

## **KENTUCKY DEPARTMENT OF EDUCATION**

### **STAFF NOTE**

#### **Action/Discussion Item:**

Consideration of the commissioner's recommendation to place Monticello Independent School District under state management

#### **Applicable Statute or Regulation:**

KRS 158.780, KRS 158.785 and 703 KAR 3:205

#### **Action Question:**

Should the Kentucky Board of Education (KBE) approve the commissioner's recommendation for a change in designation from "state assisted" to "state managed" for the Monticello Independent School District?

#### **History/Background:**

***Existing Policy.*** The KBE approved a designation of "state assisted" for Monticello on December 5, 2012. On December 17, 2012, after hearing a presentation on district finances, the local board of education for Monticello voted to request a change in the KBE designation from "state assisted" to "state managed."

Then, on January 11, 2013, Commissioner Terry Holliday sent a letter to Monticello advising that he was going to recommend a change in designation to "state managed" to the KBE at the February 6, 2013 regular state board meeting, unless the local board did not waive its right to an evidentiary hearing. On January 17, 2013, the local board voted to ask for a hearing and this was officially scheduled for February 20, 2013 at 2:00 p.m.

Next, on February 13, 2013, the local board withdrew its request for an evidentiary hearing and instead accepted the option of the commissioner recommending a change to "state managed" for the district at a special meeting of the KBE in lieu of a hearing still to be held on Feb. 20 at 2:00 p.m. with the agreement that the local board would be provided with the opportunity to give a twenty minute presentation at that meeting. The revised agenda for the special meeting reflects presentations by both the local board and Kentucky Department of Education staff followed by a vote of the KBE on whether a change in designation to "state management" should be made in accordance with the recommendation of the Commissioner.

#### **Staff Recommendation and Rationale:**

Kentucky Department of Education (KDE) staff recommends approval of the commissioner's recommendation to place Monticello Independent under "state management". KDE has been coordinating with Monticello Independent since November 2012 to help the district implement a

corrective action plan. Attachment A is a copy of the financial “District Action Plan” used for this purpose. As part of this process, it has become apparent that the financial situation in Monticello is dire and state management is required.

Attachment B is KDE’s “Financial Analysis” of key indicators for Monticello Independent from FY 09 to FY 13. In addition, enrollment is declining, while expenditures continue to remain high. Key concerns include:

1. Transportation costs are significant for a district of this size.
2. Personnel expenditures are a very high percentage (approximately 93%) of the total budget and staffing levels remain high.
3. Significant capital expenditures were approved over the last few years, including capital acquisition and improvements on a soccer field and a baseball/softball field, without any apparent consideration of the budgetary impact.

Attachment C is a “Summary of Revenue and Expenditure Forecast” dated January 7, 2013. This document estimates that the general fund for Monticello will end the current school year with a negative balance of \$1,328,768 and a total (all funds) negative balance of \$1,059,451. Additionally, in January 2013, KDE had to advance over \$700,000 in SEEK funds to Monticello to continue operating and make payroll. These are SEEK funds that would normally have been due and paid to Monticello in February and March.

As a result of the facts contained in the attachments, the original facts in the determination of state assistance in December, and pursuant to KRS 158.785, the Commissioner has established the following:

- (a) A pattern of a significant lack of efficiency and effectiveness in the governance or administration of the Monticello Independent School District existed;
- (b) The pattern of a significant lack of efficiency and effectiveness in the governance or administration of the Monticello Independent School District continues to exist; and
- (c) State management is necessary to correct the inefficiencies and ineffectiveness.

In summary, the financial situation in Monticello is dire and based upon current financial projections, the school district will have to shut down by February 28, 2013 if “state management” (and accompanying financial assistance for the remainder of the school year) does not occur. Attachment D is a document that identifies the “Consequences of No State Management.”

### **Impact on Getting to Proficiency**

Pursuant to state law, the KDE shall establish a program for voluntary management improvement, for involuntary supervision, and for assuming full control of a local school district, in order to ensure that all school districts have the opportunity and capacity to reach proficiency.

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A handwritten signature in black ink, appearing to read "Ray Holliday". The signature is fluid and cursive, with the first name "Ray" being more prominent than the last name "Holliday".

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**Commissioner of Education**

**Date:**

February 2013