

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

Topic: Boyd County Schools Request to Expend Funds in Excess of Income

Date: August 2024

Action Requested: Review Action/Consent Action/Discussion

Held In: Full Board State Schools United We Learn

SUMMARY OF ISSUE BEFORE THE BOARD:

To take action on the Boyd County Board of Education's (BCBE) declaration of emergency to expend funds in excess of income and revenue for the 2024 fiscal year pursuant to KRS 160.550(1) and 702 KAR 3:050.

COMMISSIONER'S RECOMMENDATION:

The Commissioner recommends the Kentucky Board of Education (KBE) approve the BCBE's emergency declaration request.

APPLICABLE STATUTE OR REGULATION:

KRS 160.550(1) and 702 KAR 3:050

BACKGROUND:

Existing Policy:

KRS 160.550(1) provides that, "no superintendent shall recommend and no board member shall knowingly vote for an expenditure in excess of the income and revenue of any year, as shown by the budget adopted by the board and approved by the Kentucky Board of Education, except for a purpose for which bonds have been voted or in case of an emergency declared by the Kentucky Board of Education." 702 KAR 3:050 sets forth the application process for a local board of education to request a declaration of emergency from the KBE to expend funds in excess of income and revenue for the fiscal year.

Summary of Issue:

The Kentucky Department of Education (KDE) recently learned of immediate financial challenges facing the Boyd County Board of Education (BCBE). Specifically, district staff reported the district lacked sufficient funds to pay its budgeted expenses, including employee payroll, to close out the 2024 fiscal year ending on June 30, 2024.

Following receipt of this information, KDE attempted to ascertain the extent of the BCBE deficit through information provided by the district. KDE then sent staff with experience in district finance and auditing to the district to review the available district financial data. Staff made a one day onsite visit to examine district financial reports and attempt to verify the funds needed to complete the fiscal year ending June 30, 2024 as well as a cursory review of the district's financial position for fiscal year 2025. The district also engaged an outside financial consultant to assist with an onsite review of their financial records.

Based on information gathered during KDE onsite review and consultation with the outside financial consultant, the department estimated the district needed approximately \$645,000 towards necessary expenditures (primarily payroll) to finish fiscal year 2024.

As a result, KDE directed the BCBE to declare an emergency as evidenced through the submission of a board approved Request to Expend Funds in Excess of Income and Revenue form as required pursuant to 702 KAR 3:050.

Budget Impact:

There is no budget impact to the KDE related to the declaration of emergency.

GROUPS CONSULTED AND BRIEF SUMMARY OF RESPONSES:

The department discussed with the district, the district's outside financial consultant, district legal counsel, the State Budget Director and relevant state legislators to apprise them of the situation.

CONTACT PERSON(S):

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