

The SEEK Formula

An Explanation of Kentucky's
Main Approach to Funding K-12 Education

SEEK: Main Source of K-12 Funding for Kentucky Students

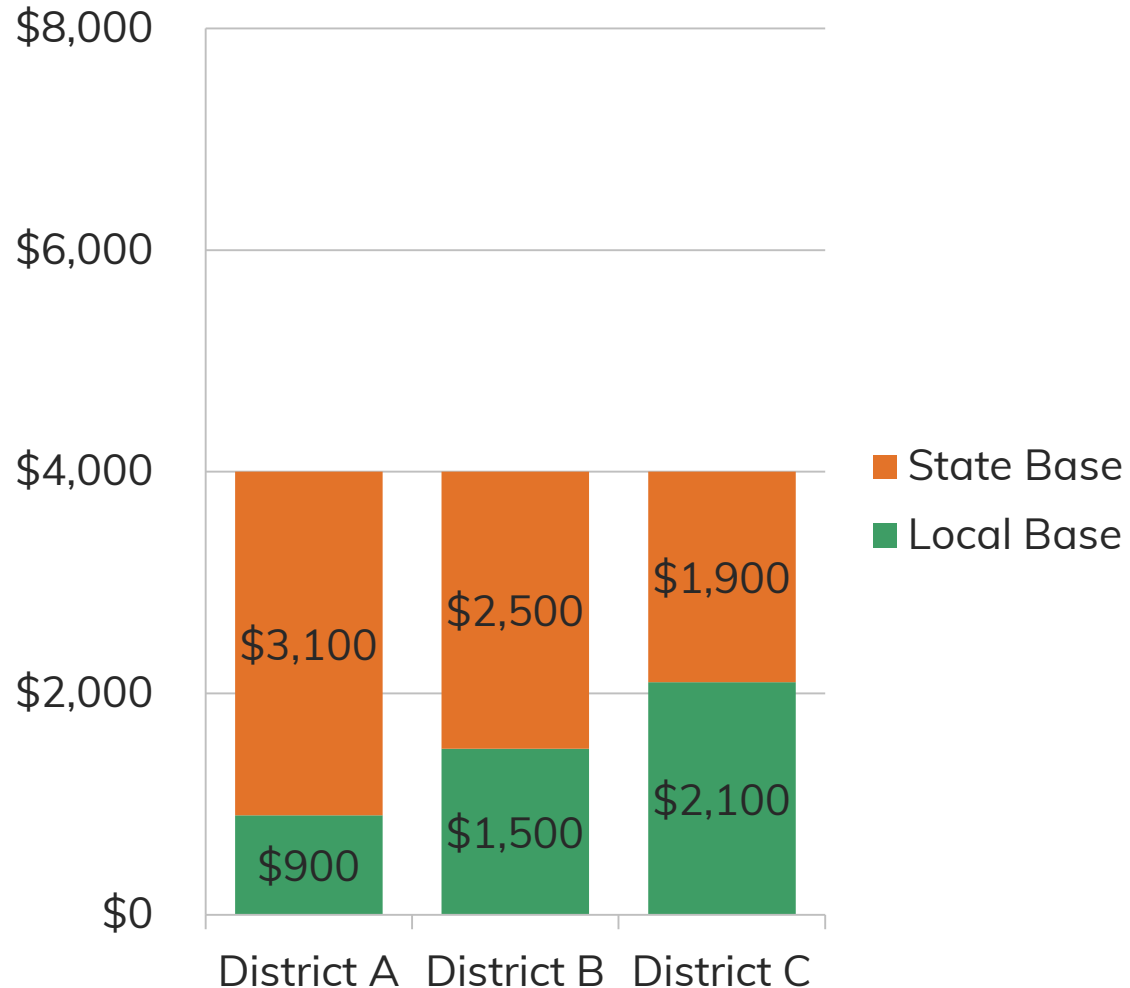
SEEK (short for Support Education Excellence in Kentucky) is a formula-based approach to funding K-12 education. SEEK has played a key role in increasing funding equity between districts with different levels of taxable property wealth.

