

KENTUCKY

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I. GENERAL BACKGROUND

State

The watershed event for school finance in Kentucky was the 1989 Kentucky Supreme Court decision, *Rose v. Council for Better Education*, 790 S.W.2d 186 (Ky. 1989). In this decision the court ruled that the state's entire system of schooling--financing, governance and curriculum—was unconstitutional. The Kentucky General Assembly responded to the ruling with the Kentucky Education Reform Act of 1990 (KERA). The revised funding formula, Support Education Excellence Kentucky (SEEK), raised the state's foundation grant, adjusted equalizing grants and property assessments so that poorer districts received a larger share of state aid, and changed the aid formula so that state funding is calculated on a per-pupil basis.

Local

The state has 176 local school districts. The SEEK formula requires a minimum local tax effort for local school districts of 30 cents per \$100 of assessed property valuation. School districts may raise the revenues through any combination of the property tax, motor vehicle tax and three optional taxes. Districts may exceed the required minimum under a two tier system that limits local support.

Districts must levy a five cent equivalent tax to participate in the School Facilities Construction Commission (SFCC) program which provides revenue for debt service for new facilities or major renovations. The Facilities Support Program of Kentucky (FSPK) will equalize the five cents when it is committed to debt service.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$	2,920	million
Grants in Aid	2,616	million		
Teacher Retirement Contributions	304	million		
FICA	0	million		
Total Local School Revenue		\$	959	million
Property Tax	0	million		
Other local source tax revenue	0	million		
Local source non-tax revenue	0	million		
Total Combined State and Local School Revenue		\$	3,879	million
State Financed Property Tax Credits Attributable to School Taxes			0	

II. LOCAL SCHOOL REVENUE

See Basic Support Program.

III. TAX AND SPENDING LIMITS

See Basic Support Program: How the Formula Works.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

N/A.

V. BASIC SUPPORT PROGRAM

Funding in 1998–1999: \$1,802.3 million.

Percentage of Total State Aid: 61.7%.

Nature of the Program: A minimum foundation program that guarantees an amount of revenue per pupil for operating and capital expenditures of local school districts. Districts may exceed the minimum according to a two-tier program; the first tier may be supplemented with state equalization funds.

Allocation Units: Funding is based on the prior year number of students in adjusted average daily attendance (ADA).

Local Fiscal Capacity: Assessed valuation of property and motor vehicles plus tax revenues from motor vehicles and other permissive taxes: utility gross receipts tax, income tax surcharges, and occupational license tax.

How the Formula Works: The SEEK program is a “tiered” system of three components.

1. **Adjusted Base Guarantee.** SEEK guaranteed \$2,839 in 1998–99 for each pupil in average daily attendance in the previous year. This base guarantee is adjusted by the following factors: ADA of transported pupils, the number of exceptional children, the number of at-risk students, and the ADA of students served in a home or hospital.
2. **Tier I.** This is an optional component that allows districts to generate additional revenue up to 15% of the adjusted base guarantee. The local effort is equalized at 150% of the state-wide average of pupil assessed property valuation. The local tax is levied by the school board and is not subject to a recall by the voters.
3. **Tier II.** This is an optional component that allows districts to generate up to 30% above the adjusted base guarantee and Tier I funds. The funds are not equalized by the state and the tax must be approved by the voters.

State Share: The total state share per district is the sum of the adjusted base guarantee minus the required local share plus the Tier I state equalization.

Local Share: All local school districts must levy a minimum equivalent tax rate of 30 cents per \$100 of property assessment to participate in the SEEK program. Property is assessed at 100% of fair cash value. The local Tier I effort is share of the equalization level from local assessment per pupil times the total Tier I revenue.

Weighting Procedures: Students approved for the free lunch program are defined as at-risk. The prior year average number of at-risk students is multiplied by 0.15% times the base guarantee. The types of exceptional children are defined by Kentucky Revised Statute 157.200 and the number of children of each type is based on the prior year December 1 child count. The number of severely handicapped children is multiplied by 2.35 times the base guarantee; moderately

handicapped 1.17; and speech 0.24. The number of home and hospital students in average daily attendance in the prior year is multiplied by the base guarantee less the capital outlay allotment of \$100.

