

3. **Verify the accuracy of reports of school, district, and state performance by conducting, contracting for or requesting periodic program and fiscal audits as necessary. The Office of Education Accountability may request an audit from the State Committee for School District Audits as established in KRS 156.265.**
4. **Investigate allegations of wrongdoing of any person or agency including but not limited to waste, duplication, mismanagement, political influence and illegal activity at the state, regional, or school district level which have not been resolved or satisfactorily explained by the local superintendent, local board of education, the chief state school officer, or the State Board for Elementary and Secondary Education and make recommendations for action to the Legislative Research Commission.**
5. **Conduct studies and analyze available data on the efficiency of the system of schools and whether progress is being made toward attaining the goal of providing students with the seven (7) capacities as required by this Act.**
6. **Make periodic reports to the Legislative Research Commission as directed by the Commission.**
7. **Prepare an annual report on the implementation of the provisions of this Act including recommendations for improvement which shall be submitted to the Governor, the Legislative Research Commission, and the State Board for Elementary and Secondary Education.**
  - (d) **The Office of Education Accountability shall have access to all public records and information on oath as provided in KRS 7.110. The office shall also have access to otherwise confidential records, meetings, and hearings regarding local school district personnel matters. However, the office shall not disclose any information contained in or derived from the records, meetings, and hearings that would enable the discovery of the specific identification of any individual who is the focus or subject of the personnel matter.**
  - (e) **In compliance with KRS 48.800, 48.950, and 48.955, the finance and Administration Cabinet and the Governor's Office of Policy and Management shall provide to the Office of Education Accountability access to all information and records, other than preliminary work papers, relating to allotment of funds, whether by usual allotment or by other means, to the Department of Education, local school districts, and to other recipients of funds for educational purposes.**
  - (f) **Any state agency receiving a complaint or information which if accurate may identify a violation of this Act shall notify the office of the complaint or information.**
  - (g) **The Office of Education Accountability may contract for services as approved by the Legislative Research Commission pursuant to KRS 7.090(7).**

PART III - FINANCE

Section 93. KRS 157.310 is amended to read as follows:

~~[In KRS 157.310 to 157.440 and subsection (2) of KRS 157.990,] It is the intention of the General Assembly to assure substantially equal public school educational opportunities [; through a foundation program,] for those in attendance in the public schools of the Commonwealth, but not to limit nor to prevent any school district from providing educational services and facilities beyond those assured by the **state supported** [foundation] program. **The program shall** [; and to provide, additional state funds are made available for the public schools, for the use of such funds for the further equalization of educational opportunities. KRS 157.310 to 157.440 and subsection (2) of KRS 157.990, shall be interpreted as a measure to] provide for an efficient system of public schools throughout the Commonwealth, as prescribed by Section 183 of the Constitution of Kentucky, and for the manner of distribution of the public school fund among the districts and its use for public school purposes, as prescribed by Section 186 of the Constitution.~~

Section. 94. KRS 157.320 is amended to read as follows:

As used in KRS 157.310 to 157.440, unless the context otherwise requires:

- (1) "Average daily attendance" means the aggregate days attended by pupils in a public school, divided by the actual number of days the school is in session;
- (2) "**Base funding level**" means a guaranteed amount of revenue per pupil to be provided for each school district, to be used for regular operating and capital expenditures;
- (3) "Board" means the board of education of any county or independent school district;

- (3) ~~"Classroom unit" means the unit for measuring educational needs for foundation program purposes;~~
- (4) "District" means any school district as defined by law;
- (5) "Elementary school" means a school consisting of **the primary school program** ~~[grades kindergarten]~~ through **grade eight (8) as defined in KRS 158.030**, or any appropriate combination of grades within this range, as determined by the plan of organization for schools authorized by the district board;
- (6) **"Support Education Excellence in Kentucky"** ~~["Foundation program"]~~ means the level of educational services and facilities ~~[, as defined in KRS 157.310 to 157.440,]~~ which is to be provided in each district from the public school ~~[foundation program] fund~~;
- (7) "Kindergarten full-time equivalent pupil in average daily attendance" means each kindergarten pupil counted no more than one-half (1/2) day ~~[or one-half (1/2) year,]~~ in the aggregate days attended by kindergarten pupils in a public school divided by the actual number of days school is in session. **Kindergarten is the entry level of the primary program and shall be provided at a minimum for one-half (1/2) day, five (5) days a week for a full school year; for each kindergarten pupil;**
- (8) "Public school ~~[foundation program] fund~~" means the fund created by KRS 157.330 for use in financing education in public elementary and secondary schools;
- (9) ~~["Kentucky"]~~ "Administrative regulations of the State Board for Elementary and Secondary Education" means those regulations which the State Board for Elementary and Secondary Education may adopt upon the recommendation and with the advice of the **chief state school officer** ~~[superintendent of public instruction]~~. The **chief state school officer** ~~[superintendent of public instruction]~~ shall recommend **administrative** ~~[for adoption by the State Board for Elementary and Secondary Education such rules and]~~ regulations ~~[as he deems]~~ necessary for carrying out the purposes of KRS 157.310 to 157.440;
- (10) "Salary schedule summary" means the summary of all salaries paid teachers by the board from the single salary schedule. Teachers shall be grouped by training and experience and by source of funds;
- (11) "Secondary school" means a school consisting of grades seven (7) through twelve (12), or any appropriate combination of grades within this range as determined by the plan of organization for schools authorized by the district board. When grades seven (7) through nine (9) or ten (10) are organized separately as a junior high school, or grades ten (10) through twelve (12) are organized separately as a senior high school and are conducted in separate school plant facilities, each shall be considered a separate secondary school for the purposes of KRS 157.310 to 157.440;
- (12) "Single salary schedule" means a schedule adopted by a local board from which all teachers are paid for one hundred eighty-five (185) days and is based on training, experience and such other factors as the State Board for Elementary and Secondary Education may approve and which does not discriminate between salaries paid elementary and secondary teachers. **If the budget bill contains a minimum statewide salary schedule, no teacher shall be paid less than the amount specified in the biennial budget salary schedule for the individual teachers educational qualifications and experience;**
- (13) "Teacher" means any regular or special teacher, principal, supervisor, superintendent, assistant superintendent, librarian, director of pupil personnel, or other member of the teaching or professional staff engaged in the service of the public elementary and secondary school for whom certification is required as a condition of employment;
- (14) "Percentage of attendance" means the aggregate days attended by pupils in a public school for the school year divided by the aggregate days membership of pupils in a public school for the school year
- (15) **"Middle school" means a school consisting of grades five (5) through eight (8) or any appropriate combination of grades as determined by the plan of organization for schools authorized by the district board.**

Section 95. KRS 157.330 is amended to read as follows:

- (1) There is hereby established the **fund to support education excellence in Kentucky** ~~[public school foundation program fund]~~ consisting of appropriations for distribution to districts in accordance with the provisions of KRS 157.310 to 157.440.
- (2) The resources of the public school ~~[foundation program] fund~~ shall be paid into the State Treasury, and shall be drawn out or appropriated only in aid of public schools as provided by statute.

Section 96. KRS 157.350 is amended to read as follows:

Each district which meets the following requirements shall be eligible to share in the distribution of funds from the **fund to support education excellence in Kentucky** ~~[public school foundation program funds]:~~

(1) Employs and compensates all teachers for not less than one hundred eighty-five (185) days. ~~The [; provided, that the] State Board for Elementary and Secondary Education, upon recommendation of the chief state school officer [superintendent of public instruction], shall prescribe procedures by which [whereby] this requirement may be reduced during any year for any district which employs teachers for less than one hundred and eighty-five (185) days, in which case the eligibility of a district for participation in the public school [foundation program] fund shall be in proportion to the length of time teachers actually are employed;~~

(2) Operates all schools for a term as provided in KRS 158.070 and administrative regulations of the State Board for Elementary and Secondary Education ~~[; provided, however, that] If the school term is less than one hundred eighty-five (185) days for any reason not approved by the State Board for Elementary and Secondary Education on recommendation of the chief state school officer, [superintendent of public instruction] the eligibility of a district for participation in the public school [foundation program] fund shall be in proportion to the length of term the schools actually operate;~~

(3) Compensates all teachers on the basis of a single salary schedule and in conformity with the provisions of KRS 157.310 to 157.440;

(4) Includes no nonresident pupils in its average daily attendance, except by written agreement with the district of the pupils' legal residence. This subsection does not apply to those pupils enrolled in an approved class conducted in a hospital;

(5) Any secondary school which maintains a basketball team for boys for other than intramural purposes, shall maintain the same **program** for girls;

(6) Any school district which fails to comply with subsection (5) shall be prohibited from participating in varsity competition in any sport for one (1) year. Determination of failure to comply shall be made by the Department of Education after a hearing requested by any person within the school district. A district under this subsection shall, at such hearing, have an opportunity to show inability to comply.

