

Legislative Research Commission

# Kentucky's Independent School Districts: A Primer

Research Report No. 415

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# **Kentucky's Independent School Districts: A Primer**

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## Foreword

For over 25 years, the Office of Education Accountability has played an important role in reporting on education reform in the Commonwealth of Kentucky. Today, the 16 employees of OEA strive to provide fair and equitable accountability, documenting the challenges and opportunities confronting Kentucky's education system.

In December 2014, the Education Assessment and Accountability Review Subcommittee approved the 2015 research agenda for the Office of Education Accountability, which included this primer on Kentucky's independent school districts. These school districts are those whose geographic boundaries are defined not by the county lines that define most districts, but by historic boundaries within counties. Though they often bear the names of cities, these school districts operate independently of cities. This primer explains the history, legal context, and characteristics of the 53 independent school districts distributed across the Commonwealth.

The Legislative Research Commission comprises more than 400 professionals who work to make the legislative process accessible, informative, and relevant to the citizens of our state. OEA is an important part of that mission. Thank you for your interest in this report and for your interest in school governance in Kentucky.

David A. Byerman  
Director

Legislative Research Commission  
Frankfort, Kentucky  
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## Contents

Summary .....	vii
Chapter 1: Introduction And Background .....	1
Definition .....	1
Major Conclusions Of This Study .....	2
Organization Of This Report .....	4
Description Of This Study .....	4
Objectives .....	4
Methodology And Data Sources .....	4
Data Limitations.....	6
National Context .....	6
ISD History In Kentucky .....	7
Historical Anecdotes From Current ISDs .....	10
Current ISD Locations .....	12
Information About District Boundaries .....	14
Annexation .....	14
Schools Outside Of District Boundaries .....	14
Importance Of Accurate Boundary Information.....	15
Availability Of Boundary Information .....	15
Best Available Boundary Data.....	16
ISD Characteristics .....	17
Student Membership .....	17
Change In ISD Membership 2011-2014 .....	18
A1 Schools.....	18
Demographic Characteristics .....	19
Achievement .....	20
Chapter 2: Legal Context .....	21
Overview.....	21
Composition And Limitations.....	21
Annexation And Mergers.....	22
Annexation .....	22
Assets And Liabilities .....	25
Mergers .....	26
Nonresident Student Enrollment.....	28
District Policies And Procedures .....	28
Nonresident Students And Reciprocal Agreements.....	29
Dispute Resolution.....	30
Superintendent Concerns About Reciprocal Agreements.....	31
Tuition.....	32

Chapter 3: Exchange Of Nonresident Students With Other Districts.....	35
Reciprocal Agreements.....	35
Number Of Agreements.....	36
Types Of Reciprocal Agreements.....	36
Conditions For Nonresident Enrollment.....	37
Class Size/Building Capacity.....	38
Behavior.....	38
Attendance.....	38
Academics.....	39
Other Conditions.....	39
Consequences To Currently Enrolled Nonresident Students.....	39
Tuition.....	39
Tuition Policies.....	40
<i>Recommendation 3.1</i> .....	41
Tuition Fees.....	41
Nonresident Students With Reciprocal Agreements.....	42
Nonresident Students Without Reciprocal Agreements.....	42
SEEK Or Per-Pupil Operating Expenses.....	42
Children Of District Employees.....	43
Other Types Of Tuition.....	43
Number Of Nonresident Students.....	43
Agreements And Nonresident Students.....	43
Children Of District Employees.....	45
Foreign Exchange And Immigrant Students.....	46
Net Nonresident Enrollment.....	47
Districts Without High Schools.....	49
<i>Recommendation 3.2</i> .....	51
Special Services.....	51
Homeless.....	51
Special Education.....	51
State Agency Children.....	52
Migrant.....	52
Transportation.....	52
<i>Recommendation 3.3</i> .....	56
Chapter 4: Revenue And Expenditures.....	57
Revenue.....	57
Total Revenue.....	57
Sources Of Revenue.....	58
Per-Pupil Revenue By Source.....	59
Sources Of Local Revenue.....	60
Superintendent Comments About Property Assessments And Tax Burdens.....	64
Rates Levied.....	65
Effects Of Taxation Decisions.....	65
Compensating Tax Rate.....	66
Subsection (1) Tax Rate.....	66

4 Percent Tax Rate .....	66
House Bill 940 Tax Rate (Tier I Property Tax Rate).....	66
Other Rate .....	66
Collection Of Taxes .....	67
Who Collects And Commission Rate .....	68
Collection Rate .....	68
Local Grants, Donations, And Tuition And Fees .....	70
Local Grants And Donations .....	70
Donations For Construction (Fund 360).....	71
Revenue From State SEEK (Nonresident Students), Tuition, And Fees .....	71
Nonresident Revenue From SEEK .....	73
Nonresident Revenue From Tuition.....	73
Nonresident Revenue As A Percentage Of Total Revenue .....	73
Expenditures .....	74
Challenges To Efficiency Posed By Regulation.....	77
Appendix A: Coding Inconsistencies And Adjustments For Analysis.....	79
Appendix B: Maps Of Independent School Districts In Operation In FY 2014-FY 2015 Using 2005 Tax District Boundaries.....	83
Appendix C: Student Membership .....	139
Appendix D: Relevant Statutes, Regulations, Case Law, And Attorney General Opinions .....	141
Appendix E: FY 2014 Lost Revenue Opportunity From Not Taking The 4 Percent Tax Increase .....	153
Appendix F: Kentucky Department Of Education’s Response To This Report .....	155
Endnotes.....	159

**Tables**

3.1 Tuition For Nonresident Students (Without Agreements) Based On SEEK Or Per-Pupil Operating Expenses .....	43
3.2 Foreign Exchange And Immigrant Students, FY 2010–FY 2015.....	47
3.3 Arrangements Made For High School Students Residing In Independent Districts That Have No High School, FY 2014.....	50
3.4 Homeless And Special Education Nonresident Students In Independent Districts, FY 2010–FY 2015 .....	52
4.1 Sources Of District Revenue.....	59
4.2 Average District Property Assessment And Local Taxes, FY 2014.....	61
4.3 Tax Rates Levied For ISDs, FY 2009–FY 2015.....	67
4.4 Percent Commission Charged To ISDs, FY 2014 .....	68
4.5 Real Estate And Personal Property Collection Rate, FY 2014.....	69
4.6 Motor Vehicle Collection Rate, FY 2014.....	70
4.7 Construction Donations For ISDs, FY 2012–FY 2014.....	71
4.8 Average Percentage Of Current Expenditures By Function, FY 2014, Independent And County School Districts .....	75

**Figures**

1.A	Locations Of ISDs Operating As Of FY 2015.....	13
1.B	Membership Of Independent Districts, FY 2014.....	18
2.A	Transfer Under KRS 160.045: Transfer Of Adjacent Territory To School District Other Than That In Which It Is Located.....	24
2.B	Transfer Under KRS 160.048: Transfer Of Area Containing School Outside District .....	24
2.C	Reciprocal Agreement Dispute Resolution.....	30
3.A	Types Of Agreements For Nonresident Student Enrollment.....	37
3.B	Conditions Associated With Nonresident Student Enrollment.....	38
3.C	Tuition Reported By ISDs For Nonresident Students With Agreements And Without Agreements .....	42
3.D	Number Of Nonresident Students, With Reciprocal Agreements Versus Without Reciprocal Agreements, FY 2010 And FY 2014.....	45
3.E	Type Of Nonresident As A Percentage Of Total, ISDs Compared To County Districts, FY 2014.....	46
3.F	FY 2014 Net Nonresident Enrollment .....	48
3.G	FY 2014 Net Nonresident Enrollment As A Percentage Of District's Total Enrollment.....	49
3.H	Distance And Frequency Of Transportation Provided For Nonresident Students, FY 2010 And FY 2015 .....	54
3.I	Percentage Of Nonresident Students Transported In FY 2015.....	54
4.A	Total Revenue Per Pupil, FY 2014, Percentage Of Independent And County School Districts.....	58
4.B	Average Per-Pupil Revenue By Source, FY 2014, Independent And County School Districts.....	60
4.C	Property Assessment Per Pupil, FY 2014, Percent Of Independent And County School Districts.....	62
4.D	Levied Equivalent Tax Rate, FY 2014, Percent Of Independent And County School Districts.....	63
4.E	Average Equivalent Tax Rates By Property Assessment Range, Independent And County School Districts, FY 2014.....	64
4.F	Local Grants And Donations, FY 2014 .....	71
4.G	Net Gain/Loss Nonresident Revenue As A Percentage Of Total Revenue, FY 2014 .....	74
4.H	Percentage Of Current Expenditures On District Administration Support, Independent And County School Districts .....	76
4.I	Average Percentage Of Current Expenditures On District Administration By Student Membership, County And Independent School Districts, FY 2014.....	77
4.J	Percentage Of Current Expenditures On Transportation, Independent And County School Districts.....	78

## Summary

This study reviews statutes and regulations that are relevant to independent school districts. The study includes an overview of the history of independent school districts as well as legislative changes over time that helped to sculpt their identities. While independent districts may appear to be entirely distinct from county districts, generally neither the law nor data related to membership, demographic, and other characteristics indicate that independent districts are much different from county districts.

A review of the history of Kentucky schools reveals an early focus on local governance of schools. Communities were responsible for local school funding and administration, which in many cases resulted in significant inconsistencies in educational opportunities across the state. In 1934, legislation designed to consolidate Kentucky schools established two forms of districts: county school districts and independent school districts (ISDs).

The term *independent school district* means something entirely different in different parts of the country. States organize school districts in a variety of forms. Many states have several noncounty districts, while others keep only county districts. District membership numbers also vary significantly. There has been a national trend toward consolidation within the last century. As a result, several states have adopted policies that either incentivize or force consolidation.

In Kentucky, county districts and ISDs are generally more alike than not. While ISDs tend to have lower student membership, there are many county districts that are similar in membership size to ISDs. ISDs tend to operate fewer schools, yet there are ISDs that operate a greater number of schools than some county districts. As for population demographics, ISDs vary in similar ways as county districts. There are also notable differences. ISDs are among both the highest and the lowest in terms of poverty. Additionally, ISDs are typically among the highest and the lowest in terms of achievement data.