Adjustments for Special Factors: If student population is greater in the first two months of the school year than the first two months of the previous school year, the growth is factored into the ADA. After the base funding is calculated, a deduction is made of 30% of the state funded guaranteed base support for each equivalent ADA of students attending state vocational schools. 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 held harmless, it could receive less total state funding than in 1991–92 if it had declining enrollment. School districts which levied an equivalent tax rate above the Tier I level in 1989–1990 are allowed to maintain that level without voter approval

Aid Distribution Schedule: One-twelfth of the estimated state SEEK Base and Tier I allocations are distributed to school districts each month. Adjustments to meet the actual allotments are made in the last month of the fiscal year. One-half of the Capitol Outlay and FSPK allocations are distributed at the beginning and at the end of the fiscal year.

Districts Off Formula: None.

VI. TRANSPORTATION

Pupil Transportation (Basic)

Funding in 1998–99: \$174.3 million.

Percentage of Total State Aid: 6%.

Description: An adjustment to the SEEK base guarantee based on the number of students living one mile or more from school who are transported to and from school and the average statewide cost per pupil at various pupil density levels.

State and Local Shares: See the Basic Support Program, How the formula works.

Extent of Participation: 173 school districts.

Pupil Transportation (Vocational)

Funding in 1998–99: \$2.3 million.

Percentage of Total State Aid: less than 1%.

Description: Local districts are reimbursed for the drivers' salaries and the state average cost per mile for bus operations for transporting those pupils who are enrolled in area vocational schools from their home school to the vocational school and return to home school.

State and Local Shares: The state pays the calculated reimbursement. Local districts pay any additional costs not covered by state aid.

Extent of Participation: 131 school districts.

VII. SPECIAL EDUCATION

Funding in 1998–99: \$236.4 million.

Percentage of Total State Aid: 8.1%.

Description: Local school districts determine the special education programs in that district. The Kentucky Department of Education monitors local programs to ensure compliance with federal and state statutes. Calculated cost is an adjustment to the SEEK base guarantee.

State and Local Share: See the Basic Support Program, How the formula works.

Extent of Participation: 176 school districts.

VIII. COMPENSATORY EDUCATION

Extended School Services

Funding in 1998–99: \$34.0 million.

Percentage of Total State Aid: 1.2%.

Description: The Extended School Services (ESS) program provides services to students who need additional instruction beyond the scope of the regular

classroom instructional period. Additional services are provided outside the regular school day, including before and after school sessions. The program instructors may provide direct instruction, tutoring, counseling, and study skills reinforcement. All local school districts receive ESS funds with part of the allocation based on ADA and part based on the level of need as determined by the district average test scores, dropout rates, and the number of at-risk students. More than 90,000 students participate in ESS during the regular school term and more than 40,000 are served during the summer program.

State Share: The state determines the eligibility of districts based upon the test scores and observed performance of students. Funds may only be expended on salaries for teachers/instructional assistants.

Local Share: None required. Districts may choose to provide additional funds to support ESS.

Extent of Participation: 176 school districts.

State Agency Children

Funding in 1998–99: \$10.8 million.

Percentage of Total State Aid: less than 1%.

Description: This program reimburses local districts for additional educational services provided to school-age children who are committed to state institutions or day treatment centers located within their district, for the treatment of mental illness, emotional disturbance, mental retardation, or behavior disorders.

State and Local Share: The state provides a per pupil allocation for students in state agencies, plus they are included in the SEEK funding formula. Local school districts contribute local funds to this program.

Extent of Participation: 59 school districts.

IX. GIFTED AND TALENTED

Funding in 1998–99: \$6.3 million.

Percentage of Total State Aid: less than 1%.

Description: This program provides technical assistance, monitoring, and evaluation of both programs and teachers of academically gifted students through grants to local school districts. It provides exam reimbursement to students and technical assistance to districts that offer the Commonwealth Diploma to graduating seniors.

State and Local Share: State funds generally pay a portion of a teacher's salary and/or a gifted and talented program coordinator. All school districts contribute local funds to this program.

Extent of Participation: 176 school districts.

X. BILINGUAL EDUCATION

No state aid provided.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: \$40 million.

Percentage of Total State Aid: 1.4%.