Section .97. KRS 157.360 is amended to read as follows:

(1) In determining the cost of the ~~[foundation] program~~ **to support education excellence in Kentucky, the statewide guaranteed base funding level, as defined in KRS 157.320, shall be computed by dividing the amount appropriated for this purpose by the prior year's statewide average daily attendance.**

(2) **Each district shall receive an amount equal to the base funding level for each pupil in average daily attendance in the district in the previous year. Each district's base funding level shall be adjusted by the following factors.**

(a) **The number of at-risk students in the district. At-risk students shall be identified as those approved for the free lunch program under state and federal guidelines. The number of at-risk students shall be multiplied by a factor to be established by the General Assembly;**

(b) **The number and types of exceptional children in the district as defined by KRS 157.200. No later than July 1, 1992, specific weights for each category of exceptionality shall be developed by the Department of Education and shall be used in the calculation of the add-on factor for exceptional children. Prior to the development of the necessary weights, the General Assembly shall determine the costs associated with the education of exceptional children based on the count of pupils with different exceptionalities, an appropriate pupil-teacher ratio, and total per-pupil costs; and**

(c) **Transportation costs. The per pupil cost of transportation shall be calculated as provided by KRS 157.370. No later than July 1, 1992, the Office of Education Accountability's Division of School Finance shall examine the components of the current system for allocating transportation funds, and recommend any needed changes to the General Assembly, the Governor, and the State Board for Elementary and Secondary Education. Districts which contract to furnish transportation to students attending nonpublic schools may adopt any payment formula which assures that no public school funds are used for the transportation of nonpublic students** ~~[for each district, the superintendent of public instruction shall allot each district classroom units for elementary and secondary schools, classroom units for vocational education, classroom units for exceptional children, classroom units for gifted and talented children when units are included in the executive budget, classroom units for superintendents, administrative and special instructional services, classroom units~~

~~for supervisors of instruction, classroom units for directors of pupil personnel, and classroom units for related services for exceptional children; provided, however, that the number of classroom units allotted any district shall not exceed the number of teachers employed by the district.~~

~~(2) Unless otherwise provided by the General Assembly in a budget bill, the classroom units for elementary and secondary education shall be allotted as follows:~~

~~(a) Classroom units for kindergarten shall be allotted one (1) unit for each twenty five (25) kindergarten full-time equivalent pupils in average daily attendance; except when sufficient funding is appropriated to the kindergarten program, one (1) unit shall be provided for each twenty (20) full-time equivalent pupils in average daily attendance. Beginning with the 1986-87 school year, one (1) teacher aide shall be provided for each kindergarten unit allotted;~~

~~(b) Classroom units for grade one (1) shall be allotted as follows:~~

~~1986-87, one (1) unit for each twenty-three (23) students in average daily attendance;~~

~~1987-88, one (1) unit for each twenty-two (22) students in average daily attendance;~~

~~1988-89, one (1) unit for each twenty-one (21) students in average daily attendance; and~~

~~1989-90 and thereafter, one (1) unit for each twenty (20) students in average daily attendance;~~

~~(c) Classroom units for grade two (2) shall be allotted as follows:~~

~~1986-87, one (1) unit for each twenty-three (23) students in average daily attendance;~~

~~1987-88, one (1) unit for each twenty-two (22) students in average daily attendance; and~~

~~1988-89 and thereafter, one (1) unit for each twenty-one (21) students in average daily attendance;~~

~~(d) Classroom units for grade three (3) shall be allotted as follows:~~

~~1986-87, one (1) unit for each twenty-three (23) students in average daily attendance;~~

~~1987-88 and thereafter, one (1) unit for each twenty-two (22) students in average daily attendance;~~

~~(e) Classroom units for grade four (4) shall be allotted as follows:~~

~~1986-87, one (1) unit for each twenty-seven (27) students in average daily attendance;~~

~~1987-88, one (1) unit for each twenty-six (26) students in average daily attendance;~~

~~1988-89, one (1) unit for each twenty-five (25) students in average daily attendance; and~~

~~1989-90 and each year thereafter, one (1) unit for each twenty-four (24) students in average daily attendance;~~

~~(f) Classroom units for grade five (5) shall be allotted as follows:~~

~~1986-87, one (1) unit for each twenty-seven (27) students in average daily attendance; and~~

~~1987-88 and each year thereafter, one (1) unit for each twenty-six (26) students in average daily attendance;~~

~~(g) Classroom units for grade six (6) shall be allotted as follows:~~

~~1986-87, one (1) unit for each twenty-seven (27) students in average daily attendance; and~~

~~1987-88 and each year thereafter, one (1) unit for each twenty-six (26) students in average daily attendance;~~

~~(h) Twenty-seven (27) pupils in average daily attendance in grades seven (7) through twelve (12). Nine and six-tenths (9.6) average daily attendance shall be deducted for each unit allotted the school district for grades four (4) through twelve (12) under subsection (9) of this section and seven and two-tenths (7.2) average daily attendance shall be deducted for each unit allotted the school district for grades four (4) through twelve (12) under subsection (10) of this section. The average daily attendance of any exceptional child not assigned to a specific grade shall be added to the average daily attendance of grades four (4) through twelve (12)~~

~~before classroom units are allotted under this paragraph. Unless otherwise provided by the General Assembly in a budget bill, the allotments of classroom units in this subsection shall be made on the average daily attendance for the end of the previous school year in public school grades kindergarten through twelve (12) except as provided in subsection (9) and (10) of this section.~~

(3) **The program to support education excellence in Kentucky shall be fully implemented by the 1994-95 school year. No district shall receive an annual increase in state funds of less than eight percent (8%) for 1990-91 and five percent (5%) in 1991-92 or more than twenty-five percent (25%) in either year.**

(4) **Except for those schools which have implemented school-based decision making, the chief state school officer** ~~[superintendent of instruction]~~ shall enforce maximum class sizes for every academic course requirement ~~[of the State Board for Elementary and Secondary Education]~~ in **all** ~~[kindergarten and]~~ grades ~~[one (1) through eight (8)]~~ except in vocal and instrumental music, art, physical education, and special education classes. Except in classes combining pupils from two (2) or more grade levels, the maximum number of pupils enrolled in a class shall be **as follows**:

(a) **Twenty-four (24) in primary grades (kindergarten through third grade);**

(b) **Twenty-eight (28) in grade four (4);**

(c) **Twenty-nine (29) in grades five (5) and six (6);**

(d) **Thirty-one (31) in grades seven (7) to twelve (12);**

(e) **Except for those schools which have implemented school-based decision making, class size loads for middle and secondary school classroom teachers shall not exceed the equivalent of one hundred fifty (150) pupil hours per day.**

~~The chief state school officer [calculated by adding three (3) to the average daily attendance figure upon which funding of the unit is appropriated in the biennial budget in kindergarten and grades one (1) through (6) and ——— by adding four (4) to the average daily attendance figure upon which funding of the unit is appropriated in the biennial budget in grades seven (7) and eight (8). The superintendent of public instruction], upon approval of the State Board for Elementary and Secondary Education, shall adopt **administrative** regulations for enforcing this provision. These **administrative** regulations shall include procedures **for** ~~[whereby]~~ a superintendent **to [may]** request an exemption from the State Board for Elementary and Secondary Education when unusual circumstances warrant an increased class size for an individual class. A request for an exemption shall include specific reasons for the increased class size with a plan for reducing the class size prior to the beginning of the next school year. A district shall not receive in any one (1) year exemptions for more classes than enroll twenty percent (20%) of the pupils in **the primary grades** ~~[kindergarten]~~ and grades **four (4)** ~~[one (1)]~~ through eight (8).~~

(5) ~~[(4)]~~ In **grades four (4) through six (6)** ~~[classes]~~ with combined grades, the maximum class size shall be the average daily attendance upon which funding is appropriated for the lowest assigned grade in the class. There shall be no exceptions to the maximum class size for combined classes. **In combined classes other than the primary grades, no ungraded students shall be placed in a combined class with graded students. In addition, there shall be no more than two (2) consecutive grade levels combined in any one (1) class in grades four (4) through six (6). However, this shall not apply to schools which have implemented school-based decision making.**

(6) ~~[(5)]~~ If a local school district, through its admission and release committee, determines that an appropriate program in the least restrictive environment for a particular handicapped child includes either part-time or full-time enrollment with a private school or agency within the state or a public or private agency in another state, ~~[then]~~ the school district shall count ~~[this]~~ as average daily attendance in a public school the time that **the** ~~[such]~~ child is in attendance at **the** ~~[such]~~ school or agency, contingent upon approval by the **chief state school officer** ~~[state superintendent of public instruction and pursuant to KRS 158.130].~~

(7) ~~[(6)]~~ Pupils attending a center for child learning and study established under an agreement pursuant to KRS 65.210 to 65.300 shall, for the purpose of calculating average daily attendance, be considered as in attendance in the school district in which the child legally resides and which is party to the agreement. For purposes of subsection (1) of this section, teachers **who are actually employees of the joint or cooperative action** ~~[employed in such a center]~~ shall be considered as employees of each school district which is a party to the agreement.

