

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

Topic: Amendment to 702 KAR 3:130, Internal accounting

Date: December 2025

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 proposed amendment to 702 KAR 3:130, Internal accounting. The proposed amendment incorporates by reference the "Accounting Procedures for Kentucky School Activity Funds" also known as the "Redbook" August 2026 edition. The amendment also updates requirements in regard to the audit of school activity funds.

COMMISSIONER'S RECOMMENDATION:

The Commissioner recommends the Kentucky Board of Education (KBE) approve the proposed amendments to 702 KAR 3:130.

APPLICABLE STATUTE OR REGULATION:

KRS 156.070, 156.160, and 156.200

BACKGROUND:

Existing Policy:

KRS 156.070(1) requires the KBE to manage and control the common schools. KRS 156.200 requires the KBE to regulate accounting procedures and reports of local school districts. KRS 156.160 requires the KBE to promulgate administrative regulations establishing standards which school districts shall meet in student, program, service, and operational performance. 702 KAR 3:130 establishes uniform procedures for the accounting of school activity funds and incorporates by reference the "Accounting Procedures for Kentucky School Activity Funds" also known as the "Redbook".

Summary of Issue:

The current version of the Redbook was adopted in 2019. The Kentucky Department of Education (KDE), Office of Finance and Operations, Division of District Support staff convened a workgroup consisting of school district finance officers representing different sized districts and school district auditors and identified necessary changes to the regulation and Redbook.

The August 2026 edition of the Redbook is an update of the August 2019 edition and includes clarifying language throughout. Notable changes include inserted language regarding electronic ticket sales and an associated form; updates regarding electronic receipts and payments; deletion of IRS guidance on employees versus independent contractors; updated requirements regarding external support/booster organizations; and the deletion of Appendix C and D.

Budget Impact:

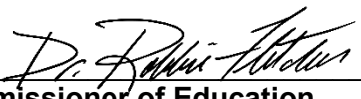
There will be minimal cost to the Kentucky Department of Education to implement this administrative regulation.

GROUPS CONSULTED AND BRIEF SUMMARY OF RESPONSES:

As noted, a workgroup consisting of school district finance officers representing different sized districts and school district auditors was convened to provide recommendations to KDE staff. The regulation will also go before the Local Superintendents Advisory Council.

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Commissioner of Education

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