Finances and revenue are of ongoing importance to ISDs as well as counties. ISDs, however, grapple with unique circumstances given their boundary limitations. Total revenue per pupil is slightly higher for ISDs (\$12,358) than for county districts (\$11,727). However, ISDs receive more in local taxes than county districts, yet they receive either the same or less than county districts in state, federal, and other sources of revenue. ISDs have lower amounts of taxable property but tax that property at a significantly higher rate. This indicates local willingness to increase tax rates in an effort to support the ISD.

ISDs are among the lowest and highest in per-student expenditures. The nature of the expenditures does not differ substantially from that for counties, although there are differences in certain specific areas. In administration, ISDs spend roughly 6 percent while county districts spend 3 percent. This can be explained by the difference in student membership; specifically, as membership decreases, the percentage of administration expense increases. Additionally, counties spend approximately 7 percent on transportation compared to 3 percent for ISDs (county districts transport a higher percentage of students and for longer distances).

There are other options to increase revenue including the annexation of new territory so as to increase the amount of taxable property. Historically, ISD boundaries were contiguous with their embraced cities, expanding as cities expanded, and reaping the benefits of increased territory. However, automatic expansion is no longer permitted, and ISDs find themselves landlocked and unable to expand unless specific statutory annexation requirements are met. While the statute provides opportunity for ISDs to expand, the actual accessibility of those options is questionable because few districts have successfully annexed land.

ISDs may also increase revenue by admitting nonresident students under reciprocal agreements or through tuition contracts. When a student is admitted under a reciprocal agreement between the district of residence and the attending district, Support Education Excellence in Kentucky (SEEK) funds flow to the attending district. The reciprocal agreements may include a series of conditions for admission and may specify the number of students admitted under the agreement. Nonresident students make up a greater percentage of total enrollments in ISDs than in county districts. The majority of the nonresident students are enrolled under a reciprocal agreement.

An ISD may also charge tuition. The Office of Education Accountability reviewed district tuition documents and discovered that district policies vary significantly; some provide comprehensive guidance including information about whether tuition applies as well as what amount, while others provide none. There were also significant discrepancies between tuition schedules and board policies. Tuition for students admitted under a reciprocal agreement ranged from \$54 to \$3,600. The majority of ISDs that charge tuition charged \$500 or less. Tuition for students not under a reciprocal agreement ranged from \$500 to \$6,000. Tuition is typically based on the state portion of SEEK.

The revenue potential of nonresident enrollment is not without barriers. As financial pressures loom for both ISDs and county districts, reciprocal agreements honored in the past are now more likely subject to dispute by county districts no longer able to comply with their terms. In several instances the total number of students under a reciprocal agreement was reduced in an effort to maintain the status quo and preserve a financially struggling county district. Such reductions can come at a huge loss for ISD enrollment and ultimately revenue over a period of time. They can also contribute to concern about a district's enrollment and financial future.

When other methods of revenue expansion have failed, ISDs may resort to merger with a county district or other ISD. Since 1934, the once plentiful ISDs dwindled as many were forced to merge with other districts due to financial strain and, in the case of Lexington/Fayette County and Louisville/Jefferson County, desegregation. In the last decade, three ISDs have merged with county districts: Harrodsburg with Mercer County in FY 2006, Providence with Webster County in FY 2007, and Monticello with Wayne County in FY 2014. Merger may be by mutual agreement by two boards or by compulsion. The merger completely dissolves one district, leaving the other to absorb the assets and the liabilities of the dissolved district.

## **Recommendations**

- 3.1 Local boards of education should ensure that district policies and procedures related to admission of and tuition for nonresident students are clear, transparent, and reflective of best practices. District policies and procedures should address, at a minimum, the criteria that the district use in making admissions decisions for nonresident students and the tuition that applies to students covered by reciprocal agreements, those not covered by reciprocal agreements, and children of district employees.**
  
- 3.2 The Kentucky Department of Education should work with all districts to ensure that data in Infinite Campus accurately reflects resident and nonresident student numbers.**
  
- 3.3 The Kentucky Department of Education, as it reviews student transportation, should also review reciprocal agreements to identify which districts are authorized to receive SEEK transportation credits to be calculated in accordance with KRS 157.370, as well as to ensure that district areas are adjusted pursuant to KRS 157.370(4).**



# Chapter 1

## Introduction And Background

In December 2014, the Education Assessment and Accountability Review Subcommittee approved the 2015 research agenda for the Office of Education Accountability (OEA), which included this primer on Kentucky's independent school districts (ISD).

### Definition

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Independent school districts (ISDs) are defined by historic boundaries within counties.

An ISD is one whose geographic boundaries are defined not by the county lines that define most districts but by historic boundaries within counties. These historic boundaries are associated with districts that did not merge with county districts during the early 20<sup>th</sup> century, a period when Kentucky's many small ISDs were consolidating into county districts. A brief history of ISDs is provided later in this chapter.

The distinction between county districts and ISDs is based on legislation passed in 1934 that established each county as a school district with the exception of certain ISDs existing at that time. As reflected in KRS 160.020, ISDs are those that embrace designated cities or are independent "graded common school districts" that enroll at least 200 children.

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ISD boundaries that exist today originated in those that existed in 1934. Initially, they embraced cities and expanded when the cities expanded; however, this automatic expansion ended in 1934.

The ISD boundaries that exist today originated in those that existed in 1934. Until that year, the boundaries of ISDs that embraced designated cities expanded when the cities expanded. From 1934 through 1941, however, there were no provisions in law for ISDs to expand. Beginning in 1942 territory expansion had to be approved by voters to be annexed. Thus, an ISD located in a city that has grown since 1942 maintains the boundaries that existed at that time unless it has taken the legal action, described later in this report, necessary to add additional territory. Maps showing current differences between ISD and city boundaries are provided in the appendices.

Other than their geographic boundaries, ISDs are not legally distinct from county districts, with the exception of laws permitting acquisition of land, methods of tax collection, transportation funding, and merger with counties. These exceptions are described in Chapter 2.

## Major Conclusions Of This Study

- The ISD boundaries that exist today originated in those that existed in 1934. Initially, the boundaries of ISDs that embraced designated cities expanded when the cities expanded. From 1934 through 1941, however, there were no provisions in law for ISDs to expand. Beginning in 1942 territory expansion had to be approved by voters to be annexed. (Chapter 1)
- ISDs generally have fewer students and schools than do most county districts. (Chapter 1)
- With the exception of mergers, transportation funding, and methods of tax collection, there are few instances where ISDs are treated differently than county school districts. (Chapter 1)
- Until 1934, ISDs were permitted to grow with their cities, which allowed for an expansion to their tax base and revenue. However, this is no longer the case. As a result, ISD boundaries are essentially locked, which makes it difficult to generate additional tax revenue. (Chapter 1)
- Current statutes allow ISDs to annex territory and merge with county school districts. Annexing territory provides opportunities to generate tax revenue, while merger with county school districts is available if an ISD can no longer operate in a financially prudent manner. (Chapter 2)
- The revenue related to accepting nonresident students has caused some ISDs and county school districts to dispute reciprocal agreements. (Chapter 2)
- The Kentucky Department of Education (KDE) and the Kentucky Board of Education appear to rule in favor of a model that attempts to minimize the immediate impact of change to nonresident numbers. However, the final disposition often results in reduced revenue for the ISD in the long run. (Chapter 2)
- Nonresident students make up a greater percentage of total enrollments in ISDs than in county districts. This is an opportunity to generate revenue since Support Education Excellence in Kentucky (SEEK) funds for these students follow the student to the ISD. (Chapter 3)

- Approximately 90 percent of the total revenue generated by ISDs from nonresident students comes from SEEK funds, with the remainder coming from tuition paid for nonresident students. Some districts charge tuition only for nonresident students for whom there are no reciprocal agreements, while others also charge tuition for students whose SEEK funds have been released through reciprocal agreements. (Chapter 3)
- On average, approximately 5 percent of total revenue in ISDs comes from revenue generated by nonresident students (SEEK funds plus tuition). In three ISDs, this revenue exceeded 20 percent of total district revenue in 2014. Eleven ISDs experienced a net loss of revenue from nonresident students in 2014. In each of these districts, the number of district residents enrolled in other districts exceeded the number of nonresident students enrolled in the district. (Chapter 3)
- The statutes are silent with respect to how students within five ISDs that do not have high schools select a high school to attend. (Chapter 3)
- County school districts are transporting a larger percentage of nonresident students than ISDs are. (Chapter 3)
- Given the large number of nonresident students in the commonwealth (approximately 27,000 in 2014), it is important that local policies be clear and transparent as to nonresident conditions and tuition. This is not the case in many districts. Local policies are not consistent; districts vary substantially in the level of transparency they provide about district policies and procedures related to nonresident students and tuition. (Chapter 3)
- Data used for determining districts' SEEK transportation credits appear to have some inaccuracies. Of the approximately 3,600 nonresident students that Infinite Campus (IC) shows ISDs transporting in FY 2015, more than 1,200 were from ISDs that told OEA they do not transport nonresident students. Also, according to KDE, the department does not consistently adjust district transportation areas after bus routes are modified. (Chapter 3)
- On average, ISDs receive and spend \$600 more per student than counties. This revenue comes from local sources, which are a combination of property tax assessments, as well as tax rates that are approved by local boards. (Chapter 4)

- Although ISDs generally have less taxable property than county school districts, they are taxing themselves at a higher rate in order to generate additional revenue. (Chapter 4)

## Organization Of This Report

The remainder of Chapter 1 describes this study, ISD history in Kentucky within a national context, information about district boundaries, and characteristics of ISDs.

Chapter 2 summarizes the legal framework related to annexation, mergers, nonresident reciprocal agreements, and dispute resolution.

Chapter 3 analyzes exchanges of students between districts, including contractual arrangements, tuition paid, characteristics of nonresident students, and the net impact of nonresident enrollment.

Chapter 4 analyzes revenue, tax collection, and expenditures at the ISD level.

The appendices provide a set of maps showing district boundaries relative to city and county boundaries as well as other information related to methodology and coding, student membership, statutory and regulatory framework, and tax information.

## Description Of This Study

### Objectives

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This primer includes legal context and various analyses related to reciprocal agreements, tuition policies, nonresident data, revenue and expenditures, and tax data.

