

# Kentucky Department of Education

## School Finance

### SEEK – Support Education Excellence in Kentucky

Kentucky Board of Education Board Meeting

December 7, 2016

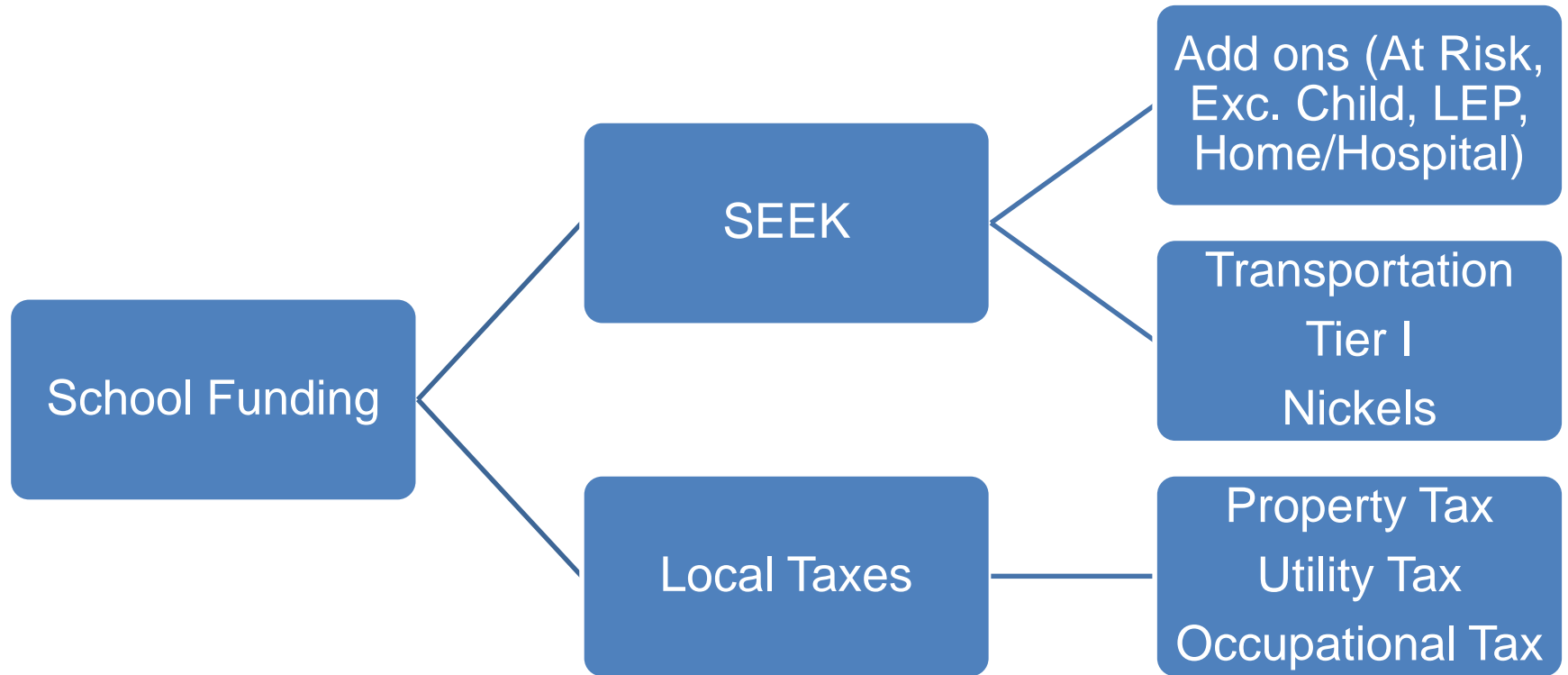
# Kentucky Education Reform Act

- Kentucky Supreme Court declared state's schools to be inefficient and inequitable (*Rose v. Council* 1989)
- As part of Kentucky Education Reform Act, Support Education Excellence in Kentucky (SEEK) was established