Description: Local school districts are responsible for providing an appropriate one-half day pre-school program for 4-year olds who are at risk of educational failure. Children are identified as being at risk if they meet the eligibility criteria of the federal school lunch program.

State and Local Share: The state funds covered approximately 67% of the costs for the program; the remaining funds are derived from local sources.

Extent of Participation: 176 school districts.

XII. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1998–99: \$19.6 million.

Percentage of Total State Aid: less than 1%.

Description: The Department of Education and the Workforce Development Cabinet are both responsible for the vocational education programs in Kentucky. The state operates 54 area vocational centers that provide services for secondary students funded through this program as well as post-secondary, adult basic education, vocational-technical education, and vocational rehabilitation programs. Students attending vocational programs operated by local school districts are funded through the SEEK program.

State Share: Twenty percent of the allocation generated by students attending state operated programs in facilities owned by local districts is distributed to those districts for debt service on and maintenance of the school plant. The balance is transferred to the Workforce Development Cabinet which operates the vocational centers.

Local Share: Thirty percent of the state funded guaranteed base for each ADA of students attending state operated vocational schools is deducted from districts' state SEEK funds.

Extent of Participation: 173 school districts.

Textbook Programs

Funding in 1998–99: \$23.6 million.

Percentage of Total State Aid: less than 1%.

Description: The state textbook commission approves a textbook adoption list and school districts adopt their textbooks from this state-approved list.

State and Local Shares: The state provides a per-pupil textbook allotment for students through the eighth grade. Districts are allowed to purchase textbooks, supplemental materials and instructional software. The state does not provide funds for textbooks for students in grades 9–12. The district may charge a rental fee for textbooks purchased without state funds.

Extent of Participation: 176 school districts.

Teacher Testing and Internship

Funding in 1998–99: \$4.4 million.

Percentage of Total State Aid: less than 1%.

Description: This program establishes the written test for state teacher certification and for the validation of out-of-state tests. The program provides for beginning teacher assistance and assessment and the training of teacher evaluations.

State and Local Shares: The state provides 40% funding for local public school teachers and 14% of private and parochial school teachers that are involved in the programs. Local school districts may cover the additional costs of the program.

Extent of Participation: 176 public school districts, all dioceses, and various accredited private schools.

Staff Development

Funding in 1998–99: \$14.5 million.

Percentage of Total State Aid: less than 1%.

Description: A series of state-sponsored professional development programs for certified personnel.

State and Local Shares: The state allocates \$15 per pupil to local school districts. Local districts are not responsible for any of the costs of the state sponsored programs. Additional in-service programs are the financial responsibility of the districts.

Extent of Participation: 176 school districts.

Family Resource/Youth Service Centers

Funding in 1998–99: \$40.8 million.

Percentage of Total State Aid: 1.4%.

Description: Centers are located in or near school in which 20% or more of the student body is eligible for free school meals. Family resource centers serve children age 2 to 12 and provide: full-time preschool child care for children ages 2 and 3; after-school child care for children ages 4 through 12; health and education services for new and expectant parents; education to enhance parenting skills;

support and training for child daycare providers; and health services or referral to health services. Youth services centers serve children age 13 and up and provide: health services or referral to health services; referrals to social services; employment counseling, training, and placement for youth; summer and part-time job development for youth; substance abuse services or referral to substance abuse services; and family crisis and mental health services or referrals.

State and Local Shares: Centers are funded by the state. The current funding level is \$200 per pupil eligible for free school meals.

Extent of Participation: In 1998 there were 602 centers serving 84% of eligible schools.

Regional Service Center

Funding in 1998–99: \$1.1 million.

Percentage of Total State Aid: less than 1%.

Description: Centers for professional development of local school district personnel.

State and Local Shares: The state pays 100% of the costs.

Extent of Participation: 176 school districts.

XIII. TEACHER RETIREMENT AND BENEFITS

Teacher Retirement

Funding in 1998–99: \$303.4 million.

Percentage of Total State Aid: 10.3%.

Description: Members of the Kentucky Teacher Retirement System Contribute 9.88% of total salary. The state matches those contributions and contributes an additional 3.25% of the total salaries to discharge the system's unfunded liability. \$230.6 million is included in the Department of Education budget; \$72.8 million is appropriated to the Teacher Retirement System.