This primer provides basic information for legislators and others regarding ISDs in Kentucky, including their legal context, characteristics, interactions with other districts, and locations throughout the commonwealth. It also provides various analyses related to reciprocal agreements for nonresident students, tuition policies, nonresident student movement data, revenue and expenditures, as well as tax data.

### Methodology And Data Sources

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Chapter 1 includes data collected from ISDs, policy literature, and the Kentucky Department of Education (KDE).

For Chapter 1, staff summarized historical data collected from ISDs and historical texts; summarized policy literature; and analyzed education data from the Kentucky Department of Education.

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Chapter 2 includes a discussion of relevant portions of the constitution, statutes, regulations, case law, and attorney general opinions.

For Chapter 2, staff reviewed relevant portions of the constitution, statutes, regulations, case law, and attorney general opinions related to the following areas: ISD composition and limitations; annexation and mergers; and nonresident student enrollment and tuition.

Staff reviewed and analyzed disputed agreements between ISDs and other districts. Staff also reviewed the final dispositions issued by KDE and the Kentucky Board of Education related to original and revised orders. Although statute uses the term “written agreement,” KDE uses the term “reciprocal agreement,” which is used throughout the report.

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Chapter 3 analyzes various data provided by ISDs, as well as student movement between ISDs and other districts.

For Chapter 3, staff requested and analyzed various data from ISDs. More specifically, staff reviewed and analyzed reciprocal agreements between ISDs and other districts related to nonresident students, tuition and other policies, tuition rates, nonresident student enrollment, and transportation of nonresident students. Staff also conducted an in-depth analysis of student movement between ISDs and other districts using data provided by KDE from the student information system or IC, which districts are required to use for tracking student enrollment, grades, program participation, and transportation and student transfer data from one district to another. Because the analysis was limited to ISDs, it did not determine whether similar issues occur in county districts.

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Chapter 4 analyzes revenues, tax rates, tax collection rates, and district and student characteristics.

For Chapter 4, staff reviewed and analyzed revenues, statutorily defined tax rates, tax collection rates, and spending patterns using data from the Kentucky Department of Education.

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The report includes comments submitted by 43 ISD superintendents about policies and challenges.

Finally, the report includes salient comments submitted by 43 ISD superintendents about the current policy environment as it relates to ISDs, as well as future challenges. These comments, which are included as relevant to particular points throughout the report, were solicited by OEA in connection with this study. OEA did not solicit similar input from county superintendents. Therefore, superintendent concerns shared in this report are intended to represent not the full range of superintendents’ views in the commonwealth but rather the particular concerns of ISD superintendents.

## Data Limitations

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The Office of Education Accountability (OEA) requested information for fiscal year 2014, but some districts sent information for other years. Appendix A discusses detailed coding methodology and inconsistencies.

When contacting districts for this study, OEA requested information for fiscal year 2014, but some districts sent information for other years. Some information did not clearly indicate the year. Therefore, some districts may have provided information from various years.

See Appendix A for detailed coding methodology on the use of IC related to nonresident student and transportation data and MUNIS for district revenue information. Appendix A also includes coding inconsistencies with nonresident students that KDE may wish to review.

These data are for July 1, 2010, to April 30, 2015. The data from fiscal year 2015 were pulled prior to the end of the instructional year and therefore do not reflect subsequent adjustments that districts may have made to individual student enrollment and transportation records before submitting the Superintendent's Annual Attendance Report that is due to KDE by June 30 each year.

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For district boundary maps, staff used school tax district data from the Kentucky Department of Revenue from 2005. It appears to be the best available data.

For district boundary maps, staff used school tax district data from the Kentucky Department of Revenue because it appears to be the best available data. Although this information has not been updated since 2005, most ISDs indicated no recent changes to their boundaries.

## National Context

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Few other states use the term *independent school district* to mean a school district that is separate from a county district. However, the existence of school districts separate from counties is common across the nation.

The term *independent school district* is not commonly used in other states with the same meaning that it has in the commonwealth—a school district that is separate from a county district. However, the existence of school districts separate from counties is common across the nation. In 2011 there were 13,587 school districts in the United States, well over four times the number of counties in the nation.<sup>1</sup>

States vary substantially in how they organize school districts. At one extreme are states such as Pennsylvania, which can have upward of 40 school districts in a single county.<sup>2</sup> At the other extreme is Hawaii, which operates as a single school district for the entire state. Some states, such as Maryland, organize school districts at the county level. In California and in other states, there can be separate school districts for elementary and high schools.

Similarly, school districts vary substantially in size across the nation. In California, for example, Los Angeles Unified School District tops out at 653,826 students, whereas Panoche Elementary district has only three students.<sup>3</sup>

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In the last century, school districts across the nation have trended toward consolidation. According to the National Center for Education Statistics, there were an estimated 117,108 school districts in 1940 compared to 13,588 in 2014.

School districts across the nation have trended toward consolidation in the last century. According to the National Center for Education Statistics, there were an estimated 117,108 school districts in 1940 compared to 13,588 in 2014. This trend has been driven largely by financial considerations, as district consolidation is widely perceived as a way to cut costs in education.<sup>4</sup>

In some states, policies have encouraged consolidation through means such as transportation aid, building formulas, debt relief, or other incentives.<sup>5</sup>

In 2014, Ohio's HB 487 provided debt assistance as a means of encouraging financially struggling districts to unite with other districts.<sup>6</sup> Others have sought to force consolidation.

In 2007, legislation passed in Maine imposed penalties on small districts that did not consolidate. In contrast, states such as California compensate districts for their small scale through operating aid formulas.<sup>7</sup> Policy issues surrounding school district consolidation are complicated by the fact that consolidation is not popular with local communities and research does not demonstrate decisively that consolidation increases efficiency except in the case of very small schools and districts.<sup>8</sup>

### **ISD History In Kentucky**

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Common school legislation passed in 1838 in Kentucky. This created a collection of small, locally funded districts that operated independent of each other and the state board.

Legislation passed in 1838 established a goal of common schools along with a state board and some state funding. State funds authorized were insufficient to support schools in the absence of local taxation, which was allowed but not required by law. Through locally elected boards, those communities that did elect to support schools through taxation were granted almost total control over the administration of schools. Thus, while the stated goal of the 1838 legislation was to create common schools, what followed was a collection of small, locally funded districts that operated mostly independent of each other and of the state board.

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In 1934, the Kentucky legislation consolidated school districts into county and ISDs.

The 1934 legislation that consolidated Kentucky school districts into county and ISDs was preceded by decades of legislative efforts to promote standardized educational opportunities among

the hundreds of smaller districts, often comprising a single school, that had developed since publicly funded schools were first established in the early 19<sup>th</sup> century.

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In the 19<sup>th</sup> century, most publicly funded schools that went past the 3<sup>rd</sup> grade were more common in wealthier towns and cities. This was true especially for high schools.

Throughout the 19<sup>th</sup> century, educational opportunities varied widely among communities in the state. Publicly funded schools, especially those that went past the 3<sup>rd</sup> grade, were more common in wealthier towns and cities than in poor or rural communities. High school education, in particular, was available mostly to students living in more populated or wealthy areas and those who could afford to pay tuition at private high schools.<sup>9</sup>

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In 1881, state school funds were distributed equally to black and white students; however, black schools were funded separately at the local level.

Educational opportunities also varied by race because Kentucky school laws did not apply equally to black and white students. Black and white children were educated separately. Although the federal government required, beginning in 1881, that state school funds be distributed equally to black and white children, black schools were funded separately at the local level.

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The Supreme Court ruled in 1954 that separating funding and management of schools for white and black students was unconstitutional.

Some districts invested substantially in black schools, including high schools, but in many districts the education of black children was supported largely through the private efforts of the black community and through philanthropies such as Slater (black high schools) and Rosenwald (school buildings). The separate funding and management of schools for white and black children did not begin to change until after 1954 when the United States Supreme Court ruled it unconstitutional.

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In 1910, each county was a single district that levied taxes to support county schools. They were required to provide a high school for white children that offered a minimum of a 2-year program. In 1910, there were only 106 public high schools in Kentucky.

With the County School District law of 1908, the General Assembly attempted to address the inconsistency in funding and educational opportunities available in different parts of the state. This law stipulated that, beginning in 1910, each county be a single school district that levied a tax to support county schools. It also required that each county provide a high school for white children that offered at minimum a 2-year program. In that year, there were only 106 public high schools in the commonwealth.

Even after the 1908 legislation, local communities were still permitted to create independent, graded schools separate from the county system. These independent graded schools did not have to pay the county tax but instead levied their own taxes. The number of these smaller districts supporting graded schools grew from approximately 200 in 1900 to 388 in 1922. Some educators raised concerns that these small, locally funded districts were unable to provide the full range of educational services (such as high schools) and promoted inequities in funding because some towns

could tax themselves at higher rates than the county areas that surrounded them.

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In 1915, the state superintendent pushed for independent graded schools to either provide for high school education or pay for their students to attend the county school.

Continuing through the early 20<sup>th</sup> century, a series of legislative efforts and other factors led to increasing consolidation of school districts. The state superintendent in 1915 pushed for independent graded schools to either provide for high school education or pay for their students to attend the county high school.<sup>10</sup>

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The School Act of 1920 limited the creation of ISDs with fewer than 75 students.

The School Act of 1920 mandated that no new noncounty districts could be created with fewer than 75 students. State regulation of many aspects of education also played a role. As the state board promoted regulation of issues such as teacher certification, school buildings, and curricula, smaller schools were afforded less flexibility in using their resources.

By 1931, the number of independent graded schools had dropped to 191. Smaller towns merged with county districts, and ISDs continued to exist only in those places where there was sufficient means and commitment of local taxpayers to fund the schools. Many communities were against the efforts at consolidation and centralization, favoring local-level management and organization of schools. Some of the centralizing measures were scaled back in response to public resistance.<sup>11</sup>

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The General Assembly codified two categories of school districts in 1934—county and independent—and required that ISDs have at least 200 students.

In 1934, the General Assembly passed legislation codifying the categories of allowable school districts to only county school districts and ISDs, each to be governed by an elected school board of five members. The legislation also stipulated that ISDs should contain at least 200 children. Following the 1934 legislation, ISDs continued to merge with county school districts largely out of financial necessity.<sup>12</sup>

Consolidation was not always popular with local communities and educators and often took years to accomplish. Issues affecting local boards' decisions to merge included lack of agreement among taxpayers of the respective districts about the taxes that should be levied; educators' concerns about changes in salary or reduction in jobs; and concerns about how black and white schools would be integrated.

