

The background of the slide is a composite image. The top left shows a line of yellow school buses, with the number '32' visible on the front of one. The bottom left shows a classroom with blue walls, decorated with colorful balloons and framed pictures. Desks and chairs are visible in the foreground of the classroom.

# School District Funding and Financial Reporting to the Kentucky Board of Education

Matt Ross, Associate Commissioner

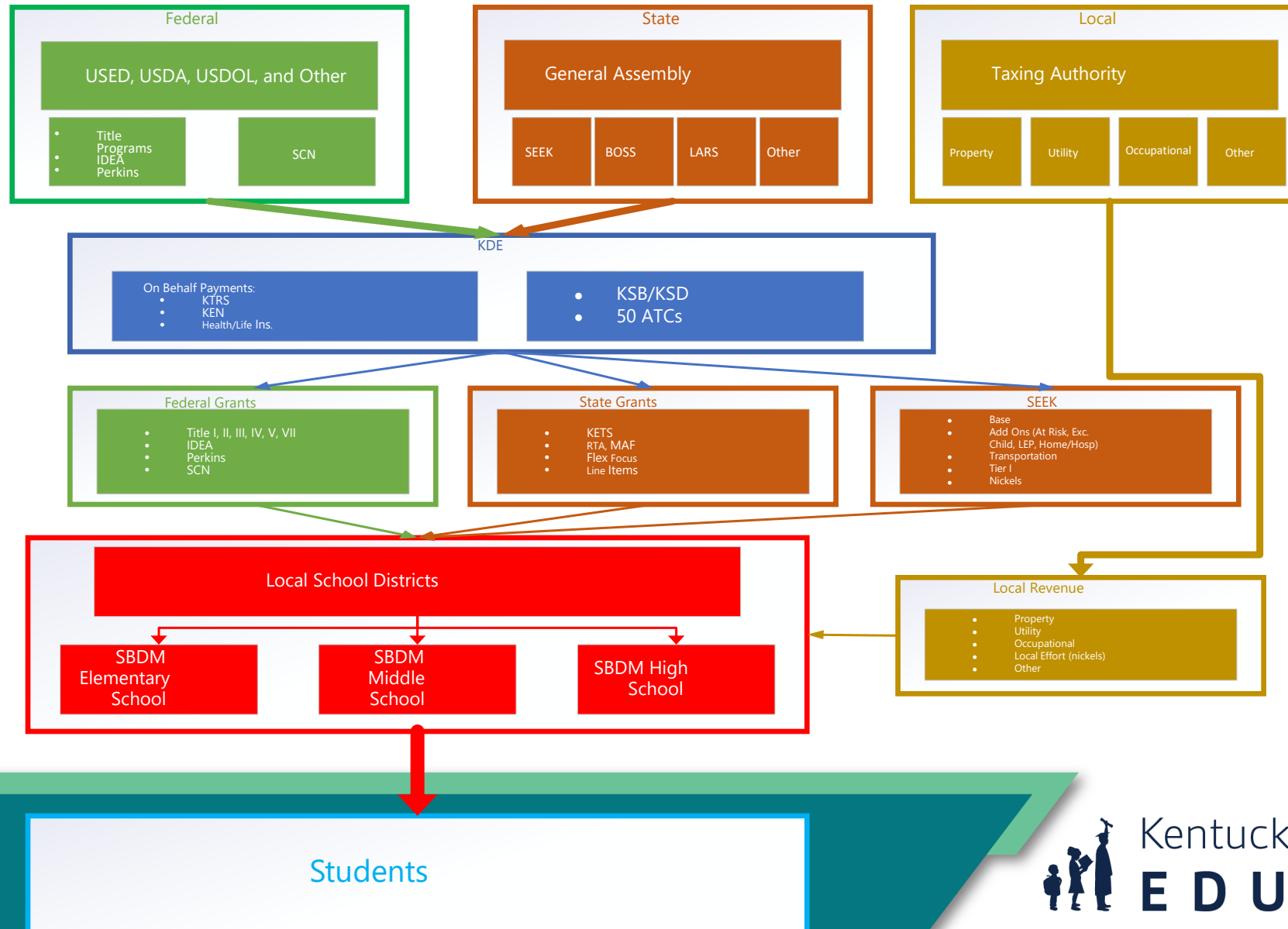
Chay Ritter, Division Director

Lindsey Swartz, Policy Advisor



Kentucky Department of  
**E D U C A T I O N**

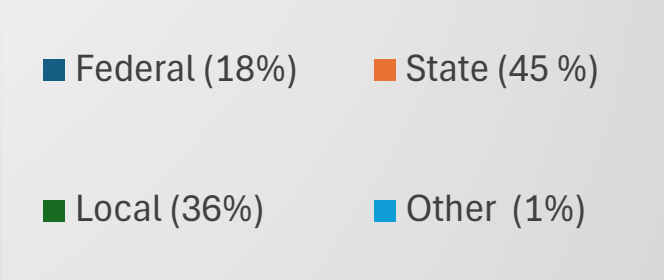
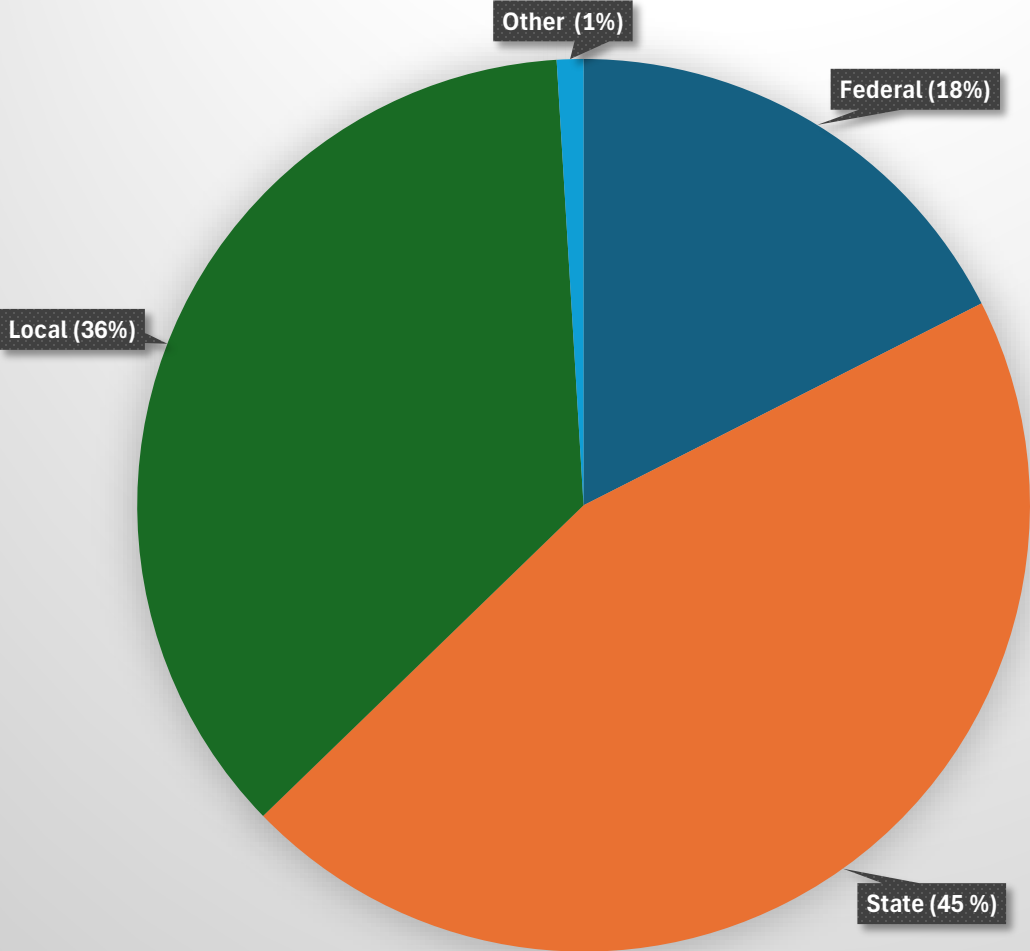
# Kentucky Public School Funding



# Local School District Revenue

FUND SOURCE	FY 2024
Federal Revenue	\$1,952,192,820
State Revenue – SEEK/Capital Outlay/Nickel Equalization	\$2,576,105,072
State Revenue – On Behalf	\$2,067,731,945
State Revenue – Other State Revenues	\$631,907,089
Local Revenue – Local Tax	\$3,519,361,545
Local Revenue – Other Local Revenue	\$522,492,815
<b>Total Funds</b>	<b>\$11,269,791,286</b>

# 2024 District Revenue



# School District Budgets

- By May 30 of each calendar year, a tentative working budget is adopted by the local school board and submitted to the Kentucky Department of Education (KDE).
- By Sept. 30, a working budget is adopted by the local school board and submitted to the Kentucky Board of Education (KBE) for approval.

# Annual Financial Reports

- Districts submit an initial “unaudited” annual financial report to KDE by July 25.
- This information is later audited by independent certified public accountants.
- KDE staff review all audits and any audit findings.

