

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

Topic: Martin County School District Request to Exceed the Requirement that Property Acquisition and Site Preparation do not Exceed 10% of Total Project Costs per 702 KAR 4:050

Date: October 2024

Action Requested: Review Action/Consent Action/Discussion

Held In: Full Board State Schools United We Learn

SUMMARY OF ISSUE BEFORE THE BOARD:

Pursuant to 702 KAR 4:050, the Martin County Board of Education requests approval by the Kentucky Board of Education (KBE) to acquire a site for a new elementary school for which the acquisition cost and the site development costs exceed ten percent (10%) of the project budget.

COMMISSIONER’S RECOMMENDATION:

The Commissioner recommends that the Kentucky Board of Education (KBE) approve the district’s acquisition of the subject site for the construction of a new elementary school.

APPLICABLE STATUTE OR REGULATION:

702 KAR 4:050

BACKGROUND:

Existing Policy:

Pursuant to 702 KAR 4:050 Section 5, the acquisition cost and site development costs of property proposed to be acquired by a school district must be less than ten percent (10%) of the total project cost unless authorized by the KBE.

Summary of Issue:

702 KAR 4:050 Section 5 provides in pertinent part ...Acquisition and site preparation costs of the local school board shall be ten (10) percent or less of the maximum budget for the project, unless authorized by the State Board for Elementary and Secondary Education.

In this case, the district proposes to acquire a site for the construction of a new Inez Elementary School adjacent to the high school. A large property, known as the Hollybush site, was acquired by the Kentucky Transportation Cabinet (KYTC) for the construction of KY 645E. After completion, ownership was transferred to the Martin County Fiscal Court and later to the Martin County Economic Development Authority (MCEDA). The district subsequently acquired a portion of the Hollybush site from MCEDA for the new elementary school.

The district proposes to acquire the remainder of the site from MCEDA in exchange for district property to be declared surplus and transferred to MCEDA at a future date. The 150 acre ± site

consists of a valley between two ridges. The valley was filled with excess material during the construction of KY 645E. Site preparation is anticipated to require mass excavation and undercutting for dynamic compaction to provide adequate bearing capacity for the building's foundation system. The costs of these actions are above the normal costs of foundation construction.

The Office of Legal Services has determined that although the acquisition is not a cash transaction, the current fair market value of the property shall be included in the percentage calculation required in the regulation. The estimated total project cost is \$33,612,964.

Acquisition cost	\$1,200,000
Site development costs	<u>\$2,890,000</u>
Total	\$4,090,000

$$\$4,090,000/\$33,612,964 = 12.17\%$$

Because the value of the property and site development costs exceed 10% of the total project cost, the Martin County School District is requesting authorization from the KBE to exceed that threshold as permitted by 702 KAR 4:050.

Budget Impact:

There is no impact on KDE's budget.

Enter names of groups consulted and responses

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Commissioner of Education

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