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Lexington and Fayette County were mandated to merge in 1967. In 1975 the Louisville/Jefferson County Schools were forced by court order to implement desegregation, which included merging the two districts.

Some systems were forced by court order to merge in order to fulfill federal requirements related to desegregation of schools. Lexington and Fayette County were mandated to merge in 1967. The Louisville/Jefferson County Schools were forced by court order (which was reinforced by unanimous vote of the state board

of education) to implement a desegregation plan in 1975 that necessitated merger of the two districts.<sup>13</sup>

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Three ISDs have merged since FY 2006 for financial reasons and a desire to provide more education services to students.

In the last decade, three ISDs have merged with county systems. They include Harrodsburg with Mercer County in FY 2006, Providence with Webster County in FY 2007, and Monticello with Wayne County in FY 2014. These mergers were initiated by the ISDs, either out of financial necessity or a desire to provide a broader range of services for students.

As described in Chapter 2, county school districts are ultimately required to merge with ISDs when the board of the ISD requests the merger. The county school district must absorb all of the ISD's students and any debt incurred by the ISD at the time of merger. KDE helped to facilitate the merger agreement between Wayne County and Monticello, by relieving Wayne County of responsibilities related to a \$1.1 million loan made by KDE to sustain Monticello in its final year of operation.<sup>14</sup>

### **Historical Anecdotes From Current ISDs**

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Twenty-three ISDs submitted documents related to their early histories.

In connection with this study, OEA requested that each ISD submit documents related to its early histories. OEA received documents from 23 districts, many illustrating some of the themes discussed above. For example, the documents show early commitment to education in many communities.

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In 1836, the General Assembly permitted the Paducah government to collect funds for its school system through a lottery.

In 1836, the General Assembly passed legislation permitting the Paducah government to collect funds for a school system through a lottery. This coincided with the private donation of "four acres at the corner of 9<sup>th</sup> and Broadway for the Paducah male University, constructed at the same time as the Female Academy, located on the northeast corner of 5<sup>th</sup> and Kentucky Avenues on the ground donated by General William Clark." Thus, publicly funded schools in Paducah preceded the General Assembly's efforts to establish these schools in the rest of the state.

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Several ISDs were founded in the 19<sup>th</sup> century and supported primarily through local taxes.

Districts such as West Point (1848), Covington (1850), Paintsville (1889), Pineville (1890), Fulton (1892), Bowling Green (1893), and others were founded in the 19<sup>th</sup> century. These were graded schools or school systems supported primarily through local taxes and run by locally elected trustees. Language describing the boundaries of Harlan schools, which were established in 1911, conveys a sense of the close connection between local communities and early schools and the pride the communities took in the schools.

The district was established in Mount Pleasant, declared to be “a town on the way up,” and its boundaries began “at a stake on the bank of Martins Fork at the dividing line between the lands of W.F. Hall and Felix King and his wife; thence running Eastwardly with the S.F. Hall’s north Line to the top of the Little Black Mountain...”<sup>15</sup>

This close connection with the community is also illustrated by a 1901 newspaper article in the *Williamstown Courier*, noting that “The Williamstown Graded Free School is the pride of Williamstown. There is not a man, woman or child who lives in the town or school district who does not point to the Graded Free School with a great deal of pride. It is the first thing pointed out to the stranger when he comes to town.”

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Anchorage was founded in 1911 out of the desire of local citizens to move from a one-room schoolhouse.

The school district of Anchorage was founded in 1911 out of a desire of the local citizens for a better school than the one-room schoolhouse that the Jefferson County Common Schools had established for the community. Accounts by former students of the newly established Anchorage school reflect the community’s satisfaction with the quality of the new school, which was perceived to have the best of everything. Anchorage was “one of the most sought after teaching opportunities in the State of Kentucky” and the students felt a “special closeness” with the teachers.<sup>16</sup>

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In 1893 the Paducah high school curriculum included “philosophy, algebra, physiology, philology, composition, chemistry, physics, geometry, zoology, botany, political economy, astronomy, and rhetoric.”

High school education was well developed in some districts in the 19<sup>th</sup> and early 20<sup>th</sup> centuries. In 1893, for example, the Paducah high school curriculum included “philosophy, algebra, physiology, philology, composition, chemistry, physics, geometry, zoology, botany, political economy, astronomy, and rhetoric.”<sup>17</sup> Private individuals and businesses often played major roles in calling for organization and financing of the early high schools, especially when additional buildings or facilities were needed.

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In 1871, the Murray Male and Female Institute was built by a group of investors. It was one of the first public high schools in the Purchase region.

The Murray Male and Female Institute, one of the first public high schools in the Purchase region, was built by a group of investors in 1871 and declared “the handsomest school structure west of the Tennessee River.” According to an article written about this early history in the *Murray Ledger and Times*, the family names of the school’s first trustees “appear again and again in Murray’s history .... And why not? They were people who were demonstrating their commitment to the community by investing in its children, and they were in Murray to stay.”<sup>18</sup>

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The Walton and Verona districts merged in 1935 so they could maintain one high school that met state regulations.

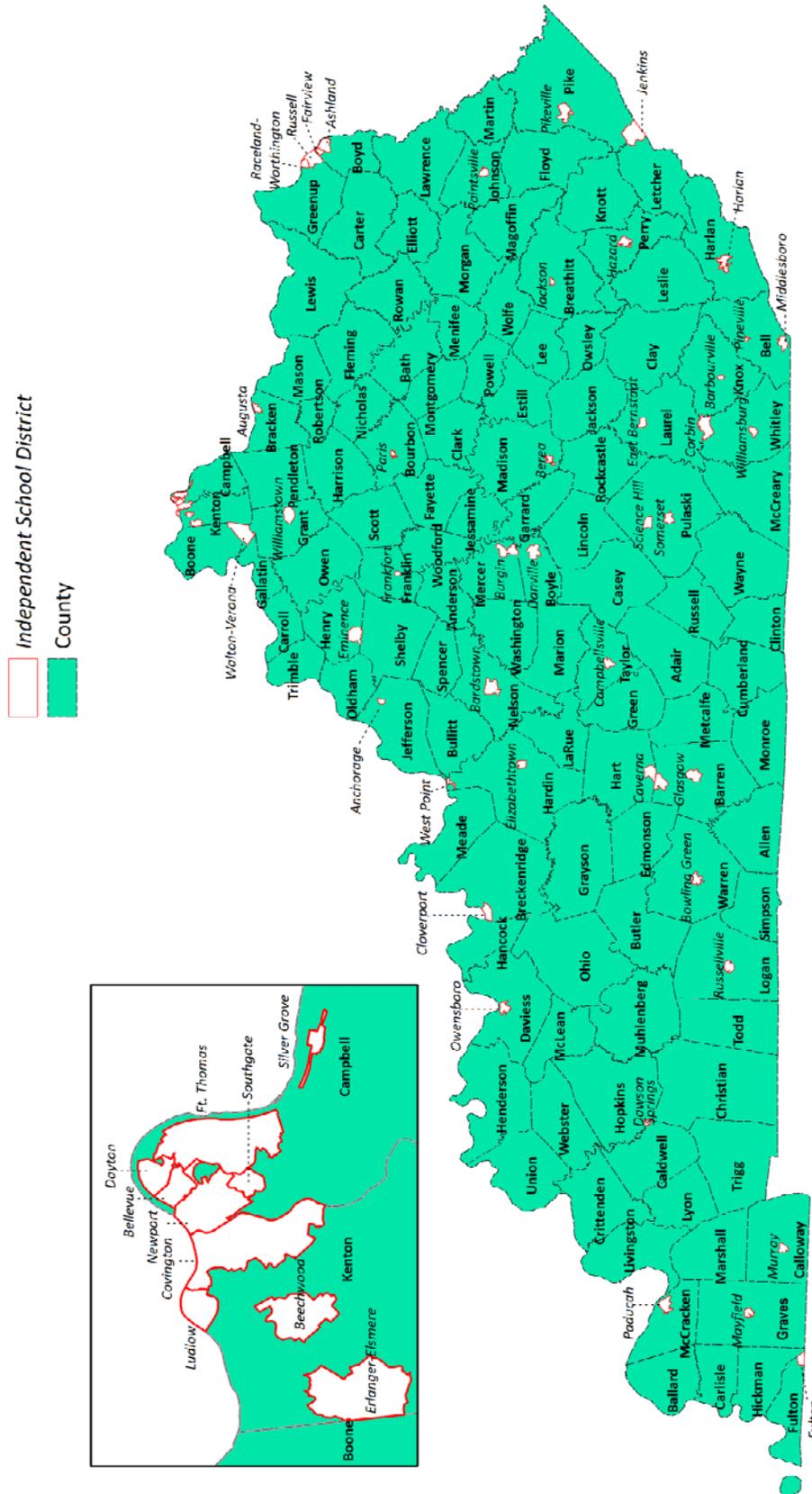
Because local communities were loyal to their schools and districts, mergers were usually driven by necessity. This was the case with the Walton and Verona schools, which were both struggling to maintain approved high schools. School board minutes from 1935 state that “If the Verona and Walton districts merge, the two districts together can maintain one high school that will meet regulations. If these districts cannot cooperate in such a program, it may be necessary for both of them to merge with the county in order to insure a legal school service for the children of these areas.”

The document also makes clear that the Verona school board had previously attempted to “get the Boone County and Gallatin county board of Education interested in the problem at Verona but failed.” The document suggests that each district decided to merge out of necessity in meeting the requirements for a high school but that each was reluctant to give up its status as independent of the other. It states that the decision to merge was predicated on the potential of each district in the future “to maintain an approved school independently of each other” as they were in 1934-35.<sup>19</sup>

### **Current ISD Locations**

Figure 1.A shows the locations of Kentucky’s ISDs as of the 2014-2015 school year. A larger map of each district is provided in Appendix B.

**Figure 1.A**  
**Locations Of ISDs Operating As Of FY 2015**



Source: Staff compilation based on 2005 tax district boundary data from Kentucky Department of Revenue.