(8) ~~[(7)]~~ **Program funding** ~~[Allotments of classroom units, except those allotted in accordance with subsection (8) of this section,]~~ shall be increased when the average daily attendance in ~~[kindergarten and grades one~~

~~(1) through twelve (12)~~ any district for the first two (2) months of the current school year is greater than the average daily attendance of the district ~~[in kindergarten and grades one (1) through twelve (12)]~~ for the first two (2) months of the previous school year. The **program funds** ~~[total number of classroom units]~~ allotted the district shall be increased by the percent of increase. The average daily attendance in kindergarten is the kindergarten full-time equivalent pupils in average daily attendance.

~~(9) [(8)]~~ If the percentage of attendance of any school district shall have been reduced more than two percent (2%) during the previous school year, the **program funding** ~~[number of classroom units]~~ allotted the district ~~[, except those allotted in accordance with subsection (7) of this section,]~~ for the current school year shall be increased by the difference in the percentage of attendance for the two (2) years immediately prior to the current school year less two percent (2%).

~~[(9) (a) Unless otherwise by the General Assembly in a budget bill, in allotting classroom units for vocational education, one (1) classroom unit shall be allotted for each full time teacher, and a proportionate fraction of a classroom unit shall be allotted for each less than full-time teacher of vocational classes that meet the regulations of the state plan of vocational education as approved — the state board for vocational that meet the regulations of the state plan of vocational education as approved by the state board for vocational, technical, adult education and vocational rehabilitation services; a proportionate fraction of a classroom unit shall be allotted for each teacher employed to teach part-time or short unit classes for less than a school day or a school year that meet the regulations of the state plan of vocational education as approved by the state board for vocational technical, adult education and vocational rehabilitation services. The classroom units allotted under this subsection shall not exceed the units provided in the biennial budget without approval of the Governor.]~~

~~(10) (a) [(b)]~~ Instructional salaries for vocational agriculture classes shall be allotted for twelve (12) months per year. Vocational agriculture teachers shall be responsible for the following program of instruction during the time period beyond the regular school term established by the local board of education: supervision and instruction of students in agriculture experience programs; group and individual instruction of farmers and agribusinessmen; supervision of student members of agricultural organizations who are involved in leadership training or other activity required by state or federal law; or any program of vocational agriculture established by the office of vocational education in the Department of Education. Salary allotments for vocational agriculture units shall be computed by proportionately increasing the salary schedule allocation based on the regular one hundred eighty-five (185) day school year for teachers with comparable qualifications and experience. During extended employment, no vocational agriculture teacher shall receive salary on a day that the teacher is scheduled to attend an institution of higher education class which could be credited toward meeting any certification requirement.

~~(b) [(c)]~~ Each teacher of agriculture employed twelve (12) months per year shall submit an annual plan for summer program to the local school superintendent for approval. The summer plan shall include a list of tasks to be performed, purposes for each task, and time to be spent on each task. Approval by the local school superintendent shall be in compliance with the guidelines developed by the state Department of Education. The supervision and accountability of teachers of vocational agriculture's summer programs shall be the responsibility of the local school superintendent. The local school superintendent shall submit to the **chief state school officer** ~~[state superintendent of public instruction]~~ a completed report of summer tasks for each vocational agriculture teacher employed for twelve (12) months. Twenty percent (20%) of the approved twelve (12) month vocational agriculture programs shall be audited annually by the state Department of Education to determine that the summer plan has been properly executed.

~~[(10) (a) Through the 1987-88 school year, one (1) classroom unit shall be included upon the employment of each teacher approved to teach exceptional children in accordance with the provisions of law and Kentucky Administrative Regulation of the State Board for Elementary and Secondary Education. The classroom units allotted under this subsection shall not exceed the units provided in the biennial budget without approval of the Governor;~~

~~(b) Effective with the 1988-89 school year and each year thereafter, one (1) classroom unit for exceptional children properly identified in the prior year in accordance with the provisions of law and Kentucky Administrative Regulations of the State Board for Elementary and Secondary Education shall be allotted for each six (6) children identified as emotionally disturbed, hearing unpaired, trainable mentally handicapped, or severely and profoundly mentally handicapped, each sixty (60) children identified as having communication disorders of speech and language but not counted in any other area of exceptionality, and each twelve (12) additional children in all other categories referenced in KRS 157.200. Portions of units shall be allotted by tenths of units when the number of children do not total the required number for a whole unit. Calculations for units for exceptional children shall not be based on average daily attendance. A local school district may organize and administer classroom units to best meet the needs of its exceptional children pursuant to KRS 157.224(2). The superintendent of public instruction shall enforce minimum and maximum class sizes as provided in Administrative Regulations. No local school district shall receive classroom units for exceptional~~

children for more than fifteen percent (15%) of their prior year's average daily attendance for the 1988-89 school year and for more than twelve percent (12%) of their prior year's average daily attendance for the 1989-90 school year and each year thereafter without State Board for Elementary and Secondary Education approval based on unique or unusual district characteristics including, but not limited to, federal census population being substantially higher than the district's student enrollment;

(c) In addition to the classroom units allotted to paragraphs (a) and (b) of this subsection, if a local school district, through its admission and release committee, determines that the most appropriate and least restrictive individual educational program for a particular handicapped child includes either part time or full time enrollment with a private school or agency; the school district shall be reimbursed in addition to the amount distributed under KRS 157.390, a pro rata allotment for these pupils under contract. The pro rata amount shall be evaluated by dividing the district's average salary allotted for one hundred eighty five (186) days plus the current expense and capital outlay allotment per classroom unit by the number of pupils required by Administrative Regulations for the pupil's specific type of classroom unit; and

(d) The superintendent of public instruction shall limit approval of additional private agencies for participation in state funding for the above cited program to those funds appropriated for this purpose in each biennial budget.]

(11) (a) In allotting **program funds** [classroom units] for home and hospital instruction, **statewide guaranteed base funding** [one (1) unit] excluding the capital outlay [allotment], shall be allotted for each **child** [ten (10) children] in average daily attendance in the current school year who **has** [have] been properly, identified according to State Board for Elementary and Secondary Education **administrative** regulations. Attendance shall be calculated pursuant to KRS 157.270 and shall be reported monthly on forms provided by the Department of Education; and

(b) Pursuant to administrative regulations of the Department of Education, local school districts shall be reimbursed for home and hospital instruction for pupils unable to attend regular school sessions because of short term health impairments. A reimbursement formula shall be established by administrative **regulations** [regulation] to include such factors as a reasonable per hour, per child allotment for teacher instructional time, with a maximum number of funded hours per week, a reasonable allotment for teaching supplies and equipment, **and** a reasonable allotment for travel expenses to and from instructional assignments, but **the** [such] formula shall not include an allotment for capital outlay. Attendance shall be calculated pursuant to KRS 157.270 and shall be reported monthly on forms provided by the Department of Education.

**(12) Except for those schools which have implemented school-based decision making, kindergarten aides shall be provided for each twenty-five (25) full-time equivalent kindergarten students enrolled.**

[(12) Unless otherwise provided by the General Assembly in a budget bill, in allotting classroom units for administrative and special instructional services, the total number of classroom units allotted in subsections (2), (9), and (10) of this section shall be divided by nine (9) and the quotient shall be the number of classroom units allotted to the district under this subsection.

(13) In allotting classroom units for supervisors of instruction, one half (1/2) of a classroom unit shall be allotted each district which is allotted twenty five (25) through forty nine and nine tenths (49.9) classroom units under subsections (2), (9) and (10) of this section, one (1) unit shall be allotted each district which is allotted fifty (50) to one hundred (100) classroom units, one (1) unit shall be allotted for each one hundred (100) classroom units, or major fraction thereof, in districts allotted more than one hundred (100) classroom units under these subsections.

(14) Unless otherwise provided by the General Assembly in a budget bill, in allotting classroom units for directors of pupil personnel, one (1) classroom unit shall be allotted each district which is allotted thirty six (36) to one hundred sixty five and nine tenths (165.9) classroom units under subsection (2) of this section and a unit for each additional two hundred and sixty six (266) classroom units or fraction thereof allotted under subsection (2) of this section. For districts having fewer than thirty six (36) classroom units, a proportionate fraction of a classroom unit shall be allotted.

(15) In allotting classroom units for superintendent, one (1) unit shall be allotted each school district.