State and Local Shares: The state pays the employer contributions. Local districts are responsible for payroll deduction/collection of employee contributions to KTRS.

Extent of Participation: 176 local school districts, the Kentucky Department of Education, and various education cooperatives, consortia.

Health and Life Insurance

Funding in 1998–99: \$216.8 million.

Percentage of Total State Aid: 7.4%.

Description: Qualified school personnel may participate in the state health insurance and state life insurance program.

State and Local Shares: The state pays 100% of both basic programs.

Extent of Participation: 176 districts.

XIV. TECHNOLOGY

Funding in 1998–99: \$15 million.

Percentage of Total State Aid: less than 1%.

Description: The Master Plan for Education Technology establishes the criteria for funding and access to computer technology. Funds for technology are distributed on a per-pupil basis and purchases for equipment and software are negotiated for all so that pricing, payment schedules and all other contracts are the same for each school. All schools have the same access to state-provided support services and networks. Minimum computer-to-student ratios are defined.

State and Local Shares: The state pays 100% of the cost of the district administrative (support services and network) costs. The state and local school districts share, on an equal basis, funding for operational costs, equipment replacement and upgrades.

Extent of Participation: 176 school districts.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1998–99: \$300.0 million.

Percentage of Total State Aid: 10.3%.

Capital outlay funds for Kentucky school districts is generated in a multi-tiered system. There are three levels of financing for construction/renovation and other capital needs included in the districts' facility plans.

The first level is the Capital Outlay component, which is part of the SEEK base guarantee. This provides \$100 per student for construction needs. When used as cash outlay, boards of education may fund construction and renovation projects. In addition, boards of education may issue revenue bonds backed by 80% of the \$100 per student generated in their district. Included in the SEEK appropriation is \$57.4 million for capital outlay.

The second level is the levy for the Facilities Support Program of Kentucky (FSPK). School districts must levy at least five cents per \$100 of property assessment in order to participate in the School Facilities Construction Commission (SFCC) program. If the funds from this five cent levy are committed to debt service, the FSPK provides equalized funding for school systems whose property wealth is less than 150% of the statewide average. Included in the SEEK appropriation is \$42.8 million for this equalization program.

The third level is the SFCC that provides funds to assist districts with debt service payments for new construction and or renovation. Each district's facility needs are established through a facilities survey and SFCC funds are provided based on the percentage of the district's unmet need compared to the unmet need of the entire state.

These three levels of financing have resulted in an increase in construction/renovation from a yearly average of approximately \$50 million to more than \$300 million during the 1998–99 fiscal year.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Funding in 1998–99: 8.1 million.

Percentage of Total State Aid: less than 1%.

Description: The Kentucky Reform Act of 1990 (KERA) put into place a comprehensive assessment and accountability program. That system produced a single school score that was used to measure biennially the growth of cohorts or students. In 1998 the Kentucky General Assembly created a new assessment system known as the Commonwealth Accountability Testing System (CATS). This annual assessment includes a standardized exam, writing portfolios and longitudinal comparison of assessment for the same students. The school accountability index is to be developed to classify schools every two years based on whether they have met their threshold level for school improvement with the 1998–2000 school years serving as the baseline.

State and Local Shares: The state pays 100% of the costs of this program.

Extent of Participation: 176 school districts.

XVII. REWARDS/SANCTIONS

Funding in 1998–99: \$10 million.

Percentage of Total State Aid: less than 1%.

Description: Schools that exceed their improvement goal in the CATS program and have an annual average dropout rate below 8% will be rewarded. Schools that fail to improve will be reviewed by a scholastic audit team that determines if the school will have education assistance to advise their faculty and administrators. All schools failing to achieve their goal will develop a school improvement plan and will be eligible for school improvement funds.

State and Local Shares: State pays 100% of the costs of this program.

Extent of Participation: 176 school districts.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

No state aid provided.

XIX. STATE AID FOR PRIVATE SCHOOLS

See Teacher Testing and Internship.

XX. RECENT/PENDING LITIGATION

See Standards/Accountability Measures.

XXI. SPECIAL TOPICS

None.