## Information About District Boundaries

### Annexation

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Only six ISDs have used KRS 160.045, which allows ISDs to annex property or territory.

Because ISDs operate independently of city government and are governed by different statutes, their boundaries have not expanded automatically with city boundaries. As discussed in Chapter 2, KRS 160.045 allows ISDs to annex property or territory. Six ISDs have used this statute through action initiated either by property owners or by boards to annex property such as vacant lots and part of a city park.

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Approximately one-half of the ISD superintendents who submitted comments raised concerns that ISDs are “landlocked” because their boundaries do not expand with the cities in which they are located.

Approximately one-half of the ISD superintendents who submitted comments raised concerns that ISDs are “landlocked” because their boundaries do not expand with the cities in which they are located. Several superintendents explained that the difference between ISD and city boundaries creates confusion for residents who purchase property located in the city limits but not within the ISD boundaries. These residents may not be able to enroll their children in ISD schools located within the city unless the county signs a reciprocal agreement with the ISD.

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Most ISDs are smaller than their host cities; however, 10 ISDs’ boundaries extend far beyond city limits.

One may expect most ISDs to be much smaller than their host cities. Indeed that is true for Berea, Bowling Green, Covington, Paris, Elizabethtown, Frankfort, Murray, Owensboro, Paducah, Paris, Pineville, Somerset, and Southgate. However, ISD boundaries extend far beyond city limits for Augusta, Burgin, Caverna, Cloverport, Corbin, Eminence, Harlan, Jenkins, Russell, and Science Hill. As discussed with a former superintendent from one of these districts, this condition may occur when city boundaries grow in different directions because of where new businesses and subdivisions choose to locate.

### Schools Outside Of District Boundaries

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Bowling Green built a school outside its boundaries, which is allowed by KRS 160.048.

If a district has no suitable site for a new school within its boundaries and cannot annex property, KRS 160.048 permits the district to purchase a parcel adjacent to its boundaries for the new school site. OEA’s 2015 information request found only one such school:

- Bowling Green built Bowling Green Junior High School in 2001 on a parcel that adjoins the district on two sides, after determining that there was no suitable property within the school district boundaries.

## Importance Of Accurate Boundary Information

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School district boundary information is required by county clerks, property valuation administrators, the Kentucky Department of Revenue, KDE, and the United States Department of Education.

The boundaries of a school district affect not only school attendance but also elections and the flow of local, state, and federal funds. Boundary information is required by at least five agencies for the following purposes:

- County clerks to determine which school board election ballot to give each voter
- Property valuation administrators to determine the school portion of property tax bills
- The Kentucky Department of Revenue's Office of Sales and Excise Taxes to help utility companies determine the amount of utility gross receipts license tax to bill each customer
- The Kentucky Department of Education to distribute SEEK and other state funds to districts
- The US Department of Education to allot Title I funds to districts

Ideally, given the automated systems that pervade government agencies, boundary data should be machine-readable, in a format compatible with geographic information systems (GIS), which store the precise longitude and latitude of each point on a map. Images, though pleasing to the human eye, cannot be read directly by computers and usually do not indicate important details, such as which side of a street is included in a district.

## Availability Of Boundary Information

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OEA found that school district boundaries did not match among the various data sets maintained by various entities.

Given its many uses, boundary data can be found in many agencies, but boundaries in one data set do not always exactly match those in another. One reason for discrepancies is that boundaries may be defined in different ways for different purposes. For example, parcel boundaries are the most precise way to collect taxes from property owners but are too complex for the average citizen to interpret. In school attendance or school board election maps, boundaries coincide with major roadways and other features that are easy for parents and voters to recognize.<sup>20</sup>

Another reason for discrepancies in boundary information is that changes or corrections are not always communicated to every agency that needs the information. An agency may not even know information is out of date if it lacks clear and detailed documentation on the source and vintage of the information.

Districts themselves sometimes struggle to define their own boundaries precisely; some lost written boundary descriptions in fires, floods, or other mishaps over the past century. Some never recorded their boundaries in writing, and lost “institutional knowledge” over time, as people retired. Inaccuracies may not be discovered until a resident complains about incorrect taxes or an incorrect school board ballot.

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KRS 116.200 was amended in 2010 to require all local school boards and cities to file maps with county clerks.

Confusion about ballots was so common that it prompted the 2010 General Assembly to amend KRS 116.200 to require all local school boards and cities to file maps and written descriptions with the county clerk by January 2011 and to file any subsequent changes within 60 days. The intent was to allow the correct district to be printed on voter rosters. However, a survey of county clerks in April 2011 found that 77 districts had not filed complete information, including 20 of the ISDs that currently exist.

OEA found only slight improvements in the availability of accurate information. A request directly to ISDs for maps and detailed street descriptions yielded a few GIS files, but most ISDs sent only map images, some of which were barely legible. OEA’s open records request to county clerks found a similar level of quality in the information that ISDs filed with clerks.

Open records requests to county property valuation administrators (PVAs) were more promising because almost all PVAs have GIS; however, because these systems are separate from the systems used for maintaining tax data and are not updated as frequently, a complete and consistent set of GIS data cannot be obtained from PVAs.

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OEA found several inaccurate school district boundaries in the US Census Bureau’s geographic information systems (GIS) files.

The United States Department of Education uses the US Census Bureau’s GIS files, but OEA has found several inaccurate school district boundaries in these files. The Census Bureau has a biennial program for districts to review and correct inaccurate boundaries, but it appears that Kentucky districts have given little or no feedback. By reviewing Census Bureau documents and interviewing KDE staff and personnel from one district that tried repeatedly in vain to have boundary information corrected, OEA staff found that the Census Bureau’s correction process may be too difficult for the layperson to understand and use.

### **Best Available Boundary Data**

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In 2005, the Kentucky Department of Revenue updated its GIS files. OEA used those GIS files for this study.

Based on a review of available data, it appears that the best available and complete set of GIS files is what the Kentucky

Department of Revenue's Office of Property Valuation provided to OEA.

In 2005, the department's regional representatives worked with school districts, county clerks, and PVAs across the state to update tax districts. This review may have been prompted by KRS 132.670, which requires the Department of Revenue to conduct a biennial review of all detailed property maps and records maintained by PVAs and to remap, revise, and update any it deems below minimum standards.

Although the Kentucky Department of Revenue's Office of Property Valuation has not updated tax district boundaries since 2005, only three ISDs reported recent boundary changes in response to OEA's 2015 information request to ISDs.

### **ISD Characteristics**

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On average, ISDs and county districts are similar in student demographics and academic performance, except that ISDs have fewer students and schools than most county districts.

ISDs generally have fewer students and schools than do most county school districts. On all other indicators, such as student demographics and academic performance, the averages for ISDs and county districts are generally similar. ISDs vary as county districts do, except for the statistical volatility associated with their relatively low enrollments. For example, ISDs are often disproportionately at both the high and low ends of any ranking.

This section provides a brief overview of membership, demographic, and outcome data for ISDs. Other characteristics are described in Chapter 3 and Chapter 4.

Detailed data on all ISD and county districts are published annually in OEA's District Data Profiles.

### **Student Membership**

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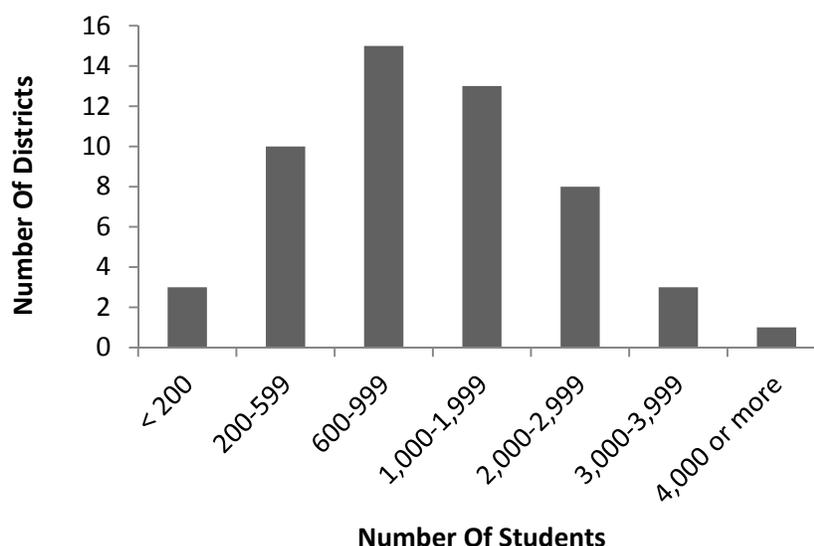
In FY 2014, the 53 ISDs made up almost one-third of districts, but their student membership accounted for 11 percent of the state's total membership.

In keeping with their location primarily in small and medium-size cities, most ISDs have relatively low student membership. In 2014, Kentucky's 53 ISDs made up just less than one-third of the state's 173 school districts but accounted for only 11 percent of the state's total membership. See Appendix C for additional information on ISD student membership.

West Point, Southgate, and Silver Grove each have memberships of less than 200 students. Owensboro, Ashland, Covington, and Bowling Green have memberships of more than 3,000 each.

Figure 1.B shows the number of ISDs in different membership ranges in 2014. Three districts (West Point, Southgate, and Silver Grove) had memberships of less than 200, and the majority of ISDs (28 districts) had memberships of less than 1,000. Four ISDs (Owensboro, Ashland, Covington, and Bowling Green) had membership of 3,000 or more.

**Figure 1.B**  
**Membership Of Independent Districts, FY 2014**



Source: Staff analysis of data from the Kentucky Department of Education.

Not all districts with low membership are ISDs. For example, at 356 students and only one school, Robertson County was the district with the fifth lowest membership in 2014. Conversely, membership in each of the three largest ISDs was greater than it was in well over half of county districts. OEA's District Data Profiles shows membership for all ISD and county districts.

Eminence's membership grew by 23 percent between 2011 and 2014, while Southgate's 17 percent decline was the greatest loss.

**Change In ISD Membership 2011-2014.** Between 2011 and 2014, total ISD membership increased by about 3 percent (2,254 students). Twenty-eight out of 53 ISDs grew in membership. The growth rate was greatest in Eminence (23 percent), and 16 ISDs grew by 5 percent or more. Southgate lost the most (17 percent), and 11 ISDs lost 5 percent or more.