(16) In allotting classroom units for gifted and talented children, the superintendent of public instruction under Kentucky Administrative Regulations of the State Board for Elementary and Secondary Education, may allot units for gifted and talented children. The classroom units allotted under this subsection shall not exceed the units provided in the biennial budget without the approval of the Governor.

(15) Effective with the 1988-89 school year and each year thereafter, in allotting classroom units for

~~related services for exceptional children, one (1) classroom unit shall be allotted for each five hundred (500) exceptional children properly identified in the prior year in accordance with the provisions of law and Kentucky Administrative Regulations of the State Board for Elementary and Secondary Education. Classroom units for related services for exceptional children shall be used for approved certified or licensed personnel to provide the support services required to assist exceptional children to benefit from special education. Units may be used for special education directors or supervisors certified in special education and personnel to conduct the related services defined in KRS 157.200(4). Units shall be allotted proportionately and districts may provide related services through joint agreements. Nothing in this subsection shall prohibit a district from using units generated in subsections (12) and (13) of this section for related services for exceptional children.]~~

Section 98. KRS 157.370 is amended to read as follows:

(1) In determining the cost of **transportation** ~~[the foundation program]~~ for each district, the **chief state school officer** ~~[superintendent of public instruction]~~ shall determine the average cost per pupil per day of transporting pupils in districts having a similar density of transported pupils per square mile of area served by not less than nine (9) different density groups.

(2) The annual cost of transportation shall include all current costs for each district plus annual depreciation of pupil transportation vehicles calculated in accordance with the ~~[Kentucky]~~ administrative regulations of the State Board for Elementary and Secondary Education for such districts that operate district-owned vehicles.

(3) The aggregate and average daily attendance of transported pupils shall include all public school pupils transported at public expense who live one (1) mile or more from school. ~~[, provided that]~~ Handicapped children may be included who live less than this distance from school. The aggregate and average daily attendance referred to in this subsection shall be the aggregate and average daily attendance of transported pupils the prior year adjusted for current year increases in accordance with State Board for Elementary and Secondary Education **administrative** regulations.

(4) The square miles of area served by transportation shall be determined by subtracting from the total area in square miles of the district the area not served by transportation ~~[, determined]~~ in accordance with ~~[the Kentucky]~~ administrative regulations of the State Board for Elementary and Secondary Education. **However**, ~~[provided that]~~ if one district authorizes another district to provide transportation **services** for a part of its area, **this** ~~[such]~~ area ~~[served]~~ shall be deducted from the area served by **the authorizing** ~~[that]~~ district and added to the area served by the district **actually** providing the transportation.

(5) The density of transported pupils per square mile of area served for each district shall be determined by dividing the average daily attendance of transported pupils by the number of square miles of area served by transportation.

(6) The **chief state school officer** ~~[superintendent of public instruction]~~ shall determine the average cost per pupil per day of transporting pupils in districts having a similar density by constructing a smoothed graph of cost for **the** ~~[all]~~ density groups **required by** ~~[as provided in]~~ subsection (1). This graph shall be used to construct a scale showing the average costs of transportation for districts having a similar density of transported pupils. ~~[Such]~~ Costs shall be determined separately for county school districts and independent school districts. ~~[, provided that]~~ No independent school district will receive an average cost per pupil per day in excess of the minimum received by any county district or districts. These costs shall be the costs per pupil per day of transported pupils included in the **public school fund** ~~[foundation program]~~ and **these** ~~[such]~~ costs shall be recalculated each biennium.

(7) The scale of transportation costs included in the **fund to support education excellence in Kentucky** ~~[foundation program]~~ for county and independent districts is determined in accordance with the provisions of KRS 157.310 to 157.440 for the biennium beginning July 1, **1990** ~~[1960]~~.

(8) The cost of transporting a district's pupils from the parent school to a state vocational-technical school or to a vocational educational center shall be calculated separately from the calculation required by subsections (1) through (7) of this section. The amount calculated shall be paid separately to each district from ~~[foundation]~~ program funds budgeted for vocational pupil transportation, as a reimbursement based on the district's cost for providing this service. The amount of reimbursement shall be calculated in accordance with State Board for Elementary and Secondary Education **administrative** regulations. In the event that the appropriation for vocational pupil transportation in the biennial budget is insufficient to meet the total calculated cost of this service for all districts, the amount paid to each district shall be ratably reduced. For the purpose of this subsection, the parent school shall be interpreted to mean that school in which the pupil is officially enrolled in a district's public common school system.

(9) The State Board for Elementary and Secondary Education ~~[, by Kentucky administrative regulation,]~~

shall determine the type of handicapped pupil that qualifies for special type transportation to and from school. Those qualified pupils for which the district provides special type transportation shall have their aggregate days attendance multiplied by five (5.0) and added to that part of the district's aggregate days attendance that is multiplied by the district's adjusted cost per pupil per day in determining the district's pupil transportation program cost for allotment purposes.

Section 99. KRS 157.390 is amended to read as follows:

(1) (a) The **chief state school officer** [~~superintendent of public instruction~~], under [Kentucky] administrative regulations of the State Board for Elementary and Secondary Education, shall classify teachers in rank as follows:

Rank I. Those holding regular certificates and who have a master's degree in a subject field approved by the State Board for Elementary and Secondary Education or equivalent preparation and who have earned thirty (30) semester hours of approved graduate work or its equivalent, and those teachers who, as of September 1, 1962, were included in Rank I, having earned twenty-four (24) semester hours of additional approved graduate work.

Rank II. Those holding regular certificates and who have a master's degree in a subject field approved by the State Board for Elementary and Secondary Education or equivalent preparation.

Rank III. Those holding regular certificates and who have an approved four-year college degree or the equivalent.

Rank IV. Those holding certificates and who have ninety-six (96) to one hundred twenty-eight (128) semester hours of approved college training or the equivalent[; provided, however, that persons holding emergency certificates shall not be classified higher than this rank for calculation of the amount to be included in the foundation program].

Rank V. Those holding certificates and who have sixty-four (64) to ninety-five (95) semester hours of approved college training or the equivalent.

(b) In determining ranks, the **chief state school officer** [~~superintendent of public instruction~~], under [Kentucky] administrative regulations of the State Board for Elementary and Secondary Education, shall classify teachers who hold valid certificates in the respective ranks according to approved college semester hours of credit. The **chief state school officer** [~~superintendent of public instruction~~], in defining preparation for certain types of vocational teachers as equivalent to college training, shall give consideration to apprenticeship training and industrial experience.

(c) Nothing in this subsection shall allow the State Board for Elementary and Secondary Education by regulation to reclassify downward any teachers currently in Ranks I or II.

(2) [~~(a)~~] The **chief state school officer** [~~superintendent of public instruction~~], under [Kentucky] administrative regulations of the State Board for Elementary and Secondary Education, shall classify teachers in each rank by their years of experience for purposes of the state teacher salary schedule as follows:

[~~1.~~ Zero to three (3) years;

[~~2.~~ Four (4) to nine (9) years;

[~~3.~~ Ten (10) to fourteen (14) years, and

[~~4.~~ Fifteen (15) or more years.

(b) Effective July 1, 1987, the years of categories of experience shall be as follows:]

1. Zero (0) to three (3) years;

2. Four (4) to nine (9) years;

3. Ten (10) to fourteen (14) years;

4. Fifteen (15) to nineteen (19) years; and

5. Twenty (20) or more years.

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(3) (a) ~~The state salary schedule shall be amended to increase the base pay five percent (5%) in 1986-87 and an additional five percent (5%) in 1987-88;~~

(b) ~~In addition, in 1986-87 the category with ten (10) to fourteen (14) years of experience shall also receive a three hundred dollar (\$300) increase in base pay and the category with fifteen (15) or more years of experience shall receive a seven hundred dollar (\$700) increase in base pay; and~~

(c) ~~In 1987-88 the category with ten (10) to fourteen (14) years of experience shall receive an additional five hundred dollars (\$500) in base pay, the category with fifteen (15) to nineteen (19) years of experience shall receive an additional increase of nine hundred dollars (\$900) in base pay, and the category with twenty (20) or more years of experience shall receive an additional increase of one thousand three hundred dollars (\$1,300) in base pay.~~

(4) (a) ~~The rank and experience of the teacher shall be determined on September 15. [If a teacher is certified for a higher rank by the department of education between September 15 and January 31, then five tenths (0.5) of the classroom unit shall be based on the September 15 rank of the teacher and five tenths (0.5) of the unit shall be based on the rank earned by the teacher by January 31 of the school year.]~~

