

## KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

**Topic:** Presentation on School District Funding and Financial Reporting to the Kentucky Board of Education

**Date:** January 2026

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

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

### SUMMARY OF ISSUE BEFORE THE BOARD:

To provide an overview to the Kentucky Board of Education (KBE) on school district funding and school district financial reporting requirements.

### APPLICABLE STATUTE OR REGULATION:

KRS Chapter 157, KRS 160.460-470, 702 KAR 3:270, 702 KAR 3:275, and 702 KAR 3:110

### BACKGROUND:

#### *Existing Policy:*

The Kentucky Department of Education (KDE) Office of Finance and Operations will provide an overview of school district funding and school district financial reporting requirements.

School districts receive revenue from local, state, and federal sources.

KRS 160.460 requires all school taxes be levied by the board of education of each school district. The school district shall levy an ad valorem tax within the limits prescribed in KRS 160.470 that will obtain for the school district the amount of money needed as shown in the district's general school budget submitted under the provisions of KRS 160.470. KRS 160.470 requires the Kentucky Board of Education (KBE) to annually approve or disapprove school district tax rates and also requires the KBE to approve the district working budget. KRS 160.470 states:

(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, Section 2 states:

(1) 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.


KDE interprets “total budget” from KRS 160.470 to mean all funds that are not restricted. The contingency calculation is based on funds available to districts from the General Fund and the Food Services Fund. Restricted funds cannot be used for anything other than their specifically allocated purpose, therefore, including restricted funds in the contingency calculation would create an inaccurate figure for districts.

The main source of state funding for school districts is the Support Education Excellence in Kentucky (SEEK) funding program which was created in 1990 as part of the Kentucky Education Reform Act (KERA). KERA was passed after the Kentucky Supreme Court ruled that Kentucky’s education system was unconstitutional in *Rose v. Council for Better Education* (1989). SEEK “was designed to equalize local revenue with state funds to ensure that students in property-poor districts would receive the same base funding as students in property-wealthy districts.” [Funding Kentucky Public Education: An Analysis of Education Funding Through the SEEK Formula](#), Office of Education Accountability, 2021, revised in 2024 at page 1.

School districts receive federal funding through sources such as the Every Student Succeeds Act, Individuals with Disabilities Education Act, Strengthening Career and Technical Education for the 21st Century Act (Perkins V), and federal meal programs.

#### 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 checked="" type="checkbox"/> District Support
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