SEEK works by combining state and local dollars, in four main steps:

1. The base guarantee gives all districts matching basic funding per pupil
2. Add-on funding provides extra dollars based on identified student needs
3. Tier 1 offers state equalization dollars to districts that set higher tax rates
4. Tier 2 allows districts to raise further dollars without any state equalization

STEP 1

The base guarantee gives all districts matching basic funding per pupil



SEEK begins by guaranteeing base funding. For FY 2019, that base guarantee is \$4,000.

Every district must raise 30¢ per \$100 of taxable property as its local contribution.

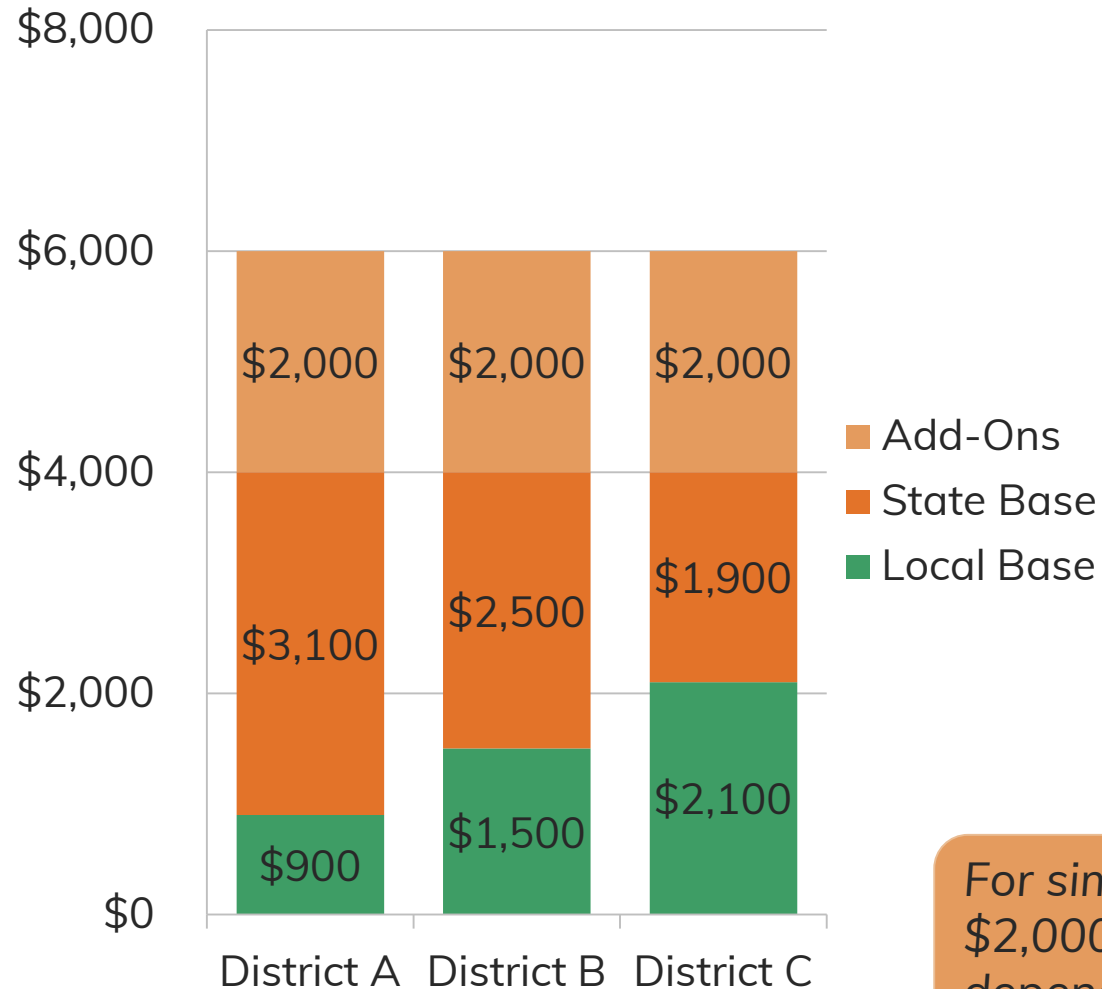
District A has \$300,000 in taxable property per pupil, so the 30¢ rate raises \$900. The state provides the additional \$3,100 needed to complete the \$4,000 guarantee.