(b) ~~The amount to be included in each school year in the **base funding level** [foundation program] of a district for teachers' salaries shall be **based on the categories of experience in subsection (2) of this section.** [determined by multiplying the number of teachers in each rank, not to exceed the number of classroom units allowed, by the amount set forth in the biennial budget schedule for each rank and experience for a term of one hundred eighty-five (185) days. Provided, the amount to be included for units allotted under KRS 157.360(9), (11), (12), (13) and (14) shall be increased proportionately if the personnel for such units are employed for longer than the regular school term and such employment is approved by the superintendent of public instruction under Kentucky administrative regulations of the state board. Where the actual number of teachers employed by the district varies from the number allowed under the provisions of KRS 157.310 to 157.440, the number to be included in each rank shall be in the same ratio that the number of teachers actually in each rank is to the total number of teachers employed.~~

(5) ~~The amount to be included in the foundation program for other current expenses shall be determined by multiplying the number of classroom units by the amounts set forth in the biennial budget.]~~

(4) ~~(6)~~ ~~The amount to be included in the **base funding level** [foundation program] for capital outlay shall be determined by multiplying the **average daily attendance** [number of classroom units except those allotted pursuant to KRS 157.360(10)(c) and (d)] by the amounts set forth in the biennial budget.~~

(5) ~~(7)~~ ~~The amount to be included in the **public school fund** [foundation] of each district for transportation shall be determined [by multiplying the aggregate attendance of transported children by the allowable cost per pupil per day for that district] in accordance with the provisions of KRS 157.370.~~

(6) ~~(8)~~ ~~The total amount of money distributable to each district from the public school [foundation program] fund shall be the sum of the allotments in subsections (3), (4), **and** (5); ~~(6) and (7)~~ of this section, **less the amount of local tax revenues generated for school purposes, up to a maximum equivalent local rate of thirty cents (30) as defined by KRS 157.615(5).**~~

(7) *The State Board for Elementary and Secondary Education shall create a Kentucky professional compensation plan. The plan shall be designed to compensate all teachers at adequate and competitive salary levels throughout their teaching careers. The plan shall establish progressive salary levels with advancement opportunities based upon the professional skills of the teacher and include education, rank, years of teaching service, related duties, specialized training, non-teaching experience, length of work year, performance, and any other professionally recognized factors which the board considers relevant. The plan shall be developed during the 1990-92 biennium and be implemented in fiscal year 1992-93.*

Section 100. KRS 157.410 is amended to read as follows:

For each school year the Finance and Administration Cabinet, on the certification of the **chief state school officer** [superintendent of public instruction], shall draw warrants [as specified hereinafter] on the State Treasurer for the amount of the public school [foundation program] fund due each district. Checks shall be issued by the State Treasurer and transmitted to the Department of Education for distribution to the proper officials of the [several] school districts when the districts have fully complied with the school laws and [Kentucky] administrative regulations of the State Board for Elementary and Secondary Education. The **chief state school officer** [superintendent of public instruction] shall determine on or before August 15 of each year the tentative allotment of school funds to which each district is entitled under the provisions of KRS 157.310 to 157.440. On July 1, August 1, and September 1, of each fiscal year, one-twelfth (1/12) of the prior year's allotment

minus the capital outlay shall be paid each school district. On the first of each month thereafter until the final calculation is completed, one-twelfth (1/12) of each district's share of the tentative calculation for instructional salaries, current expenses, and transportation of the public ~~common~~ school ~~foundation program~~ fund shall be distributed. On or before May 1 of each year the **chief state school officer** ~~superintendent of public instruction~~ shall determine the exact amount of the public common school ~~foundation program~~ fund to which each district is entitled~~, except those funds allotted pursuant to KRS 157.360(10)(c) and (d)]~~ and the remainder of the amount due each district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter. ~~[Final allotment of funds due each district pursuant to KRS 157.360(10)(c) and (d) shall not be calculated and distributed to the district until the last monthly report is received by the Department of Education.]~~ Capital outlay shall be made in two (2) payments. The first, on or before October 1, shall be one-half (1/2) of the amount calculated on the tentative allocation for capital outlay. The balance due shall be paid on or before May 1.

Section 101. KRS 157.430 is amended to read as follows:

If, when the apportionments are being determined under the provisions of KRS 157.310 to 157.440, funds appropriated by the General Assembly to the public school ~~foundation program~~ fund are insufficient to provide the amount of money required under ~~[subsection (8) of]~~ KRS 157.390, the **chief state school officer** ~~superintendent of public instruction~~, unless otherwise provided by the General Assembly in a budget bill, shall make a percentage reduction in the allotments to reduce the total of these allotments to funds available.

SECTION 102. A NEW SECTION OF KRS CHAPTER 157 IS CREATED TO READ AS FOLLOWS:

***The integrated technology based communications system, established by Section 22 of this Act, shall be used by the Department of Education to conduct internal fiscal, management, and compliance audits of each school district in the Commonwealth on an annual basis. A copy of the audit shall be submitted to the Legislative Research Commission, the Governor, and the State Board for Elementary and Secondary Education.***

SECTION 103. A NEW SECTION OF KRS CHAPTER 157 IS CREATED TO READ AS FOLLOWS:

***(1) To carry out the purpose of rewarding successful schools as provided in KRS Chapter 158, the Kentucky successful schools trust fund is hereby established in the finance and Administration Cabinet. Funds appropriated by the General Assembly in each biennial budget for payments of rewards to successful schools shall be credited to the fund and invested until needed for payments to successful schools. All interest earned on moneys in the funds shall be retained in the fund for reinvestment.***

***(2) Upon certification of eligibility by the State Board for Elementary and Secondary Education, the Finance and Administration Cabinet shall issue a warrant and the State Treasurer shall issue a check to the eligible school. All moneys credited to the fund, including interest, shall be used only for payments to eligible schools and shall not lapse, but shall be carried forward in the next biennial budget.***

Section 104. KRS 160.460 is amended to read as follows:

(1) All school taxes shall be levied by the board of education of each school district. The tax-levying authority shall levy an ad valorem tax within the limits prescribed in KRS 160.470, which 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.

(2) The tax-levying authority shall make an annual school levy not later than July 1. The school levy shall not be made until the general school budget has been received and approved by the State Board for Elementary and Secondary Education. The failure of the authority to make the levy by the date prescribed shall not invalidate any levy made thereafter.

(3) All school taxes shall be levied on all property subject to local taxation in the jurisdiction of the tax-levying authority. If the school levy is to be made upon the city assessment, which is hereby authorized for independent school districts embraced by cities of the first four classes, the clerk of ~~the~~ ~~such~~ city shall furnish to the school district or districts which the city embraces, the assessed valuation of property subject to local taxation in the school district, as determined by its tax assessor. If the school levy is to be made upon the county assessment the county clerk shall furnish to the proper school district or districts the assessed valuation of property subject to local taxation in ~~the~~ ~~such~~ district or districts, as certified by the Kentucky **Revenue Cabinet** ~~tax Board of Tax Appeals~~. ***No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.***

Section 105. KRS 160.470 is amended to read as follows:

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(1) Each district board of education shall prepare a general school budget on forms prescribed and furnished by the State Board for Elementary and Secondary Education, 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, the estimated total amount that will be received from the common school fund and other sources, the assessed valuation of property subject to local taxation in the school district furnished as provided in subsection (3) of KRS 160.460, an estimate made by the Revenue Cabinet of public service company assessments and assessments of other property in the school district not furnished under the provisions of subsection (3) of KRS 160.460, and the amount that will be needed to be raised by local taxation, including the rate of levy necessary to raise such an amount.

(2) (a) Notwithstanding any statutory provisions to the contrary, no district board of education shall levy a general tax rate, voted general tax rate, or voted building tax rate for 1979-80 which will produce more revenue, exclusive of revenue from net assessment growth as defined in KRS 132.010, than would be produced by application of the maximum general tax rate, voted general tax rate, or voted building tax rate, respectively, that could have been levied in 1978-79, to the 1978-79 assessment, except as provided in subsection **(12) of this section and KRS 157.440** [~~(4) of KRS 157.564~~]. In succeeding years, no district board of education shall levy a general tax rate, a voted general tax rate, or a voted building tax rate which will produce more revenue, exclusive of revenue from net assessment growth as defined in KRS 132.010, than would be produced by application of the general tax rate, maximum voted general tax rate, or maximum voted building tax rate, respectively, that could have been levied in the preceding year to the preceding year's assessment, except as provided in subsection **(12) of this section and KRS 157.440** [~~(4) of KRS 157.564~~].

(b) In the event that an election is held as provided for in KRS 132.017 and the question should fail, such failure shall not reduce the ". . . general tax rate, maximum voted general tax rate, or maximum voted building tax rate, respectively, that could have been levied in the preceding year. . . ." referred to in subsection (2)(a) of this section, for purposes of computing the general tax rate, voted general tax rate, or voted building tax rate for succeeding years.

In the event of a merger of school districts, the limitations contained in this section shall be based upon the combined revenue of the merging districts, as computed under the provisions of this section.

