



## KENTUCKY

### Description of the Formula

#### *SEEK Program*

Support Education Excellence in Kentucky (SEEK) is the funding formula developed as part of the 1990 Kentucky Education Reform Act (KERA). A base funding level defined in KRS 157.320(2) guarantees an amount of revenue per pupil to be provided for regular operating and capital expenditures. (\$3,508 for 2006-2007, \$3,822 for 2007-2008). According to KRS 157.360, each school district's **base funding level** is adjusted by the following factors:

- a. The number of at-risk students identified as those approved for the free lunch program. The prior year average number is multiplied by 15% of the base funding amount;
- b. The number and types of exceptional children as defined by KRS 157.200 based on the prior year December 1 child count. Specific weights for each category of exceptionality are used to calculate the add-on factor for exceptional children. Weights and corresponding categories of exceptionality are as follows:

*Low Incident Disabilities*, 2.35 weight - Functional Mental Disability, Hearing Impairment, Emotional-Behavioral Disability, Visual Impairment, Multiple Disabilities, Deaf-Blind, Autism, and Traumatic Brain Injury;

*Moderate Incident Disabilities*, 1.17 weight - Mild Mental Disability, Orthopedic Impairment or Physically Disabled, Other Health Impaired, Specific Learning Disabilities, and Developmental Delay;

*High Incident Disability*, 0.24 weight - Communication Disorders of Speech or Language;

*LEP* (Limited English Proficient), .075 weight for 2006-2007, .096 weight for 2007-2008

- c. Transportation cost as calculated under the provisions of KRS 157.370;
- d. The number of home and hospital students in average daily attendance as calculated under the provisions of KRS 157.270. The number of home and hospital students in average daily attendance in the prior year is multiplied by the base funding amount less the capital outlay allotment.

A guarantee of a minimum level of local support is generated by a required local effort of 30 cents per \$100 assessed property valuation (KRS 160.420).

A *two-tier system* allows school districts to exceed the required minimum level of local support (KRS 157.440):

- a. *Tier I* - allows school districts to levy an equivalent tax rate which will raise revenue up to 15% above the adjusted SEEK base. The local effort is equalized at 150% of the statewide average per pupil assessed property valuation. This levy is not subject to hearing or recall.
- b. *Tier II* - allows additional levies to produce up to 30% above the adjusted SEEK base plus Tier I. Tier II revenue is all local funds and is not equalized with state funds.

If a school district's levy exceeds Tier I and exceeds the limits of subsection (1) of KRS 160.470, the levy must be submitted to the voters with the following exception: Section 1(c) of KRS 157.440 provides that a school district which was above the maximum Tier I equivalent tax rate the year before KERA (1989-90), would not be required to levy a lower equivalent rate in succeeding years.

*Hold Harmless* - school districts are guaranteed the same per pupil state funding as received in the 1991-92 school year. Even though a school district qualifies to be hold harmless, it could receive less total state funding than in 1991-92 if it had declining enrollment.

A school district must levy a five-cent equivalent tax to participate in the School Facilities Construction Commission (SFCC) program that provides revenue for debt service for new facilities or major renovations (KRS 157.620). The five cents is equalized when committed to debt service by the Facilities Support Program of Kentucky (FSPK) on the same basis as Tier I. (See Section V Restricted Funds/Balances, Building Fund/FSPK).

## **District-Based Components**

### **Density/Sparsity of Small Schools**

SEEK is funded on the previous year EOY AADA plus the difference (positive only) between the prior year 2nd month growth factor report and the current year 2nd month growth factor report.

### **Grade Level Differences**

702 KAR 3:246 - the Council Allocation Formula and KRS 157.360 on Maximum Class Size

<b>Grade</b>	<b>One Unit For</b>
Primary (K-3)	24 pupils
Grade 4	28 pupils
Grade 5-6	29 pupils
7-12	25 pupils
	(31 pupils and no more than 150 pupil hours per teacher = 25:1)

### **Declining Enrollment or Growth**

SEEK is funded on the previous year EOY AADA plus the difference (positive only) between the prior year 2nd month growth factor report and the current year 2nd month growth factor report.

### **Capital Outlay and/or Debt Service**

The state provides \$100 per average daily attendance (ADA) in its biennial budget for school districts to use for priority projects approved on the district facility plan or for payment of debt service. These are restricted funds.

School Facilities Construction Commission issues and pays principal and interest on bonds based on the funding allotted in the biennial budget for that purpose. The allocation of funds is distributed to districts based on the district's unmet need percentage relative to the total district unmet need of the state.