District B has \$500,000 in taxable property per student and raises \$1,500, and the state provides the \$2,500 to reach \$4,000.

District C has \$700,000 in taxable property per student and raises \$2,100, so the state provides \$1,900 to get to the guaranteed \$4,000.

STEP 2

Add-on funding provides extra dollars based on identified student needs



Districts will receive these extra amounts:

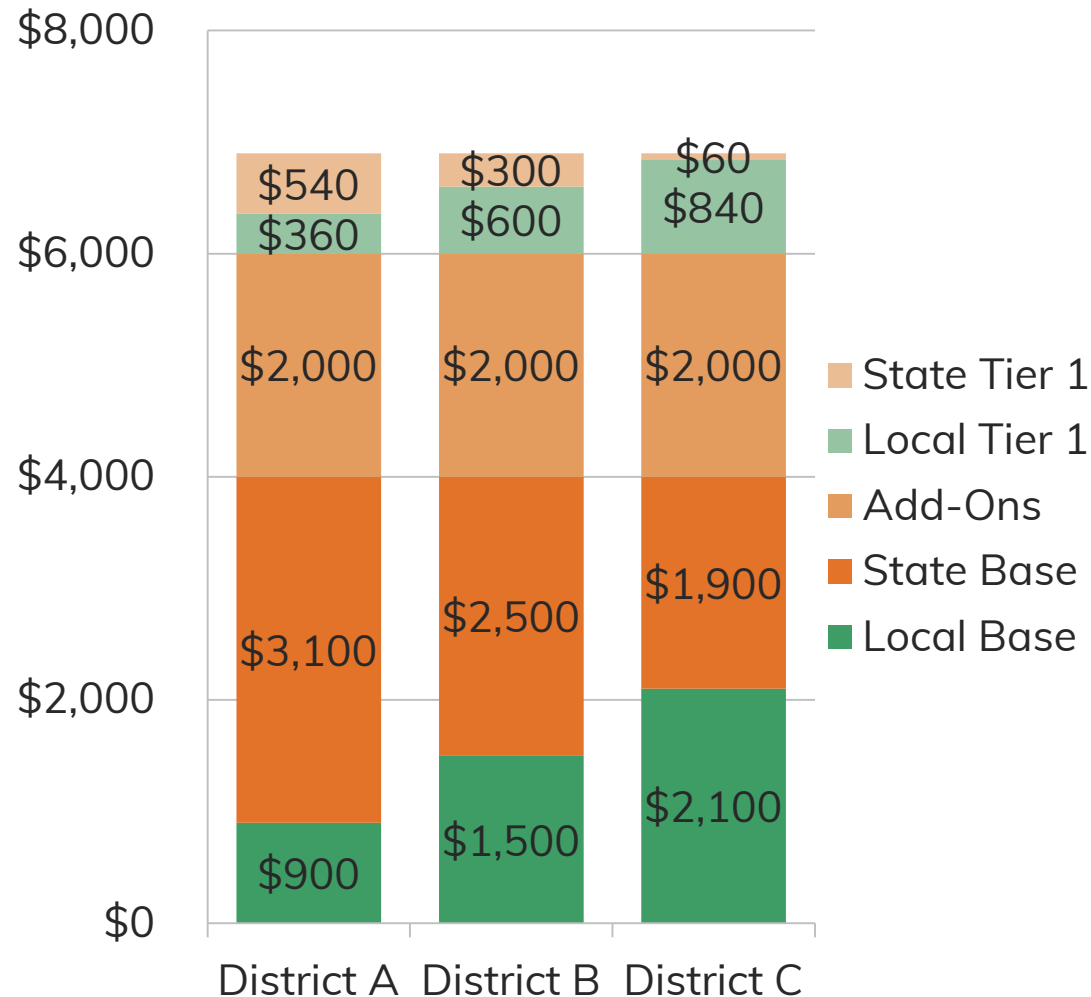
- **\$600** for each at-risk student eligible for free lunches (15% of base)
- **\$960** per student with communications disabilities (24%)
- **\$4,680** per student with moderate disabilities (117%)
- **\$9,400** per student with severe disabilities (235%)
- **\$384** per limited English proficiency student (9.6%)
- **\$3,900** per home/hospital student (base minus \$100)

Districts also receive a SEEK add-on for transportation funding based on analysis of transportation costs.