### A1 Schools

The majority of ISDs have three or fewer school buildings, and five contain only grades K-8.

The overwhelming majority of ISDs (39 out of 53) operate three schools or fewer. Twelve ISDs operate only one school. Of these

single-school districts, seven contain grades K-12 and five contain only grades K-8. The five single-school K-8 districts—Anchorage, East Bernstadt, Science Hill, Southgate, and West Point—do not operate high schools. As will be shown in Chapter 3, most of the students in these K-8 districts attend high schools in neighboring districts.

Five ISDs have six schools or more. They include Erlanger-Elsmere, Ashland, Bowling Green, Covington, and Owensboro. These ISDs operate a greater number of schools than do about half of county districts.

### Demographic Characteristics

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There are no notable differences between ISDs and county districts on demographic indicators, with the exception of the percentage of students who are minorities.

ISDs vary in demographic characteristics of students just as county districts do. With the exception of the percentage of students who are minorities (described below), there are no notable differences between ISDs and county districts on demographic indicators.

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Anchorage is the district with the lowest poverty, having 2 percent of its students eligible for free and reduced-price lunch. Covington is the highest ISD, with 88 percent.

As measured by students eligible for the federal free or reduced-price lunch program, ISDs include some of the lowest- and highest-poverty districts in the state. In Anchorage, only 2 percent of students are eligible for the free or reduced-price lunch program, making it the lowest-poverty district in the state. In Covington, 88 percent of students are eligible for the program, making it tied with Owsley County for the highest-poverty district in the state. The average percentage of students eligible for free or reduced-price lunch in both ISD and county districts is close to the state average of 62 percent. Compared to county districts, a slightly higher proportion of ISDs are at the extreme ends of high and low poverty.<sup>a</sup>

ISDs vary similarly in the percentage of students who are minorities, ranging from a low of 2 percent in East Bernstadt to 61 percent in Paducah, the highest statewide. Overall, more ISDs exceed the state in the percentage of students who are minorities than do county districts.

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Statewide, 20 percent of students are minorities; that percentage was exceeded in 19 of the 53 ISDs.

Statewide, 20 percent of students are minorities. Of the 53 ISDs, 19 exceed the state in the percentage of students who are minorities. In only nine county districts does the percentage of

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<sup>a</sup> Of districts in which 75 percent or more of students are eligible, 11 are ISDs (21 percent of the 53 ISDs) and 15 are county districts (13 percent of the 120 county districts). Of districts in which less than 25 percent of students are eligible, three are ISDs (6 percent of all ISDs) and only one is a county district (less than 1 percent of all county districts).

minority students exceed the state's. In 2014, the average percentage of students who were minorities in ISDs was 18 percent compared to an average of 9 percent of students who were minorities in county districts.

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There is no variation between ISD and county districts with respect to special education, Limited English Proficiency, and migrant students.

As with poverty and minority status, student eligibility for other programs such as special education, Limited English Proficiency, and migrant vary among ISDs and do not vary systematically between ISDs and county districts as a group.

### **Achievement**

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ISDs are disproportionately the highest and lowest performers at elementary, middle, and high schools.

ISDs are a disproportionate number of both the highest and lowest performers at the elementary, middle, and high school levels. For example, in a ranking of districts based on the middle school achievement points awarded in the state's accountability system in 2014, the top five districts and bottom four districts were all ISDs.<sup>b</sup>

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In 2014, ISDs were, on average, slightly lower at the elementary and middle school levels and slightly higher at the high school level related to achievement.

In 2014, the achievement points for ISDs were, on average, slightly lower at the elementary and middle school levels and slightly higher at the high school level. At the high school level, averages are affected by a handful of very high performing ISDs. However, ISDs also constitute a disproportionate number of the state's lowest performers at the high school level.

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<sup>b</sup> The achievement points used in the Next Generation Learners component of the state's accountability system reflect the percentage of students who are proficient and distinguished on all of state K-PREP tests administered at each level.

## Chapter 2

### Legal Context

#### Overview

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Chapter 2 discusses relevant laws that affect ISDs and their evolution.

Chapter 2 provides a discussion of several key statutes that directly affect independent school districts. It provides an overview of the evolution of those statutes as well as interpretive case law.

The Office of Education Accountability reviewed all statutes referencing ISDs as well as related regulations, case law, and Attorney General Opinions and narrowed to the key statutes discussed in this chapter. These statutes were reviewed in more detail because of their impact on ISD growth and revenue.

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Very few statutes treat ISDs differently from county districts, and ISDs are more similar than not to county districts.

Generally, ISDs are more similar than not to county districts in the eyes of the law. While the law pertaining to ISDs has changed somewhat over time, there are very few instances where the law treats them differently from county districts. See Appendix C for additional detail on various statutes, regulations, and case law that apply to ISDs.

#### Composition And Limitations

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Counties are considered the principal school districts.

Counties are considered the principal school districts.<sup>21</sup> KRS 160.010 provides that “[e]ach county in this state constitutes a county school district, except that, in counties in which there are independent school districts, the county school district consists of the remainder of the county outside the boundaries of the independent school districts.”

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KRS 160.020(1) defines the composition of an ISD. It either embraces a designated city or is an independent graded common school with at least 200 students.

KRS 160.020(1) defines the composition of an ISD. According to statute, “All school districts embracing designated cities together with the territory within their limits, including any territory added for school purposes outside of the city limits ... constitute independent school districts.” *Designated city* is a city of the first through fifth class as defined under the classification system in effect prior to January 1, 2015. The Kentucky Department of Education is required to create a list of cities that qualify as designated cities under this section (KRS 160.020(2)).

KRS 160.020(1) also discusses a second scenario—an independent graded common school district having a school census

enumeration of 200 or more children. However, KDE could not find anything defining the term or its origin.

A KDE official stated, “This language may be a relic from when there were even more school districts in Kentucky.” It should be noted, however, that according to KDE, East Bernstadt, which is not attached to a designated city, and Science Hill, which was designated as a sixth-class city as of January 1, 2014, “meet the enrollment figures prescribed in KRS 160.020 (1).”

KRS 160.020 forbids the continuation of an ISD should its census enumeration of children fall below 200 unless the Kentucky Board of Education determines that the district can maintain a more efficient program by operating as an ISD.

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ISDs are separate and distinct from the city in which they reside. Cities are not allowed to donate money to an ISD.

While some ISDs are coterminous with their associated cities, each is separate and distinct from the city.<sup>22</sup> This situation can restrict district revenue because, while the ISD is associated with a city, that city does not have the ability to donate money to any other municipal corporation.<sup>23</sup> The same is true for county districts. While the city may transact with the school district, there must be a public purpose or benefit to the city supporting that transaction.<sup>24</sup>

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KRS 160.460 provides procedures by which county districts and ISDs levy taxes. ISDs may utilize the city assessment as the basis of a school levy.

One way ISDs respond to their restricted revenue is through local taxes. KRS 160.455 provides boards of education in county districts and ISDs with “tax-levying authority.” KRS 160.460 also provides the procedures by which county districts and ISDs levy taxes. ISDs embraced by designated cities may utilize the city assessment as the basis of a school levy. Chapter 4 provides an extensive overview of ISD taxes and other revenue.

The following is a review of other statutes and regulations that serve as legislative solutions to some of the challenges faced by ISDs with respect to boundary limitations.

## **Annexation And Mergers**

### **Annexation**

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Until 1934, the boundaries of ISDs grew with city boundaries. Legislation was passed in the 1940s to permit the transfer of county territory lying adjacent to an ISD.

In 1920, the statutes pertaining to annexation provided that the annexation of additional territory by a city would automatically extend the boundaries of the city’s school district.<sup>25</sup> That is no longer the case.<sup>26</sup> In 1934, the statute was revised and did not include a method for the extension of ISD boundaries, which essentially landlocked ISDs.<sup>27</sup> It was not until the 1940s that the

legislature passed annexation statutes to permit the transfer of county territory lying adjacent to an ISD.<sup>28</sup>

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KRS 160.045 defines the process by which transfers of adjacent territory may occur.

KRS 160.045 defines the process by which there may be a transfer of adjacent territory located in one district to another district. This area of law has evolved significantly. First enacted in 1946, KRS 160.045 provided a somewhat flexible framework for the annexation of any territory where “owners of real property in a county district, part of which is within a municipality, may demand that their property shall become a part of the school district in which a greater part of the municipality is located.”<sup>29</sup> The statute was later amended to include restrictive terms yet also potential solutions to difficulties found in other annexation statutes, KRS 160.050 and KRS 160.060, which was repealed in 1956, included mandatory approval by the county district and the commissioner, as well as a majority vote by the electorate.

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A board of education or 75 percent of registered voters or property owners in adjacent territory of an ISD can petition a transfer of territory. Either school board may do so as well.

The current statute is open to use by either county districts or ISDs but limits transfers to adjacent territory.<sup>c</sup> A board of education or 75 percent of registered voters or property owners in the adjacent territory may petition, or either school board may initiate the transfer.<sup>d</sup> KRS 160.045 does not require consent from the losing district to move forward with annexation, although it does provide opportunity for the losing district to be heard on the issue.

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Under KRS 160.048, if a district owns a school outside of its boundaries, it can annex the property on which the school is located.

KRS 160.048, which governs the transfer of property containing a school outside of the district, provides an alternative to KRS 160.045. Enacted in 1972, the substantive language of the statute has remained unchanged.