### **Transportation**

*KRS 157.370 Allotment of transportation units.*

1. In determining the cost of transportation for each district, the chief state school officer shall determine the average cost per pupil per day of transporting pupils in districts having a similar density of transported pupils per square mile of area served by not less than nine different density groups.
2. The annual cost of transportation shall include all current costs for each district plus annual depreciation of pupil transportation vehicles calculated in accordance with the administrative regulations of the Kentucky Board of Education for such districts that operate district-owned vehicles.
3. The aggregate and average daily attendance of transported pupils shall include all public school pupils transported at public expense who live one mile or more from school. Children with disabilities may be included who live less than this distance from school. The aggregate and average daily attendance referred to in this subsection shall be the aggregate and average daily attendance of transported pupils the prior year adjusted for current year increases in accordance with Kentucky Board of Education administrative regulations.

4. The square miles of area served by transportation shall be determined by subtracting from the total area in square miles of the district the area not served by transportation in accordance with administrative regulations of the Kentucky Board of Education. However, if one district authorizes another district to provide transportation services for a part of its area, this area shall be deducted from the area served by the authorizing district and added to the area served by the district actually providing the transportation.
5. The density of transported pupils per square mile of area served for each district shall be determined by dividing the average daily attendance of transported pupils by the number of square miles of area served by transportation.
6. The chief state school officer shall determine the average cost per pupil per day of transporting pupils in districts having a similar density by constructing a smoothed graph of cost for the density groups required by subsection (1). This graph shall be used to construct a scale showing the average costs of transportation for districts having a similar density of transported pupils. Costs shall be determined separately for county school districts and independent school districts. No independent school district will receive an average cost per pupil per day in excess of the minimum received by any county district or districts. These costs shall be the costs per pupil per day of transported pupils included in the public school fund and these costs shall be recalculated each biennium.
7. The scale of transportation costs included in the fund to support education excellence in Kentucky for county and independent districts is determined in accordance with the provisions of KRS 157.310 to 157.440 for the biennium beginning July 1, 1990.
8. The cost of transporting a district's pupils from the parent school to a state vocational-technical school or to a vocational educational center shall be calculated separately from the calculation required by subsections (1) through (7) of this section. The amount calculated shall be paid separately to each district from program funds budgeted for vocational pupil transportation, as a reimbursement based on the district's cost for providing this service. The amount of reimbursement shall be calculated in accordance with Kentucky Board of Education administrative regulations. In the event that the appropriation for vocational pupil transportation in the biennial budget is insufficient to meet the total calculated cost of this service for all districts, the amount paid to each district shall be ratably reduced. For the purpose of this subsection, the parent school shall be interpreted to mean that school in which the pupil is officially enrolled in a district's public common school system.
9. The Kentucky Board of Education shall determine the type of pupil with a disability that qualifies for special type transportation to and from school. Those qualified pupils for which the district provides special type transportation shall have their aggregate days' attendance multiplied by five (5.0) and added to that part of the district's aggregate days' attendance that is multiplied by the district's adjusted cost per pupil per day in determining the district's pupil transportation program cost for allotment purposes.

## **Student-Based Components**

### **Special Education**

Special Education is funded through an **Exceptional Child Add-on** to Kentucky base funding mechanism. The base funding formula is determined based on the district's average daily attendance multiplied by a guaranteed amount per child established by the Kentucky General Assembly in the State's biennial budget. The Exceptional Child Add-on also uses this guaranteed amount per child. Kentucky's formula assigns one of three weights to each of the disability categories. Students with a Speech Language disability only have a weight of 0.24; disability categories of Orthopedically Impaired, Other Health Impaired, Specific Learning Disability, Developmentally Delayed and Mild Mental Disability have a weight of 1.17; and disability categories of Hearing Impaired, Visually Impaired, Emotional Behavior Disability, Deaf Blind, Multiple Disabilities, Autism, Traumatic Brain Injury and Functional Mental Disability have a weight of 2.35. The total count of students for each of these weight categories are summed and that categories total of children ages 5 through 20 is multiplied by its weight as noted above. The product of each categories assigned weight multiplied by its child count is then multiplied by the guaranteed base amount in the biennial budget. When these three products are combined that is the amount of the district's Exceptional Child Add-on funds.

### **Compensatory Education**

Discontinued for all practical purposes in 1990.

### **English Language Learner/Bilingual Education**

Bilingual Education no longer applies. The new laws under No Child Left Behind Act of 2001 are:

*Title III: Language Instruction for Limited English Proficient (LEP and Immigrant Students)*

Students with limited English proficiency come with diverse histories, traditions and varied educational experiences.. The term 'limited English proficient' used in the state is defined in Title IX of the No Child Left Behind Act under the General Provisions Part A, Section 9101. Definition. The term immigrant children and youth is defined as specified in Part C, General Provisions, Section 3301.