(3) No district board of education shall levy a general tax rate, voted general tax rate, or voted building tax rate within the limits imposed in subsection (2) of this section which respectively exceeds the compensating tax rate defined in KRS 132.010, except as provided in subsection **(12) of this section and KRS 157.440** [~~(4) of KRS 157.564~~], until the district board of education has complied with the provisions of subsection (10) of this section.

(4) The **chief state school officer** [~~superintendent of public instruction~~] shall certify **the following** to each district board of education, by June 30 of each year; ~~the following~~:

(a) The general tax rate, voted general tax rate, or voted building tax rate that a district board of education could levy under the provisions of subsection (2) of this section, and the amount of revenue expected to be produced by each;

(b) The compensating tax rate as defined in KRS 132.010 for a district's general tax rate, voted general tax rate, or voted building tax rate, and the amount of revenue expected to be produced by each;

(c) The general tax rate, voted general tax rate, or voted building tax rate which will produce, respectively, no more revenue from real property, exclusive of revenue from new property, than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, and the amount of revenue expected to be produced by each.

(5) Upon completion of action on property assessment data the Department of Revenue shall submit ~~to the superintendent of public instruction,~~ certified property assessment data as required in KRS 133.125 **to the chief state school officer**.

(6) Within thirty (30) days after the district board of education has received its assessment data, three (3) copies of the budget shall be forwarded to the State Board for Elementary and Secondary Education for its approval or disapproval. The failure of the district board of education to furnish the budget within the time prescribed shall not invalidate any levy made thereafter.

(7) The budget shall be disapproved by the State Board for Elementary and Secondary Education if it is financially unsound or fails to provide for:

(a) Payment of maturing principal [~~of~~] 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 State Board for Elementary and Secondary Education~~;~~~~[-]~~ or

(b) Payment of rentals in connection with any outstanding school building revenue bonds issued for the benefit of a ~~[the independent]~~ school district ~~[or county school district, as the case may be,]~~ by the appropriate city or county as authorized and provided under the provisions of KRS 162.120 to 162.300 and KRS 58.010 to 58.140, with the written approval of the State Board for Elementary and Secondary Education~~;~~~~[-]~~ or

(c) Fails to comply with the law.~~[-]~~ ~~and]~~

The State Board for Elementary and Secondary Education shall state **the** ~~[its]~~ reason~~[-]~~, ~~or reasons,~~ for ~~[such]~~ disapproval **and** ~~[in such event]~~ the district board of education shall amend its budget, within the limitations of this section, to obviate the reasons for disapproval and resubmit the budget to the State Board for Elementary and Secondary Education for ~~[its]~~ final approval.

(8) If the budget as amended specifies a tax levy different from that levied under the disapproved budget, the tax-levying authority shall amend its levy ~~[in accordance therewith,]~~ so that the levy as amended shall comply with the provisions of subsection (1) of KRS 160.460. No general school budget shall become effective and no ad valorem levy shall be made until approved by the State Board for Elementary and Secondary Education.

(9) Each district board of education shall~~[-]~~ ~~if required by the State Board for Elementary and Secondary Education, prepare and]~~ submit **to the State Board for Elementary and Secondary Education no** ~~[to it not]~~ later than September 15, a close estimate or working budget which shall conform to the **administrative** ~~[rules and]~~ regulations prescribed by the State Board for Elementary and Secondary Education, and which shall be consistent in its major divisions with the general school budget previously prepared.

(10) (a) **Except as provided in subsection (12) of this section and KRS 157.440,** a district board of education proposing to levy a general tax rate, voted general tax rate, or voted building tax rate within the limits of subsection (2) of this section which exceed the compensating tax rate defined in KRS 132.010~~[-]~~ shall hold a public hearing to hear comments from the public regarding the proposed tax rate. The hearing shall be held in the principal office of the taxing district~~;~~ or, in the event the taxing district has no office, or the office is not suitable for such a hearing, the hearing shall be held in a suitable facility as near as possible to the geographic center of the district.

(b) The district board of education shall advertise the hearing by causing **the following** to be published at least twice **for** ~~[in]~~ two (2) consecutive weeks, in the newspaper of largest circulation in the county, a display type advertisement of not less than twelve (12) column inches~~[-]~~; ~~the following]~~:

1. The general tax rate, voted general tax rate, and voted building tax rate levied in the preceding year, and the revenue produced by those rates;
2. The general tax rate, voted general tax rate, and voted building tax rate proposed for the current year and the revenue expected to be produced by those rates;
3. The compensating general, voted general, and voted building tax rates and the revenue expected from them;
4. The revenue expected from new property and personal property;
5. The general areas to which revenue in excess of the revenue produced in the preceding year is to be allocated;
6. A time and place for the public hearing which shall be held not less than seven (7) days nor more than ten (10) days after the day that the second advertisement is published;
7. The purpose of the hearing; and
8. A statement to the effect that the General Assembly has required publication of the advertisement and the information contained herein.

(c) In lieu of the two (2) published notices, a single notice containing the required information may be sent by first-class mail to each person owning real property, addressed to the property owner at his residence or principal place of business as shown on the current year property tax roll.

(d) The hearing shall be open to the public. All persons desiring to be heard shall be given an opportunity to present oral testimony. The district board of education may set reasonable time limits for ~~such~~ testimony.

(11) (a) That portion of a general tax rate, a voted general tax rate, or a voted building tax rate, except as provided in subsection **(12) of this section and KRS 157.440** ~~[(4) of KRS 157.564]~~, levied by an action of a district board of education which will produce, respectively, revenue from real property, exclusive of revenue from new property, more than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, shall be subject to a recall vote or reconsideration by the district board of education~~[-, such as the case may be,]~~ as provided for in KRS 132.017, and shall be advertised as provided for in paragraph (b) of this subsection.

(b) The district board of education shall, within seven (7) days following adoption of an ordinance, order, resolution, or motion to levy a general tax rate, voted general tax rate, or voted building tax rate, except as provided in subsection **(12) of this section and KRS 157.440** ~~[(4) of KRS 157.564]~~, which will produce revenue from real property, exclusive of revenue from new property as defined in KRS 132.010, more than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, cause **the following** to be published, in the newspaper of largest circulation in the county, a display type advertisement of not less than twelve (12) column inches ~~[the following]:~~

1. The fact that the district board of education has adopted such a rate;
2. The fact that the part of the rate which will produce revenue from real property, exclusive of new property as defined in KRS 132.010, in excess of four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010 is subject to recall; and
3. The name, address and telephone number of the county clerk of the county or urban county in which the school district is located, with a notation to the effect that that official can provide the necessary information about the petition required to initiate recall of the tax rate.

**(12) (a) Notwithstanding any statutory provisions to the contrary, effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (30) for general school purposes. Equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Revenue Cabinet. School districts collecting school taxes authorized by KRS 160.593 to 160.597, 160.601 to 160.633, or 160.635 to 160.648 for less than twelve (12) months during a school year shall have included in income collected under this section the pro rata tax collection for twelve (12) months.**

**(b) If a board fails to comply with subsection (a) of this section, its members shall be subject to removal from office for willful neglect of duty pursuant to KRS 156.132.**

Section 106. KRS 157.420 is amended to read as follows:

Public school ~~[foundation program]~~ funds made available to the credit of each district during any year~~[-]~~ shall be received, held and expended by the district board, subject to the provisions of law and ~~[Kentucky]~~ administrative regulations of the State Board for Elementary and Secondary Education. The following restrictions shall govern the expenditure of funds from the public school ~~[foundation program]~~ fund:

(1) The teachers' salaries allotment for each district from the public school ~~[foundation program]~~ fund and from local sources shall be used only for teachers holding properly authorized certificates. The average salary paid any rank of teachers shall be at least equivalent to the amount set forth in the biennial budget schedule for each rank and experience for a term of one hundred eighty-five (185) days and no teacher shall be paid less than ninety-three percent (93%) of the public school ~~[foundation program]~~ fund allotment for that rank for full-time service during the regular school year or the allotment under KRS 157.390~~(3)~~~~(4)~~ shall be reduced by an amount equal to the amount by which the district failed to meet the salary requirements.

(2) The State Board for Elementary and Secondary Education shall not approve any working budget or salary schedule summary for local boards of education for any school year in which the total amount for one hundred eighty-five (185) days on the salary schedule summary for ~~[foundation program instructional]~~ salaries **paid from the base funding** is not equal to:

(a) The amount for one hundred eighty-five (185) days on the district's salary schedule summary for ~~[foundation program]~~ instructional salaries **paid with state funds** the preceding year; plus

(b) The additional amount for instructional salaries to be received by the district under the biennial budget

schedule for a one hundred eighty-five (185) day school term by assuming the same ~~[classroom units and]~~ rank and experience of teachers in the current year as in the preceding year.

