



EDUCATION CABINET DEPARTMENT OF EDUCATION

Ernie Fletcher
Governor

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Kevin M. Noland
Interim Commissioner of Education

September 25, 2007

Mr. Gary Milby, Finance Officer
Hardin County Schools
65 W.A. Jenkins Rd.
Elizabethtown, KY 42701

Mr. Milby:

With this letter, I will attempt to bring clarity to the tax rate information being certified by the Kentucky Department of Education. For a variety of reasons, tax rates for Hardin County have been calculated at least three times this summer. I will discuss those calculations below and then attempt to draw a bottom line on where this all stands.

1. The first calculation on July 27 contained an incorrect tax rate on Report 2, the so called House Bill 940 rate. This calculation also included an incorrect figure for the equivalent nickel used for SFCC and FSPK purposes. These errors occurred because, with early certification of assessed values by the Department of Revenue, certain revenue data needed to calculate those rates were drawn from your Tentative Working Budget for 2007-08, rather than from your Annual Financial Report for 2006-07, which was not on file at the time.
2. The second calculation generated on August 6 contained an incorrect Personal Property tax rate. This error occurred because of a change in the computer application that generates the tax reports. While working on a resolution to the problem in number 1 above, we discovered a conflict in tax rates on two reports internal to the process. In order to resolve the conflict, staff members had to research applicable statutes and regulations and discovered a calculation that we did not believe was supported by statute. So, the calculation was changed.
3. A third calculation was generated on September 17 that we now believe to be correct with regard to the HB 940 rate and the Personal Property rate. Upon further review of statutes and regulations with our legal staff, we determined that we could support past practice in how Personal Property rates were calculated.

The resolution of all these calculations is that your computed tax rate with the 4% increase is 50.1 for both Real Estate and Personal Property.

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Further, the final calculation for the equivalent nickel is 5.6 cents. You could choose by local option to designate a higher amount for the Building Fund, but FSPK and SFCC regulations require that at least 5.6 cents of the Real Estate and Personal Property tax rates must be allocated for each "nickel" that you have.

The Tax Rates Levied form submitted by the Hardin County Board of Education contains a Real Estate rate of 50.1, Tangible (Personal Property) rate of 51.2 and 11.2 restricted for Build Fund (two times the equivalent nickel rate of 5.6). The Tangible (Personal Property) rate of 51.2 is above the most recently calculated rate of 50.1. Because of this, by adopting the 51.2 rate, the difference (1.1) would be recallable and would need to be advertised as such. However, it appears that you had originally advertised, conducted a hearing for and adopted a Tangible (Personal Property) rate of 51.2. It is our opinion that the Hardin County Board of Education could still adopt the rate of 50.1 without further advertisement or hearing.

Once again, I apologize for the confusion and turmoil this process has caused. Please know that the staff here is working very hard to make sense out of a complicated process. They are very diligent and take very seriously their task of correctly implementing legal requirements as they try to serve the students in all districts in the state. We have learned a great deal this summer and hope to be able to prevent similar problems in the future.

Please do not hesitate to contact us again for additional clarification or if we can try to help in any other way.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle D. Sutton". The signature is fluid and cursive, with the first name "Michelle" being more prominent.

Michelle Sutton, Director
Office of District Support Services

MS:cr