### **Gifted and Talented Education**

TYPE OF GRANT AWARD:

*Entitlement/Formula Driven/Flow Through Grant Award*

#### **A. Criteria for Recipient Eligibility**

704 KAR 3:285 Section 9 (4) requires districts to employ properly certified personnel to administer and teach in the program, submit an annual local district gifted education year-end report, submit a summative evaluation of the program and student progress and to comply with all sections of 7004 KAR 3:285. Grant awards are

based on funding units reflecting district population at the end of the year preceding the prior year.

The value of one (1 unit is \$11,300).

*\*The source of very slight funding increases for all districts is grant money previously used for competitive/discretionary grants additional funding.*

A district with a population of 0-175 (1) district receives \$11,450. A district with a population of 176-500 (1) district receives \$11,445 and a district with a population of 501-1,950 (57) districts receives \$22,650. A district with a population of 1,951-2,000 (5) districts receives \$28,300 and a district with a population of 2,001-4,500 (68) districts receives \$45,250. A district with a population of 4,501-8,000 (22) districts receives \$67,850; a district with a population of 8001-10,000 (4) districts receives \$73,500; and a district with a population of 10,001-15,000 (7) districts receives \$79,150; a district with a population of 30,001-35,000 students (1) district receives \$102,550; and a district with a population of 90,001-95,000 + (1) district receives \$172,750.

#### B. General purpose or intended use of funds

Seventy-five (75) percent of a district's gifted education allocation is used to employ properly certified personnel for direct services to students who are identified as processing demonstrated or potential ability to perform at an exceptionally high level in general intellectual aptitude, specific academic aptitude, creative or divergent thinking, psychosocial or leadership skills, or in visual or performing arts. Additional uses of state funds for gifted education may include consultation services, counseling services, differentiated study experiences, professional development focused on the needs and services for gifted and talented students, instructional resources to assist teachers in differentiating services, or other appropriate resource services as specified in 704 KAR 3:285, Programs for the Gifted and Talented.

#### C. Application Process

Submission of a local district's Comprehensive Improvement Plan with approved budget and a local district year-end report, summative evaluation and year-end MUNIS expenditure report are considered application for continued funding.

#### D. Recipient Reporting Requirements

Each local district must submit an end-of-year summative evaluation report and year-end MUNIS expenditure report.

#### *Discretionary/Competitive Grant Awards*

- A. Criteria for Recipient Eligibility
- B. Application Process
- C. Selection Procedures
- D. Recipient Reporting Requirements
- E. List of award grantees and awards amounts and brief description of use.



No discretionary/competitive grants have been awarded for 2006-2007.

## **Revenue and Expenditure Information**

### **State Mandates Restricting Revenue or Expenditure Increases**

Revenue from property taxation may not exceed the revenue that the maximum rate would have produced the year before. Exceptions are new property and an allowable tax increase that does not produce revenues in excess of 4% of the prior year property tax revenues.

### **Property Assessment Ratios Used/Legal Standards for Property Assessment**

Fair cash value is used.

### **Measure of Local Ability to Support Schools**

Property valuation per pupil.

#### *Local Sources*

The local board of education is described as the "tax-levying authority" in KRS 160.455. KRS 160.460 requires that all school taxes be levied by the board of education of each school district.

As part of the Kentucky Education Reform Act of 1990, KRS 160.470 was amended to require the boards of education to levy a minimum equivalent tax rate of 30 cents per \$100 of assessed property valuation.

### **School District Budget and Tax Rate Procedures/Sources of Local Revenue**

Equivalent tax rate is defined as the rate that results when income collected during the prior year from all taxes levied by the school district is divided by the total assessed value of property and motor vehicles certified by the Revenue Cabinet. School districts can raise this money through any combination of property tax, motor vehicle tax, and three permissive taxes. Additionally, KRS 157.440 was amended to allow school districts to levy above the minimum 30 cents and qualify for additional state funds.

#### *a. Property Taxes*

The local board of education is authorized by KRS 160.460 to levy an ad valorem tax (imposed as a percent of value). The following property is subject to an ad valorem tax: real property - all lands within the school district and improvements thereon, including real property of public service corporations; personal property - certain classes of tangible personal property (any equipment or inventory used in the operation of a business, including tangible property of public service corporations; distilled spirits - the fair cash value of distilled spirits stored in bonded warehouses or premises within the school district (KRS 132.140); motor vehicles including boats and airplanes - the fair cash value of motor vehicles owned by residents and corporations in the school district).