# Property Taxes

- Real Estate
- Tangible/Personal Property
- Motor Vehicle
- Aircraft/Watercraft

# Real Estate & Tangible/Personal Property

- KDE provides all school districts with four tax rate calculations:
  - **Compensating:** Produces revenue that remains the same as the year before, excluding new property
  - **Subsection(1):** Produces no more revenue than last year's highest rate applied to this year's property assessments
  - **4%:** Produces 4% more revenue than the compensating rate
  - **HB 940 (1990)/Tier I:** Produces revenue that qualifies districts for "Maximum Tier I"
- The local school board may levy a tax rate other than the ones provided.
- Local school boards submit tax rates to the KDE for final approval.



# Nickel Equivalent Taxes

- Restricted for new construction or renovations.
- Historically, equalized by the General Assembly.
- Currently, all districts are required to levy one “nickel,” but additional nickels have been levied in order to address facility needs.
- The Recallable Nickel Equivalent tax is the only “available” nickel.

# Occupational Tax

- Maximum allowed is .50% except that an additional .25% may be added to that amount for counties with a population over 300,000.
- This tax is only applicable to residents of the school district that also work within the same boundaries.

# Utility Gross Receipts License Tax

- Assessed on gross receipts derived from the furnishing of utility services and/or cable services within a school district.
- The rate cannot exceed 3%.

# Excise Tax

- Not to exceed 20% on a county resident's state individual income tax liability.
- No school district levies this tax.

# Taxes Levied

Tax Type	Districts Not Levying	Districts Levy
Utility Gross Receipts License	14	157
Occupational License	163	8
Excise	171	0
Aircraft	85	86
Watercraft	87	84

# Support Education Excellence in Kentucky (SEEK)

- The SEEK formula was created in 1990 as part of the Kentucky Education Reform Act (KERA). KERA resulted from the Kentucky Supreme Court decision in *Rose v. Council for Better Education* (1989).
- Prior to the passage of KERA by the General Assembly, a task force on education reform including a finance committee was created.
- The new model for funding 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).

# SEEK Guaranteed Base

- General Assembly sets the per pupil amount in each biennial budget bill.
- This number impacts every SEEK “add on.”
  - 2022-2023 \$4,100
  - 2023-2024 \$4,200
  - 2024-2025 \$4,326
  - 2025-2026 \$4,586

# Prior Year End of School Year AADA & Growth

- Prior Year End of Year Aggregate Average Daily Attendance (AADA) comes from the Superintendent's Annual Attendance Report (SAAR).
- Fall 'Growth' (2nd month growth) is included in Final SEEK.
  - May not be actual increase in members - can be driven by increased attendance from prior year.
- January Growth - only if funds are available and must meet 1% or more threshold.



# Kindergarten

- HB 1, the biennial budget bill from the 2022 Regular Session, provided for “full” AADA for kindergarten students.
- Historically, kindergarten students were funded at 50% of the per pupil base guarantee.
- Using today’s numbers, this change generates around \$157 million in general funds and \$21 million in building funds for all school districts.

# SEEK At Risk

- Average Daily Membership (ADM) of FREE lunch only students with a primary enrollment in the district.
- 15% x \$4,586 (FY26)
- \$687.90 per student

# Capital Outlay

- \$100 per AADA
- Restricted for facility construction or renovation

# Exceptional Child Count

- This Add On is based on the district's December 1 Child Count.
- To be included in the Dec. 1 Child Count the student must:
  - Have an active Individual Education Program (IEP) in Infinite Campus
  - Be ages 5-20
- Each category is funded by the SEEK base (\$4,586) multiplied by a factor:
  - Severe/Low Incidence: 2.35% or \$10,777
  - Moderate Incidence: 1.17% or \$5,365
  - Speech/High Incidence: .24% or \$1,100

# Prior Year Dec. 1 Child Count

Count of students with locked Individual Education Programs (IEP)

- **High Incidence:** Communication Disorders of Speech or Language
- **Moderate Incidence:** Mild Mental Disability, Orthopedically Impaired (Physical Disabilities), Other Health Impaired, Specific Learning Disability, and Developmental Delay
- **Low Incidence:** Functional Mental Disability, Visual Impairment, Hearing Impairment, Emotional Behavior Disability, Multiple Disabilities, Deaf/Blind, Autism, and Traumatic Brain Injury

# Limited English Proficiency (LEP)

- Previously English Learner (EL) students
- $.096\% \times \$4,586$
- \$440 per LEP student

# Home/Hospital

- For each qualified student, home/hospital generates \$4,486 per Home/Hospital AADA (Per Pupil Base Guarantee - \$100)

# Transportation

- Based on frequency, distance, and type of transportation provided.
- Only to and from school costs are considered based on transportation codes.
- Depreciation to recover 124% of bus purchase price over a 14-year period.
- Growth adjustment (no penalty for decrease).
- Additional funding for the Kentucky School for the Blind, Kentucky School for the Deaf, and vocational transportation.
- \$398,884,500 budget appropriation vs. \$487,914,624 district cost in FY26
- Currently 81.7% funded as of today (this changes in Final SEEK in March 2026).