For simplicity, the illustration shows the three districts getting identical \$2,000 funding, but districts are rarely identical. The real amounts depend on each district's count of students with each type of need.

STEP 3

Tier 1 offers state equalization dollars to districts that set higher tax rates



If districts set taxes higher than the 30¢ minimum, the state equalizes that at 150% of statewide average property per pupil—up to a maximum of 15% of the previous steps.

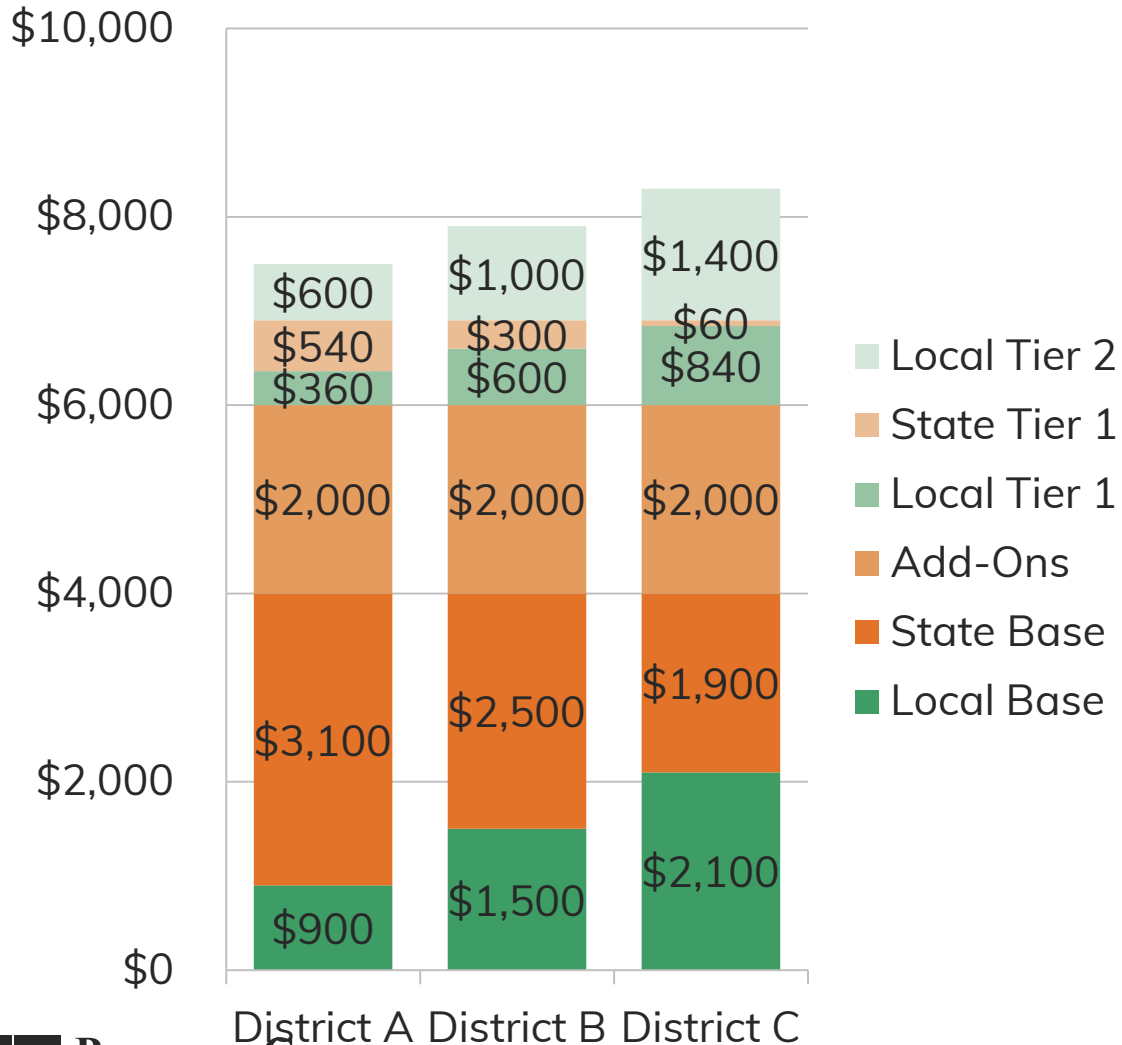
In this example, average taxable property is \$500,000 per student, and 150% of that is \$750,000. A 12¢ tax rate on \$750,000 can raise \$900.

