase over the 76 districts that approved similar measures last year — and 26 school boards have yet to set a rate, meaning this year's number likely will grow.

Jefferson, Oldham and Bullitt counties' school districts are among those that have increased tax rates, though Jefferson County ap-



## LOCAL SCHOOL PROPERTY TAX RATES

District	2013	2014	Increase per \$100,000 of assessed value
Jefferson	70 cents*	71 cents	\$10
Oldham	68.9 cents	73.3 cents	\$44
Bullitt	59.6 cents	61.8 cents	\$22

\*Per \$100 of assessed valuation:

proved less than the maximum allowed.

The rate in Jefferson County climbed from 70 cents to 71 cents per \$100 of assessed value, a total increase of \$10 on a \$100,000 property. Oldham went from 68.9 to 73.3, or \$44 on a \$100,000 property, while Bullitt jumped from 59.6 to 61.8, or \$22.

But school officials say the additional revenue from higher rates will replace only part of what districts have lost since the economy soured five years ago.

The Estill County school board, for instance,

### **FUNDS:** School districts raise taxes as cuts grow

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expects to raise \$65,000 from a tax increase approved this year. But its primary appropriation from the state is down about \$700,000 compared to 2009.

Oldham County Schools will generate about \$2.1 million from its new tax rate — despite having already cut \$3 million from its budget and about 30 teaching positions.

Hiren Desai, an associate commissioner for the Kentucky Department of Education, said school districts are struggling to collect more money, locally or from the state, to avoid “laying off teachers worse than anything you have ever seen” next year.

Some experts warn that poorer districts will suffer the most if the state backtracks on decades-old efforts to improve equality in schools and reduce reliance on local funding.

That’s the case in Morgan County, which saw property assessments plummet about \$8 million because of damage from the 2012 tornado outbreak and can only increase revenue by about \$100,000 a year under tax law.

Jefferson County Public Schools, in comparison, can raise about \$17 million from a similar sized tax increase because of its larger and higher-valued property base.

Still, the district has faced “more and more state cuts where the burden lies on the local taxpayer,” JCPS spokesman Ben Jackey said.

### **Make or break**

The Kentucky Board of Education approved a budget request this month that aims to restore school funding to pre-recession levels. Officials will submit the request to Gov. Steve Beshear in November, and the General Assembly will finalize a budget next year.

But the proposal is unlikely to get traction, said House Education Chairman Derrick Graham, D-Frankfort. “It comes down to this — there is no money.”

The state’s primary funding stream for schools, the Support Education Excellence in Kentucky program, has not technically been cut. But because allocations have remained almost the same while student attendance has increased, the net effect is decreased funding.

SEEK base funding per student has declined to \$3,827 this year from \$3,866 in 2009, according to the education department.

Another program, Flexible Focus Funding, which helps pay for professional development, safe schools, textbooks and other areas, has dropped to \$93 million today from \$154 million in 2008.

Restoring those two funds alone would cost \$272 million in the next biennium.

Meanwhile, the federal sequestration will pull about \$32 million from Kentucky education programs. School districts also report rising costs from pensions and legislative mandates, such as implementation of new academic standards required under a 2009 law.

“Everything is hitting at once this year,” Desai said. Superintendents believe “this is the year to make us or break us.”

Oldham County Superintendent Will Wells said his district’s alternative school; interventions for struggling students; and the Arvin Education Center, a career and technical education program, are among the programs that likely will face cuts if state funding continues to diminish.



## Growing inequity

Kentucky established the SEEK formula under the Kentucky Education Reform Act in 1990 to help ease the funding disparity among school districts.

The Office of Education Accountability reports that the gap narrowed until about 2005 but

has gradually increased. Its latest report shows that, when adjusted for inflation, the wealthiest districts had about \$1,206 more per pupil compared to poor districts in 2010. In 2005, the gap was only about \$912 per pupil.

Jason Bailey, director of the Kentucky Center for Economic Policy, a progressive think tank, said federal education cuts also disproportionately harm poor districts that depend on such programs as Title 1, which provides money to improve academic achievement in financially disadvantaged areas.

"We are getting away from that role in trying to make sure that every child has equal opportunity," he said.

Rural districts also have lost SEEK funding — which allocates money to schools based on attendance — as families have moved to urban areas to look for jobs, Desai said. "All of these things are happening so quickly that the system can't adjust."

## Politics is taxing

State law gives school boards several options when setting annual property taxes.

Boards can adopt a "compensating rate," which is designed to pro-

vide the same amount of revenue as the prior year. As another option, districts can approve a rate designed to generate a 4 percent increase in revenue, but any rate above that can be recalled in a referendum.

Some school boards, including Jefferson County, have chosen to set a tax between the two options.

The rates are inversely related to property assessments, so when property values are rising, schools boards can increase revenue without raising rates.

But when property values drop or remain flat, districts often must increase tax rates just to maintain the same amount of revenue — which can lead to political backlash.

Tax opponents have argued that districts are hoarding large reserves or that schools could forgo the revenue through more efficient operations.

In Estill County this year, the school board's decision to take the 4 per-



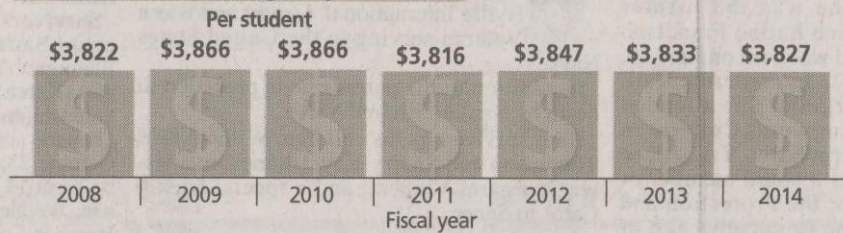
The Arvin Center's Kaylin Yettaw trains in CPR earlier this month. SCOTT UTTERBACK/THE COURIER-JOURNAL

## KENTUCKY SCHOOL FUNDING

### Flexible Focus Funds falling off



### SEEK Base Funding stays flat



SOURCES: Kentucky Department of Education

STEVE REED/THE COURIER-JOURNAL

cent revenue increase along with a “nickel tax” for facilities construction caused deep divisions in the community.

Estill Superintendent Bert Hensley said the nickel tax would help pay for a vocational school, but critics raised concerns that money was going toward athletic facilities when property owners couldn’t afford more taxes.

Opponents complained at meetings and circulated a petition with hundreds of signatures. The school board eventually rescinded the nickel tax, citing concerns over timing.

“It got pretty heated in some of the school board meetings,” said James Bicknell, an Estill County resident who fought the tax increase. “We just

can’t afford to pay any more.”

Likewise, angry taxpayers confronted the Jefferson County school board in August as it considered a 3.1 percent property tax increase. Board members opted instead for a 1.4 percent increase that will raise taxes on a \$100,000 property to \$710 a year, \$10 more than last year.

Hughes, from the school boards association, argued that the system makes school boards into the enemies.

But Graham said it’s an unavoidable necessity.

“I know they don’t want to do it on a local level, but ... if it helps them, that’s where they need to go,” he said.

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