# Overview

- Current formula implemented in 1990
- Base funding on a per pupil basis
- Add-ons
- Transportation
- Local effort impact
- Additional funds through additional levies
- Nickels and Capital Outlay funds

# School Funding Structure



# Guaranteed Base

- General Assembly sets the per pupil amount
- Multiply by the prior year aggregate average daily attendance (AADA), adjusted for growth
- For 2016-2017, set at \$3,981 per AADA

**Per pupil base amount x AADA**

# SEEK Add-ons Based on \$3,981 Per Pupil

Add on	Description	Rate/ Per Pupil	Statewide Count	Per pupil	FY 16 Statewide Total
At Risk	ADM of Free Lunch	15%	370,905	\$597	\$221,485,803
Exceptional Child	Low Incidence (Severe)	2.35%	16,642	\$9,355	\$408,787,668
	Moderate Incidence	1.17%	49,569	\$4,657	
	High Incidence (Speech)	.24%	23,251	\$955	
Home/Hospital	ADA for H/H Students	Per Pupil Base less \$100	2,455	\$3,881	\$9,528,938
Limited English Proficiency	Count of LEP students	9.6%	22,324	\$382	\$8,531,689

# Transportation

- Based on frequency, distance, and type of transportation provided
- Only to and from school costs are considered.
- Depreciation to recover 124% of purchase price over 14 year period
- Growth adjustment (no penalty for decrease)
- Additional funding for deaf, blind, and vocational.
- \$214,752,800 budget appropriation vs \$351,808,428 in district cost (702 KAR 5:020) in FY16
- Currently funded at 61%

# Local Effort

- Must levy at least 30 cents per \$100 in assessments to be eligible for SEEK
- Increase in per pupil assessment raises 30 cents local effort in SEEK. Alternatively, a decrease in per pupil assessment lowers 30 cents local effort in SEEK
- Must levy an additional 'nickel' equivalent to participate in FSPK (Facilities Support Program of Kentucky)
- Additional 'nickels' may be targeted for construction



# Local District Tax Levels

Local Tax Levels	Description
30 cents per \$100 of assessed property	Tax required to participate in SEEK.
5 cents per \$100 of assessed property	Tax required to participate in FSPK (Facilities Support Program of KY).
Tier I: 15% of SEEK base plus add-ons	Tier I is authorized but not required. Equalized by General Assembly at 150% of statewide average per pupil assessment.
Tier II: 30% of SEEK base plus add-ons	Tier II is authorized but not required. It is not equalized.

# Local District Taxes

- School districts tax Real Estate, Tangible Property and Motor Vehicles
- Districts may also levy taxes on Utility Gross Receipts, Occupational, Excise, Aircraft, and Watercraft

# ‘Nickels’

- Allows districts to levy additional taxes for capital construction
- Simply put, a district restricts 5 cents of the total local tax rate to the building fund. An additional 5 cents of the total tax rate is restricted for districts with more than one ‘nickel’
- Equalization is a formula driven method which provides additional state funding for the local effort provided by the nickel
- Currently, only nickel available for districts to levy is the ‘recallable nickel’ which is subject to voter approval if valid petition is presented
- Applies to Real Estate and Tangible/Personal Property

# Nickel Equivalent Taxes

- Restricted for capital construction:
  - **FSPK (Facilities Support Program of Kentucky)** (KRS 157.440 (b))
  - **Growth Nickel** (KRS 157.621)
  - **Second Growth Nickel** (2003/2005 Budget Language)
  - **Recallable Nickel** (2003 through current Budget Language)
  - **Equalized Facility Funding Nickel** (HB267, 2005: Sunset 2025)
  - **BRAC (Base Realignment and Closure) Nickel** (HB704, 2008)
  - **Category 5 Nickel** (SB 5, 2010 Extraordinary Session: Sunset 2030 or bond retirement)

# Questions