(3) The *per pupil* capital outlay allotment for each district from the public school ~~[foundation program]~~ fund and from local sources shall be kept in a separate **account** ~~[fund]~~ and may be used by the district only for capital outlay projects approved by the **chief state school officer** ~~[superintendent of public instruction]~~ in accordance with requirements of law, and based on a survey made in accordance with ~~[Kentucky]~~ administrative regulations of the State Board for Elementary and Secondary Education. These funds shall be used for the following capital outlay purposes:

- (a) For direct payment of construction costs;
- (b) For debt service on voted and funding bonds;
- (c) For payment or lease-rental agreements under which the board eventually will acquire ownership of a school plant;
- (d) For the retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from an emergency declared by the State Board for Elementary and Secondary Education under KRS 160.550; and
- (e) As a reserve fund for the above-named purposes, to be carried forward in ensuing budgets.

(4) If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of that levy for the above-named purposes, the **chief state school officer** ~~[superintendent of public instruction]~~ under ~~[Kentucky]~~ administrative regulations of the State Board for Elementary and Secondary Education, may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses. However, a district which uses capital outlay funds for current expenses shall not be eligible to participate in the School Facilities Construction Commission funds.

(5) If a survey shows that a school district has no capital outlay needs as shown in paragraphs (a), (b), (c), and (d) of subsection (3) of this section, upon approval of the **chief state school officer** ~~[superintendent of public instruction]~~, these funds may be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and the purchase of modern technological equipment, including telecommunications hardware, televisions, computers and other technological hardware to be utilized for educational purposes only.

**(6) In surveying the schools, the Department of Education shall designate each school facility as a permanent, functional or transitional center.**

**(a) "Permanent Center" means a center which meets the program standards approved by the State Board for Elementary and Secondary Education, is located so that students are not subjected to an excessive amount of time being transported to the site, and has established an attendance area which will maintain enrollment at capacity but will also avoid overcrowding.**

**(b) "Functional Center" means a center which does not meet all the criteria established for a permanent facility, but is adequate to meet accreditation program standards to insure no substantial academic or building deficiency. The facility plan shall include additions and renovations necessary to meet current accreditation standards for which federal, state, and local funds may be used.**

**(c) "Transitional Center" means a center which the local board of education has determined shall no longer be designated permanent or functional. The center shall be destined to be closed and shall not be eligible for new construction, additions, or major renovation. However, the board of education shall maintain any operating transitional center to provide a safe and healthy environment for students.**

Section 107. KRS 157.440 is amended to read as follows:

**(1) (a) Notwithstanding any statutory provisions to the contrary, effective for school years beginning after July 1, 1990, the board of education of each school district may levy an equivalent tax rate as defined in subsection (12)(a) of KRS 160.470 which will produce up to fifteen percent (15%) of those revenues guaranteed by the program to support education excellence in Kentucky. The levy for the 1990-91 school year shall be made no later than October 1, 1989, and by October 1 of each odd numbered year thereafter. Effective with the 1990-91 school year revenue generated by this levy shall be equalized at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment.**

**(b)** *The rate levied by a district board of education under the provisions of this subsection shall not be subject to the public hearing provisions of KRS 160.470(10) or to the recall provisions of KRS 160.470(11).*

**(c)** *A school district which is at or above the equivalent tax rates permitted under the provisions of this Act shall not be required to levy an equivalent tax rate which is lower than the rate levied during the 1989-90 school year.*

(2) A district may exceed the maximum provided by subsection (2) of KRS 160.470 provided that, upon request, of the board of education of the district, the county board of elections shall submit to the qualified voters of the district, in the manner of submitting and voting as prescribed in paragraph (b) of subsection (1) of KRS 160.477, the question whether a rate which would produce revenues in excess of the maximum provided by subsection (2) of KRS 160.470 shall be levied. ***The rate that may be levied under this section may produce revenue up to no more than thirty percent (30%) of the revenue guaranteed by the program to support education excellence in Kentucky plus the revenue produced by the tax authorized by KRS 157.440. Revenue produced by this levy shall not be equalized with state funds.*** If a majority of those voting on the question favor the increased rate, the tax levying authority shall, when the next tax rate for the district is fixed, levy a rate not to exceed the rate authorized by the voters.

**(3)** ~~(2)~~ For the 1966 tax year and for all subsequent years for levies which were approved prior to December 8, 1965, no district board of education shall levy a tax at a rate under the provisions of this section which exceeds the compensating tax rate as defined in KRS 132.010, except as provided in subsection **(4)** ~~(3)~~ of this section and except that a rate which has been approved by the voters under this section but which was not levied by the district board of education in 1965 may be levied after it has been reduced to the compensating tax rate as defined in KRS 132.010, and except that in any school district where the rate levied in 1965 was less than the maximum rate which had been approved by the voters, the compensating tax rate shall be computed and may be levied as though the maximum approved rate had been levied in 1965 and the amount of revenue which would have been produced from such maximum levy had been derived therefrom.

**(4)** ~~(3)~~ Notwithstanding the limitations contained in subsection **(3)** ~~(2)~~ of this section no tax rate shall be set lower than that necessary to provide such funds as are required to meet principal and interest payments on outstanding bonded indebtedness and payments of rentals in connection with any outstanding school revenue bonds issued under the provisions of KRS chapter 162.

**(5)** ~~(4)~~ The **chief state school officer** ~~superintendent of public instruction~~ shall certify the compensating tax rate to the levying authorities.

SECTION 108. KRS 160.463 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

The school board of each public school system in any county having 300,000 or more inhabitants shall direct its superintendent to publish, in full, annually, in the newspaper of the largest general circulation in the county, the annual financial statements of the school system audited by certified public accountants or an accountant approved by the state Department of Education. Each system's financial statements shall be prepared and presented on a basis consistent with that of the other systems.

SECTION 109. KRS 160.473 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

(1) In the event that a general tax rate, voted general tax rate, or voted building tax rate applicable to real property levied by a district board of education will produce a percentage increase in revenue from personal property less than the percentage increase in revenue from real property, the district board of education may levy a general tax rate, voted general tax rate, or voted building tax rate applicable to personal property which will produce the same percentage increase in revenue from personal property as the percentage increase in revenue from real property; however, in no event shall the general tax rate, voted general tax rate, or voted building tax rate levied by the district board of education applicable to personal property exceed the prior year general tax rate, voted general tax rate, or voted building tax rate applicable to personal property levied by the respective district board of education.

(2) The general tax rate, voted general tax rate, or voted building tax rate applicable to personal property levied by a district board of education under the provisions of subsection (1) of this section shall not be subject to the public hearing provisions of KRS 160.470(10) and to the recall provisions of KRS 160.470(11).

SECTION 110. KRS 160.474 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

(1) In the event that the general tax rate, voted general tax rate, or voted building tax rate levied by a district board of education for 1979-80, 1980-81 or 1981-82 produced a percentage increase in revenue from personal property less than the percentage increase in revenue from real property for the respective year,

the district board of education may levy a general tax rate, voted general tax rate, or voted building tax rate applicable to personal property for 1982-83 only, which will produce the same cumulative percentage increase in revenue from personal property as was produced from real property in 1979-80, 1980-81, and 1981-82. Such a general tax rate, voted general tax rate, or voted building tax rate may be in addition to the general tax rate, voted general tax rate, or voted building tax rate levied under the provisions of KRS 160.473.

(2) The general tax rate, voted general tax rate, or voted building tax rate levied under the provisions of KRS 160.473 and subsection (1) of this section shall not exceed the general tax rate, voted general tax rate, or voted building tax rate applicable to personal property levied by the respective district board of education in 1981-82.

(3) The general tax rate, voted general tax rate, or voted building tax rate applicable to personal property levied by a district board of education shall not be subject to the public hearing provisions of KRS 160.470(10) and to the recall provisions of KRS 160.470(11).

Section 111. KRS 160.475 is amended to read as follows:

(1) Except as otherwise provided in KRS **157.440**, 160.470(2), 160.476(4) and 160.477(6) the ad valorem tax levy for school purposes; other than sinking fund purposes, in each school district, shall be not more than one dollar and fifty cents (\$1.50) annually on each one hundred dollars (\$100) of property subject to local taxation.

(2) All existing subdistrict school tax levies, except those required to retire voted bonds, are hereby abolished.

Section 112. KRS 160.476 is amended to read as follows:

(1) The board of education of any district may, in addition to other taxes for school purposes, levy not less than four cents (4) nor more than twenty cents (20) on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and physical education and athletic facilities, for the erection and complete equipping of school buildings and physical education and athletic facilities, and for the major alteration, enlargement and complete equipping of existing buildings and physical education and athletic facilities, provided, however, that such tax shall come within the maximum school tax levy provided by KRS 160.470. In addition to or in lieu of this special tax, any board of education may pay into this special fund at the close of any fiscal year the proceeds from the sale of land or property no longer needed for school purposes and all or any balances remaining in the general fund over and above the amount necessary for discharging obligations for the fiscal year in full.