The Commissioner of Education certifies the tax rate limits prescribed in KRS 160.470 and 157.440 to the board of education each year after receiving certified property assessment data from the Revenue Cabinet. The following ad valorem tax rates and resulting revenue are certified to the board of education: (See sample tax rate certification in Section III. Budgeting and Financial Accounting):

(1) Compensating Tax Rate

The Compensating Rate is defined in KRS 132.010 as "... that rate which ... applied to the current year's assessment of property ... produces an amount of revenue approximately equal to that produced in the preceding year ...". The Compensating Rate may be levied without hearing or recall.

(2) 4% Increase Tax Rate

"The tax rate which will produce no more revenue ... than four percent (4%) over the amount of revenue produced by the compensating tax rate ...". In order to levy a rate above of the Compensating Rate but within the limits of the 4% Increase Rate, a school district must follow the hearing provisions of Subsection (10) of KRS 160.470).

(3) Subsection (1) Tax Rate

Subsection (1) of KRS 160.470 provides that a board of education may not levy a rate which will produce more revenue than the previous year's maximum rate. In order to levy a rate above the 4% Increase Rate but within the limits of the Subsection (1) Rate, a school district must follow the hearing and recall provisions of Subsection (10) and (11) of KRS 160.470. KRS 157.440(2) provides that a school district may exceed the Subsection (1) Rate only with the approval of a majority of the qualified voters.

(4) Tier I Tax Rate

KRS 157.440(1) provides that "... each school district may levy an equivalent tax rate ... which will produce up to fifteen percent (15%) of those revenues guaranteed by the program to support education excellence in Kentucky." The rate levied under this subsection is not subject to the public hearing and recall provisions of KRS 160.470.

*b. Permissive Taxes*

Permissive taxes comprise utility taxes, excise taxes, and occupational taxes. The authority to levy these taxes is found in KRS 160.593. Before a board of education can levy any of these permissive taxes, it must give public notice of its proposed levy and conduct a public hearing to explain the reason for the tax and to hear comments and complaints regarding the proposed levy. The requirements for the notice and hearing are found in KRS 160.603.

Any of the permissive taxes levied by the board of education is subject to petition and recall by the qualified voters in the school district (KRS 160.597).

According to KRS 160.635, permissive taxes levied by a board of education remain in effect until the board reduces the rate; however, this statute allows the board to set a date on which the tax expires at the time the tax is first levied.



(1 ) Utility Tax

KRS 160.613 authorizes a utility gross receipts license tax for schools not to exceed three percent (3% of the gross receipts derived from the sale of telephonic and telegraphic communications services, electric power, water, and natural, artificial and mixed gas. (Bottled gas companies are exempt.) If the cost of energy or energy producing fuels used in the course of manufacturing, processing, mining or refining exceeds three percent (3%) of the cost of production then the costs of those utilities are exempt from the utility tax. Also, amounts received for utilities that are to be resold are exempt. KRS 160.614 adds the gross receipts derived from the sale of cable television to the class of utilities subject to the utility tax. (Also, see Section XI. Miscellaneous, Procedures for Implementing the Utility Gross Receipts License Tax for Local School Districts).

(2) Occupational Tax

KRS 160.605 authorizes the levy of an occupational license tax for schools on the salaries or wages of individuals for work done in a county and on the net profits of all businesses, professions, or occupations from activities conducted in a county. Exempted from paying an occupational tax for schools are public service companies that pay an ad valorem tax, insurance companies, banks, trust companies, savings and loan associations, and income received by members of the Kentucky National Guard for training. The occupational tax rate cannot exceed one-half of one percent (0.5%) and must be a single uniform rate. Any county with 300,000 or more residents is authorized to levy a rate not to exceed 0.75% (KRS 160.607).

(3) Excise Tax

KRS 160.621 authorizes an excise tax for schools not to exceed twenty percent (20%) on a county resident's state individual income tax liability. In other words, the amount of state income tax a school district resident owes would be multiplied by the percent levied to determine the tax amount to be paid to the school system.

The school district may hire someone to collect the excise tax or request that the Revenue Cabinet act as tax collector. When the Revenue Cabinet is requested to be the tax collector, the school district must reimburse the cabinet for its actual cost of collecting the excise tax.

*Other Local Revenue*

Other local income may come from tuition for summer school programs or from students who attend the district's schools but reside in other school districts; earnings from investments, savings accounts, interest bearing accounts, certificates of deposits, etc.; rental of buildings, land and buses; reimbursement for transporting non-public school pupils; and student fees.

**State Support for Nonpublic Schools**

Does not apply.