# Historic Transportation Funding

	Percent Funded	Appropriation	Overall Cost
2020-2021	55.1%	\$214 million	\$389 million
2021-2022	53.8%	\$214 million	\$398 million
2022-2023	68.8%	\$274 million	\$398 million
2023-2024	56.7%	\$274 million	\$484 million
2024-2025	73.6%	\$358 million	\$487 million
2025-2026	81.7%	\$398 milion	\$487 million

# Tier I Funding

- Local boards may increase revenue up to 17.5% of the revenue generated by an adjusted SEEK base funding.
  - Prior to HB 6 (2024 Regular Session), which is the current biennial budget bill, the factor was 15%. The change to 17.5% resulted in approximately \$44 million in additional funding impacting most school districts.
- The state equalizes this effort through “Tier I Funding” at a level of 150% of the statewide average per pupil assessment.

# Property Assessments

- Real Property, Tangible Property, and Motor Vehicle assessments are used.
- Local effort is 30 cents per \$100 of property assessments, including motor vehicle assessments. This amount is reduced from a school district's SEEK funding.
- This is a mechanism of the SEEK formula and is specific to school districts.

# Impact of Local Effort

	Frankfort Independent	Franklin County
Base Guarantee per pupil	\$4,586	\$4,586
Less 30 Cent Local Effort	<u>-\$1,518</u>	<u>-\$2,900</u>
	\$3,068	\$1,686

# Same Student, Different District

	Wolfe County Schools	Fayette County Schools
Base Guarantee	\$4,586	\$4,586
Less 30 Cent Local Effort	-\$1,251	-\$3,695
Tier I	<u>\$979</u>	<u>\$0</u>
State Funding Per Pupil	\$4,314	\$891
Local Taxes Per Pupil	<u>\$3,503</u>	<u>\$11,969</u>
Total	\$7,817	\$12,860

# Statewide Equalization Amount

- Determines which districts qualify for equalization of Tier I funding and nickel equivalent taxes.
- If the per pupil property assessment exceeds 150% of the statewide average per pupil property assessment, districts no longer qualify for the additional funds.
- Currently, Anchorage Independent, Bellevue Independent, Boone County, Campbell County, Fayette County, Jefferson County, Livingston County, Lyon County, Nelson County, and Newport Independent do not qualify for equalization due to the per pupil assessment being higher than \$1,211,000.

# Hold Harmless

- No district receives less SEEK funding per pupil than it received in 1992 regardless of property wealth.
- Currently, Anchorage Independent, Bellevue Independent, Lyon County, Nelson County, and Newport Independent qualify for this funding.

# SEEK Budget Development

- KDE works closely with the Office of the State Budget Director (OSBD) to estimate SEEK related data for the biennial budget.
- These “consensus estimates” are then used by the Governor, House, and Senate to develop their respective budget requests for the upcoming biennium.
- Estimates are provided for property assessments, AADA + Growth, Exceptional Child Count, LEP, Home/Hospital, and At-Risk students.
- Being 1% “off” is about \$30 million.



# Shortfall/Excess

- A shortfall in SEEK funding exists when the estimates were lower than actual data which determines SEEK funding. Unless those funds are provided by the Governor or General Assembly, a proportional amount is deducted from SEEK for each district impacted by the shortfall.
- An excess or surplus in SEEK funding occurs when the estimates were higher than actual data which determines SEEK. Budget language directs where excess funds ultimately go.

# History of SEEK Excess/Shortfalls (in millions)

Fiscal Year	Excess	Shortfall
FY 2005	0	0
FY 2006	0	\$5.3
FY 2007	\$10.6	0
FY 2008	\$42.2	0
FY 2009	\$14.2	0
FY 2010	\$40.8	0
FY 2011	0	\$49.6
FY 2012	0	\$57.6
FY 2013	\$17.7	0
FY 2014	\$21.0	0
FY 2015	0	\$8.6
FY 2016	0	\$4.6
FY 2017	\$10.8	0
FY 2018	\$13.0	0
FY 2019	\$31.1	0
FY 2020	\$85.7	0
FY 2021	\$0.2	0
FY 2022	\$46.4	0
FY 2023	\$46.8	0
FY 2024	\$157.6	0
FY 2025	0	0