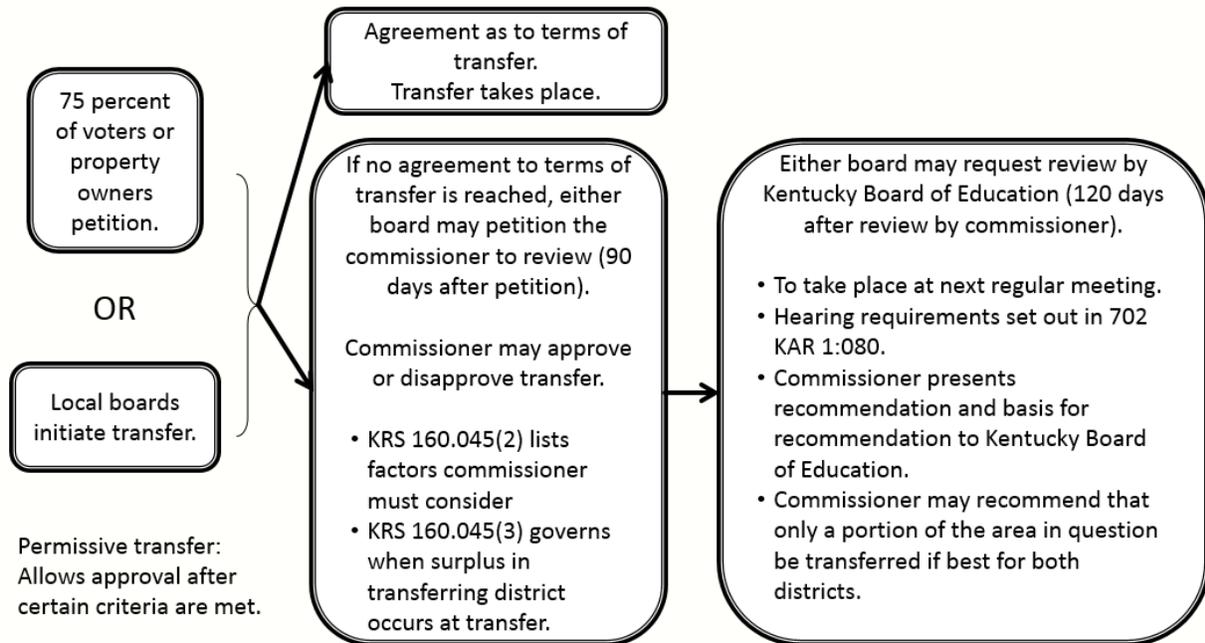
Figure 2.A shows how transfer occurs under KRS 160.045.

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<sup>c</sup> “Adjacent” is interpreted as synonymous with “adjoining” as opposed to “nearby.” OAG 62-54; see also *Buchanan Coal Mine v Manis*, 245 S.W.2d 921 (Ky. App. 1952); *Plunkett v Weddington*, 318 S.W.2d 885 (Ky. App. 1958).

<sup>d</sup> Under KRS 160.045, annexation of property by a school district requires the consent of 75 percent of voters or property, whereas annexation by a city requires no more than 54 percent (KRS 81A.005, 81A.420, and 81A.530).

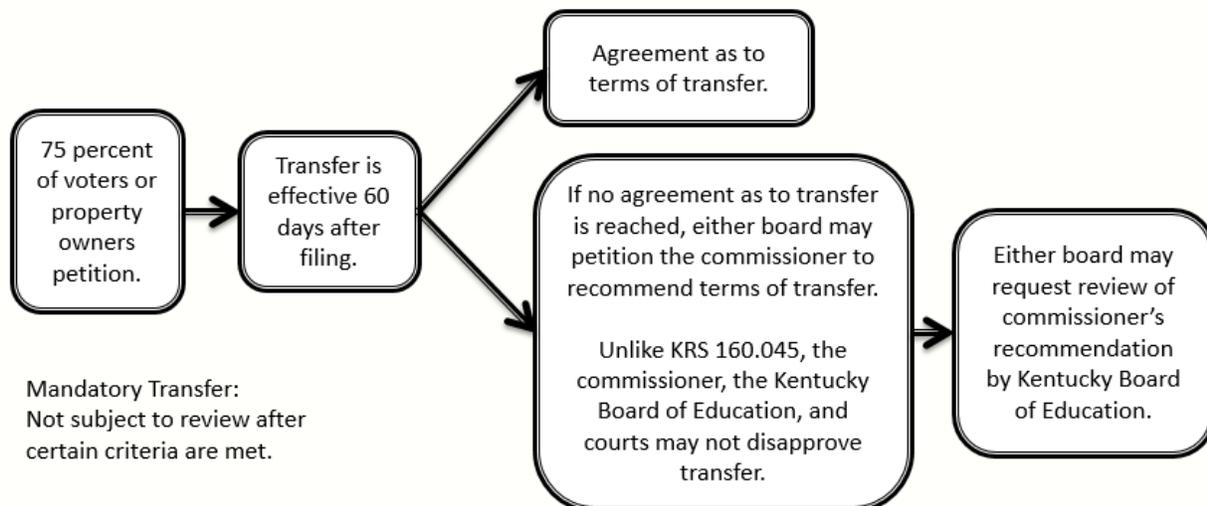
**Figure 2.A**  
**Transfer Under KRS 160.045**  
**Transfer Of Adjacent Territory To School District**  
**Other Than That In Which It Is Located**



Source: Staff compilation from KRS 160.045.

Figure 2.B shows how transfer occurs under KRS 160.048.

**Figure 2.B**  
**Transfer Under KRS 160.048**  
**Transfer Of Area Containing School Outside District**



Source: Staff compilation from KRS 160.048.

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The General Assembly's intent with KRS 160.048 was to provide a special method to transfer schools that operate outside their district boundaries.

KRS 160.048 also notes that

[a]s urbanization increases, and school districts throughout the Commonwealth become more densely populated, available school sites within such districts will proportionately diminish, and it will with increasing frequency be necessary to construct schools on land not within the district of the school board constructing such schools.

The statute further states: "It is the intent of the General Assembly to provide by this statute a special method whereby such areas may be transferred to the school district operating the school or schools."

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The Kentucky Board of Education and the commissioner may assist in the terms of territory transfer under KRS 160.048; however, neither can disapprove the transfer.

KRS 160.048 requires annexation where 75 percent of either registered voters or property owners in the area surrounding the new school petition to be included in the district operating the new school. The terms of transfer are governed by KRS 160.045; however, while both the commissioner and the Kentucky Board of Education may assist in the creation of the terms of transfer as under KRS 160.045, neither is permitted to disapprove the transfer under KRS 160.048.

While options under KRS 160.045 and KRS 160.048 for district expansion are available to ISDs, review of district survey responses regarding use of the statutes to expand reveals that this is an opportunity seldom taken. Of the 43 ISDs, 8 districts indicated that they attempted to utilize KRS 160.045. Of those, six stated they were successful (Dawson Springs, Elizabethtown, Jackson, Owensboro, Russell, and Somerset). Only one district indicated it was successful under KRS 160.048 (Bowling Green). Two districts noted that their efforts to annex land were stopped by an agreement to cease attempts to annex or merge which were built into nonresident reciprocal agreements with other districts.

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KRS 160.065 requires the receiving district to assume a portion of any debt incurred for school buildings and grounds if property is transferred to another district.

**Assets And Liabilities.** When taxable property is transferred to another district, KRS 160.065 requires the receiving district to assume a portion of the debt, if any, that the losing district incurred for school buildings and grounds. The portion assumed must be in proportion to the assessed valuation the transferred taxable property bears to the total assessed valuation of taxable property in the losing district.

When school property is transferred, KRS 162.020 provides that the title to that property shall not be affected by the transfer.

Additionally, “Any independent school district may purchase school sites and establish and maintain schools outside the limits of the independent school district ....”

### Mergers

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Merger with another district is a potential last resort for ISDs that are no longer financially viable.

Within recent history, when other options to increase additional revenue are exhausted, merger with another school district is a potential last resort for ISDs that are no longer able to function as a result of financial constraints. Merger of school districts is governed by KRS 160.040.

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KRS 160.040 includes four provisions for a school district merger.

KRS 160.040 has four provisions regarding: the definition of who may merge; board membership following merger; assets and legal liabilities following merger; and tax levies. It first provides that merger involves two or more contiguous school districts and can be by concurrent action. The statute does not specify that only an ISD-to-county-district merger is permissible.<sup>e</sup>

KRS 160.040 is permissive, which allows for any contiguous school districts to merge. However, the statute envisions that any such merger be accomplished through concurrent action.

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Members of both boards of education may serve out their election terms after a merger.

The second provision under KRS 160.040 provides that members of the boards of education of the merged districts may serve out the terms for which they were elected.<sup>f</sup> KRS 160.042 expands on this language. The first provision directs a city of the first class to consult KRS 160.200 and 160.210.<sup>g</sup> The second states that board

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<sup>e</sup> In *Board of Education of Caverna Independent School District v. Butler*, the court determined that two contiguous independent school districts, portions of which lie in different counties, may properly merge into a single new independent district under KRS 160.040. 256 S.W.2d 516 (Ky. App. 1953). This case is then cited in OAG 77-777 in the discussion of whether two county districts could merge. The opinion notes that that statute very clearly authorizes “contiguous school districts” and makes no specification as to whether it must be limited to independent districts. This may be applicable to two counties as well. The court in *Butler* does not find that this would create unconstitutionality or invalidate the merger. See *Butler* at 517. Finally, while KRS 160.010 provides that “each county in this state constitutes a county school district,” OAG 77-777 notes that this does not proscribe a merger between county districts.

<sup>f</sup> KRS 160.200, 160.210, and 160.260 instruct how board members in ISDs are elected. In ISDs, board members are elected from the district at large and voters may vote for as many candidates as there are members to be elected. Candidates with the highest number of votes fill positions until all are occupied. ISDs are also afforded an alternative election date, the first Saturday in May, under KRS 160.200.

<sup>g</sup> *Board of Education of Louisville v. Board of Education of Jefferson County*, 522 S.W.2d 854 (Ky. App. 1975), deals with this issue directly.

members in both merging districts may continue to hold office until the expiration of the present term. If a vacancy occurs among those members before the next election, the vacancy will not be filled.

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Assets and liabilities are transferred if districts merge. If two districts are involved, then liabilities are distributed equally from the dissolving district.

The third provision of KRS 160.040 invokes language also present in KRS 160.065 regarding the transfer of assets and liabilities. Upon transfer, the remaining district is required to take over the assets and liabilities of the merging district. This is required for all mergers, not simply those by concurrent action.<sup>30</sup> Only legal liabilities held by the merging board create an ongoing legal obligation with the remaining board.<sup>31</sup> If the merger results in two districts receiving assets from the dissolving district, then liabilities will be distributed equitably to each district based on the assets received.<sup>h</sup> When a district merges with another district, the former loses its identity and becomes one with the latter.<sup>32</sup> Therefore, all property owners in the resulting district, including those within the area of the former district, are liable for the remaining district's school tax.<sup>33</sup>

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Tax levies authorized for bonds and interest continue until all bonded obligations of the dissolved district have been retired.