(2) The special fund provided for herein shall be kept in a separate account designated as "school building fund." The fund shall be kept in a depository selected by the board of education, or invested in bonds of the United States, of this state, or county or municipality in this state, provided, however, that such investments shall be approved by the State Board for Elementary and Secondary Education.

(3) All expenditures from such fund shall be made solely for the purposes enumerated herein and shall be made in accordance with the school laws of the state at such times as the board of education determines. The board of education shall cause to be made annually an audit of the building fund by a certified public accountant or by an accountant approved by the state Department of Education.

(4) Notwithstanding the provisions of any other subsection of this section to the contrary, for the 1966 tax year and for all subsequent years no district board of education shall levy a tax at a rate under the provisions of this section which exceeds the compensating tax rate as defined in KRS 132.010. The **chief state school officer** [~~superintendent of public instruction~~] shall certify the compensating tax rate to the district board of education.

SECTION 113. KRS 160.477 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

(1) (a) Upon request of the board of education of any school district, the county board of elections shall submit to the qualified voters of the district, the question as to whether a special school building tax rate of not less than five cents (5) nor more than fifty cents (50) as requested by the board shall be levied on each one hundred dollars (\$100) of property subject to local taxation. This tax levy shall be in addition to the maximum school tax levy provided by subsection (2) of KRS 160.470. The income from the tax shall be used for the purchase or lease of school sites and buildings and physical education and athletic facilities, for the erection and complete equipping of new school buildings and physical education and athletic facilities, for the major alteration, enlargement and complete equipping of existing buildings, and physical education

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and athletic facilities, for the purpose of retiring, directly or through rental payments, school revenue bonds issued for such school improvements, for the purpose of providing maintenance and insurance for school facilities, and for the purpose of financing any program for the acquisition, improvement, or building of school improvements. The question shall be so framed that the voter may by his vote answer "for" or "against;"

(b) The election shall be held not less than fifteen (15) or more than thirty (30) days from the time the request of the board is filed with the county board of elections, and reasonable notice of the election shall be given. The election shall be conducted and carried out in the school district in all respects as required by the general election laws, and shall be held by the same officers as required by the general election laws. The expense of the election shall be borne by the school district; and

(c) If a majority of those voting on the question favor the special school building tax levy, the tax-levying authority shall, when the next tax rate for the district is fixed, levy the special rate specified for the school building fund in addition to the levy provided by subsection (2) of KRS 160.470.

(2) There may be, included, in the maximum levy provided for in subsection (2) of KRS 160.470, a special levy for building fund purposes as authorized by KRS 160.476, which shall be in addition to the levy authorized by vote as provided in subsection (1) of this section.

(3) In addition to or in lieu of this special tax, any board of education may pay into this special fund at the close of any fiscal year the proceeds from the sale of land or property no longer needed for school purposes and allow any balances to remain in the general fund over and above the amount necessary for discharging obligations for the fiscal year in full.

(4) The special fund provided for in subsection (1) of this section shall be kept in a separate account designated as "special voted school building fund." The fund shall be kept in the depository selected by the district board of education, or invested in bonds of the United States, of this state, or of any county or municipality in this state, provided, however, that such investment shall be approved by the State Board for Elementary and Secondary Education.

(5) All expenditures from such fund shall be made solely for the purposes enumerated in this section and shall be made in accordance with the school laws of the state at such times as the district board of education determines. The district board of education shall cause to be made annually an audit of the building fund by a certified public accountant or by an accountant approved by the State Board for Elementary and Secondary Education.

(6) Notwithstanding the provisions of any other subsection of this section to the contrary, for the 1966 tax year and for all subsequent years no district board of education shall levy a tax at a rate under the provisions of this section which exceeds the compensating tax rate as defined in KRS 132.010, except as provided in subsection (7) of this section, and except that a rate which has been approved by the voters under this section but which was not levied by the district board of education in 1965 may be levied after it has been reduced to the compensating tax rate as defined in KRS 132.010, and except that in any school district where the rate levied in 1965 was less than the maximum rate which had been approved by the voters, the compensating tax rate shall be computed and may be levied as though the maximum approved rate had been levied in 1965 and the amount of revenue which would have been produced from such maximum levy had been derived therefrom.

(7) Notwithstanding the limitations contained in subsection (6) of this section no tax rate shall be set lower than that necessary to provide such funds as are required to meet principal and interest payments on outstanding bonded indebtedness and payments of rentals in connection with any outstanding school revenue bonds issued under the provisions of KRS Chapters 58 and 162.

Section 114. KRS 160.599 is amended to read as follows:

(1) A special fund is hereby created which shall be known as "the emergency revolving school loan fund account," hereinafter referred to as account. This account, which shall be administered by the State Board for Elementary and Secondary Education, is for the purpose of providing emergency loans to eligible public common school districts.

(2) In order to be eligible for a loan from the account, a school district shall meet all of the following conditions:

(a) A loss of physical facilities must have been suffered as a result of a fire or a natural disaster;

(b) Insurance on such facilities was insufficient to replace the loss;

(c) The district is bonded to practical capacity and has insufficient resources to meet its immediate capital outlay needs as determined by an investigation of the **chief state school officer** [superintendent of public instruction].

(3) **As an alternative to the criteria in subsection (2) of this section, a school district shall be eligible for a loan from the account if the sheriff has failed to collect or disburse delinquent tax revenue, which is for the benefit of the school district, within the fiscal year that the school district is to utilize those receipts according to its budget.**

(4) **Under the criteria of subsection (2) of this section, no loan from the account shall be made for a period in excess of ten (10) years, and under the criteria of subsection (3) of this section, no loan from the account shall be made for a period in excess of three (3) years.** [and] The maximum amount of any one (1) loan from the account shall not exceed **two hundred fifty thousand dollars** (\$250,000) and shall be determined by the State Board for Elementary and Secondary Education on recommendation of the **chief state school officer** [superintendent of public instruction].

(5) [(4)] The State Board for Elementary and Secondary Education shall establish the terms and conditions for repaying the principal of such loan and interest shall not be charged on the loan. No loan shall cover a loss prior to January 1, 1972.

(6) [(5)] School districts eligible under this section to borrow from the account shall file formal application for such loan on forms provided by the state department of education. Before any loan is made, the application must be approved by the State Board for Elementary and Secondary Education on the recommendation of the **chief state school officer** [superintendent of public instruction].

(7) [(6)] All repayments of loans made under this section shall be paid into the emergency revolving school loan fund account, which shall be funded by an appropriation through the biennial budget. Balances remaining in the fund shall not revert to the general fund at the end of any fiscal year.

(8) [(7)] On approval of the loan application by the State Board for Elementary and Secondary Education on the recommendation of the **chief state school officer** [superintendent of public instruction], the [Executive Department for Finance and Administration **Cabinet**, on the certification of the **chief state school officer** [superintendent of public instruction], shall draw a warrant on the State Treasurer for the amount of the approved loan that is due the school district. The check shall be issued by the State Treasurer and transmitted to the department of education for distribution to the proper official of the school district when the district has complied with the rules and regulations of the State Board for Elementary and Secondary Education.

(9) [(8)] Any loan to a local school district under the provisions of this section shall not be considered as an indebtedness of the school district within the meaning of sections 157 and 158 of the Kentucky Constitution.

SECTION 115. A NEW SECTION OF KRS CHAPTER 160 IS CREATED TO READ AS FOLLOWS:

(1) **A utility gross receipts license tax initially levied by a school district board of education on or after the effective date of this Act shall be levied on the gross receipts derived from the furnishing of cable television services in addition to the gross receipts derived from the furnishing of the services enumerated in KRS 160.613.**

(2) **A utility gross receipts license tax initially levied by a school district board of education prior to the effective date of this Act shall be levied on the gross receipts derived from the furnishing of cable television services, in addition to the gross receipts derived from the furnishing of the services enumerated in KRS 160.613, if the school district board of education repeats the notice and hearing requirements of KRS 160.603, but only as to the levy of the tax on the gross receipts derived from the furnishing of cable television services.**

SECTION 116. A NEW SECTION OF KRS CHAPTER 156 IS CREATED TO READ AS FOLLOWS:

**The General Assembly directs that appointments made by the appointing authority to every board, commission, council or other type of advisory or decision-making body created or reenacted by the Education Reform Act of 1990 reflect reasonable minority representation of the membership and that active minority participation at every level of implementation be continually encouraged.**

#### PART IV - AMENDMENTS TO CONFORM

Section 117. KRS 42.550 is amended to read as follows: