

## KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

**Topic:** 2023-2024 Local District Working Budgets

**Date:** December 2023

**Action Requested:**  Review  Action/Consent  Action/Discussion

**Held In:**  Full Board  State Schools  United We Learn

### SUMMARY OF ISSUE BEFORE THE BOARD:

To approve the 2023-2024 Local District Working Budget in accordance with KRS 160.470(6)(b) and 702 KAR 3:110. The Kentucky Board of Education (KBE) is required to approve local district working budgets each year, if in accordance with administrative regulations promulgated by the KBE.

### COMMISSIONER'S RECOMMENDATION:

The Interim Commissioner recommends that the KBE approve the 2023-2024 Local District Working Budget in accordance with KRS 160.470. Kentucky Department of Education (KDE) staff certify that the proposed school district working budgets provided in the attached document for 171 school districts are in compliance with KRS 160.470 and 702 KAR 3:110.

### APPLICABLE STATUTE OR REGULATION:

KRS 160.470, 702 KAR 3:110, House Bill 192 (2021)

### BACKGROUND:

#### *Existing Policy:*

The KBE is required to approve the local district working budgets, if in conformity with KRS 160.470 and 702 KAR 3:110. The local district budgeting process, pursuant to KRS 160.470, is as follows:

(6)(a) Each district board of education shall, on or before January 31 of each calendar year, formally and publicly examine a detailed line item estimated revenues and proposed expenditures for the subsequent fiscal year. On or before May 30 of each calendar year, each district board of education shall adopt a tentative working budget which shall include a minimum reserve of two percent (2%) of the total budget.

(b) Each district board of education shall submit to the Kentucky Board of Education no later than September 30, a close estimate or working budget which shall conform to the administrative regulations prescribed by the Kentucky Board of Education.

702 KAR 3:110 is the regulation applicable to local district working budgets. It provides:

A district board of education shall prepare a tentative and working budget showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the schools during the succeeding fiscal year, and the estimated amount that will be received from the common school fund, from taxation, and other sources. The working

budget shall be disapproved by the Kentucky Board of Education if it is financially unsound or fails to provide for:

- (a) Payment of maturing principal and interest on any outstanding voted school improvement bonds of the school district, authorized and issued pursuant to KRS 162.080 and 162.090 with the written approval of the Kentucky Board of Education;
- (b) Payment of rentals in connection with any outstanding school building revenue bonds issued for the benefit of a school district as authorized and provided under the provisions of KRS 162.120 to 162.300, 162.385 and 58.010 to 58.140, with the written approval of the Kentucky Board of Education; or
- (c) Fails to comply with any applicable law.

(2) The Kentucky Board of Education shall state the reason for disapproval, and the district board of education shall amend its budget to obviate the reason for disapproval and resubmit the budget to the Kentucky Board of Education for final approval.

House Bill 1 (2022) provides that districts may adopt and the KBE may approve a working budget that includes a minimum reserve of less than two percent of the total budget. Further, the KDE shall monitor the financial position of any district that receives approval for a working budget with a reserve of less than two percent and shall provide a financial report for those districts at each KBE meeting.

*Summary of Issue:*

The Interim Commissioner of Education certifies the local district working budgets for 171 districts are in accordance with KRS 160.470 and 702 KAR 3:110.

Staff has provided the most current list of all 171 districts requesting approval of their working budgets. Included is a chart (attachment) showing each district's calculated contingency for fiscal year 2023-2024.

*Budget Impact:*

There is no budget impact at the state level.

**GROUPS CONSULTED AND BRIEF SUMMARY OF RESPONSES:**

KDE provides information and assistance to local school districts throughout the process.

**CONTACT PERSON(S):**

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**Commissioner of Education**

Category: <input type="checkbox"/> Educator Workforce Diversity <input type="checkbox"/> Portrait of a Graduate Partnerships <input type="checkbox"/> Racial Equity Commitment <input type="checkbox"/> Student-Centered Accountability System <input type="checkbox"/> Early Childhood <input type="checkbox"/> District Support
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