With a 12¢ tax rate increase:

- District A (\$300,000 in taxable property) will raise \$360 locally and receive \$540 from the state to get to the equalized \$900
- District B (\$500,000) will raises \$600 and get \$300 from the state to reach the \$900 total
- District C (\$700,000) will raise \$840 and get \$60 from the state to reach the \$900 total

STEP 4

Tier 2 allows districts to raise further dollars without any state equalization



If districts set tax rates above the Tier 1 maximum, they receive no additional equalization from the state. Those local-only dollars count as Tier 2 funding.

A 20¢ increase in the tax rate will add:

- \$600 per student for District A (\$300,000 in taxable property)
- \$1,000 per student for District B (\$500,000)
- \$1,400 per student in District C (\$700,000)

With no equalization, the same 20¢ tax rate raises the most money in the district with the most taxable property wealth.

Tier 2 also has a maximum: districts are allowed to add up to 30% of the revenue they receive from their base, add-on, and Tier 1 funding.

ADDED DETAIL

The local share does not have to be raised through property taxes.

The local share of SEEK funding does not have to be raised by taxing property. This is a tricky point, but worth knowing.

The SEEK rules require districts to raise revenue equal to 30¢ per \$100 of property as their share of the base guarantee, but they can choose to raise some of those dollars with other taxes, like taxes on motor vehicles, utilities, or occupational licenses.

Tier 1 and Tier 2 revenue can also be raised using those other taxes.

CONCERN 1

The SEEK guarantee has had declining value, increasing local contributions

THE BASE GUARANTEE HAS NOT KEPT UP WITH THE COST OF LIVING

From 2012 to 2017, the guarantee rose by \$100 per pupil, from \$3,881 to \$3,981. To keep up with inflation, the guarantee would have needed to increase by another \$171, to \$4,152.

THE BASE GUARANTEE RELIES MORE AND MORE ON LOCAL CONTRIBUTIONS

The 2012 to 2017 increase of \$100 per pupil was paid for by a \$147 per pupil increase in local funding and a \$47 decrease in state funding per pupil. The local share went up because property assessments grew by an average of \$49,000 per pupil, and the local share is based on the 30¢ per \$100 of taxable property.

CONCERN 2

Transportation has not been fully funded

TRANSPORTATION ADD-ON FUNDING IS FAR BELOW THE STATE'S OWN ESTIMATE OF TRANSPORTATION COSTS

By law, the SEEK formula should fund full transportation costs calculated using a statewide formula, but for many years, the state budget has provided less than that needed amount.

For example, in 2017, the formula called for transportation funding of nearly \$353 million, but the state budget provided only \$214.8 million.

That failure to fully fund the formula meant that districts have received an average of \$230 less per pupil than legally required.

CONCERN 3

Tier 2 local funding is playing an increasing (and increasingly unequal) role

Revenue above the Tier 1 maximum counts as Tier 2 revenue, and it does not receive any state equalization. The absence of equalization matters quite a bit. As noted earlier, a 20¢ unequalized rate will produce:

- \$600 added revenue for a district with \$300,000 in property per pupil
- \$1,000 added revenue in a district with \$500,000 in property per pupil
- \$1,400 added revenue in a district with \$700,000 in property per pupil

In Tier 2, districts with lower wealth brings in less revenue to use in serving their students, even when they set tax rates just like those in districts with more taxable property.

In 2017, 171 of Kentucky's 173 school districts set rates above their Tier 1 maximum. 148 districts went further above the Tier 1 maximum than they had gone in 2012, meaning they made a greater effort to obtain Tier 2 dollars.

On average, districts increased their rates by 5.8¢, and that increase generated an average of \$306 in local funding per student—but the lack of equalization meant that students in some districts received far more and others far less than that \$306 average amount.