Finally, the fourth provision of KRS 160.040 requires the continuation of tax levies authorized for payment of interest and the retirement of bonds. The creation of sinking funds for such purposes is also allowed. The taxes are to be levied and collected over the same area or for the new board in accordance with the laws under which the levies were originally created until all bonded obligations of the old district have been retired.

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KRS 160.041 includes three options for ISDs to merge with county districts: merger by agreement, by voter majority, or by the actions of the state board.

KRS 160.041 supplements KRS 160.040, providing merger specifically between ISDs and county districts. KRS 160.041 is "supplementary to KRS 160.040 and not in conflict with it" and was intended to enable an ISD, under certain circumstances, to compel merger with a county district.<sup>34</sup> KRS 160.041 provides ISDs three options for merger: merger by agreement, merger by a majority of voters, or merger by compulsion guided by the Kentucky Board of Education. It should be read in light of KRS 160.040.<sup>35</sup>

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Harrodsburg, Providence, and Monticello have merged with county districts in the last 10 years.

In determining whether merger is appropriate, boards of education have a wide degree of discretion that, "when exercised, cannot be interfered with by the courts unless it has been abused or the

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<sup>h</sup> In *Board of Education of Campbell County v. Board of Education of Newport*, Newport Independent annexed a portion of Clifton Independent. Campbell County School District then merged with the remaining Clifton district. The two remaining districts were required to take a proportionate share of Clifton Independent's assets and liabilities. 146 S.W.2d 30, 32 (Ky. App. 1940).

boards acted arbitrarily.”<sup>36</sup> To call into question the validity of the board’s use of discretion, the challengers must prove by clear and convincing evidence that such abuse occurred.<sup>37</sup>

In the last decade, three ISDs have merged with county systems: Harrodsburg with Mercer County in FY 2006, Providence with Webster County in FY 2007, and Monticello with Wayne County in FY 2014. Each merger was initiated by the ISDs out of either financial necessity or a desire for a broader range of services for students.

### Nonresident Student Enrollment

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Nonresident students covered by a reciprocal agreement and nonresident students who have parents employed by the attending district are eligible for state Support Education Excellence in Kentucky (SEEK) funds under KRS 157.350.

KRS 157.350 provides that a school district shall be eligible for state Support Education Excellence in Kentucky (SEEK) funds provided that they meet the six requirements under that statute. A district must exclude nonresident pupils in its average daily attendance (ADA). However, there are two exceptions to the rule.

A nonresident student may be classified in one of three ways:

- a student covered by reciprocal agreement,
- a student whose parent is employed by the attending district, or
- a student not covered by a reciprocal agreement.

Under the first exception, a district meets the requirement if nonresident students are listed under a reciprocal agreement made with the district in which the student resides. The second exception provides that nonresident children of district employees (CDE) will not disqualify the district from counting those students in its ADA. In that situation, a district may waive all tuition fees that would otherwise be required under district policy (KRS 157.350(4)(b)). Under both exceptions, SEEK funds “follow” students to the district in which they are educated. Students not covered by these exceptions are then specifically removed from ADA (702 KAR 3:270).<sup>i</sup> Districts may require tuition of any nonresident student (KRS 158.120).

### District Policies And Procedures

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Local board policies comply with statutes and regulations and normally are accompanied by procedures, which provide directions for district staff.

Local boards of education adopt policies that comply with statutes and regulations or provide frameworks related to their own goals. These policies provide guidance and direction for district staff,

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<sup>i</sup> The KRS 157.350 requirement does not apply to students enrolled in an “approved class conducted in a hospital and pupils who have been expelled for behavioral reasons.” Those students are counted in ADA under KRS 157.320.

parents, students, and the board. Some board policies can be accompanied by one or more administrative procedures that are developed by the superintendent and then reviewed and approved by the board.

The process by which districts make policies and the nature of the policies themselves do not vary between ISDs and county districts. Some policies are particularly relevant to ISDs' issues, especially those related to enrollment of and tuition for nonresident students. OEA requested these policies from ISDs, and Chapter 3 provides an analysis of ISD policies in these areas.

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Nonresident student policy language varies across districts, and some include very broad language.

Finally, there are no legal requirements for specific language that districts must include in their nonresident student policies. This situation ultimately results in varied language across districts. Some districts provide detailed policies, while others rely on broad language.

### **Nonresident Students And Reciprocal Agreements**

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If a district admits a nonresident student who is not part of a reciprocal agreement, then the receiving district does not qualify for state SEEK funds for that student.

Districts may choose to admit any nonresident student. However, to receive state funds allocated for that student, KRS 157.350(4)(a) requires a reciprocal agreement with the district in which the student resides. As indicated above, CDE are removed from this requirement.

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The term *reciprocal agreement* implies that one agreement between two counties allows students to transfer in both directions; however, each district has its own agreement that contains the number of students allowed to enroll in the district.

The term *reciprocal agreement* is a misnomer. It implies that a single agreement allows students to transfer in both directions between districts. However, that is not the case; a separate agreement must be signed for each direction, and each district sets its own conditions for admitting nonresidents. In fact, a pair of districts may have only one agreement, allowing state funds to flow in only one direction.

*Reciprocal* also does not apply, in the strict sense of the word, for the five ISDs that do not have high schools (Anchorage, East Bernstadt, Science Hill, Southgate, and West Point). Each has an agreement with another district to educate its residents once they reach 9th grade, allowing state funds to follow those students to the high schools in which they enroll.

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Board policies must be nondiscriminatory and may include a variety of standards for admission.

The school board enjoys broad discretion in crafting nonresident admission policies.<sup>38</sup> However, policies must be nondiscriminatory and neither arbitrary nor capricious.<sup>39</sup> All nonresidents must be treated the same, including CDE, who should not receive any preferential treatment.<sup>40</sup> Board policies may lay out a variety of

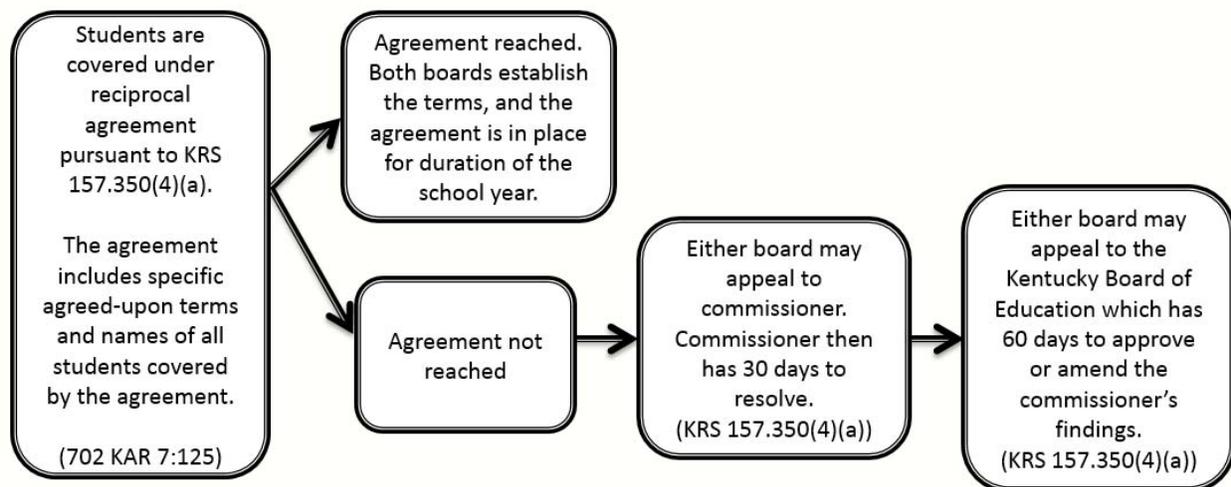
standards for admission including attendance, academic, and behavioral requirements. The court may review a board's policy for abuse in discretion.<sup>41</sup>

### Dispute Resolution

KRS 157.350 addresses disputes between districts on the number of nonresident students who can attend a district.

KRS 157.350(4)(a) lays out the process for resolving any disputes between districts regarding enrollment of nonresident students. If an agreement cannot be reached, either board has the right to appeal twice. The first appeal is to the commissioner of education for settlement. Either board then has the right to appeal the commissioner's decision to the Kentucky Board of Education, which may then approve or amend the commissioner's decision. Factors reviewed by the state board include the impact on school academic performance, programs, school facilities, transportation, and staffing of the resident and attending districts. KRS 157.350(4) and 702 KAR 7:125(8) provide guidance for dispute resolution. Figure 2.C provides an overview of that process.

**Figure 2.C**  
**Reciprocal Agreement Dispute Resolution**



Source: Staff compilation from KRS 157.350, KRS 158.120, and 702 KAR 7:125.

OEA reviewed 11 disputed reciprocal agreements between county districts and ISDs.

OEA reviewed 11 disputed reciprocal agreements between county districts and ISDs. Four of the agreements were resolved without intervention by KDE, and seven were resolved with KDE intervention. The dates of the agreements ranged from 2011 through 2014.

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State SEEK funding appears to be the driving factor in nonresident disputes; however, athletics and academic performance were also mentioned.

Generally, with the exception of the disputes that did not require KDE interventions, the disputes reviewed provide an understanding of the types of issues that are discussed and often argued between school districts. Money appears to be the driving factor for wanting to retain or attract students with respect to SEEK funding, but other issues such as athletics and academic performance are also factors. Some districts operated on the same agreed terms of their reciprocal agreement year after year but then may no longer be able to reach agreement. Specifically, disputes regarding enrollment of nonresident students tend to arise when one district benefits from the agreement at the disproportionate expense of the other district.

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The Kentucky Board of Education and the commissioner tend to rule in favor of a model to maintain status quo related to disputes.

With respect to the dispositions of these disputes, it appears that the commissioner and Kentucky Board of Education tend to rule in favor of a model that attempts to maintain the status quo, as opposed to completely rejecting a nonresident agreement. This model does not immediately cut nonresident enrollment, but it does reduce or eliminate it over time. Such a model may prevent disruption to both districts by gradually reducing the impact of nonresident student movement.

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The loss of state SEEK revenue has a financial impact on ISDs that rely on this income.

The difficulty of this outcome for an ISD is the impact on a primary source of revenue. When a district has relied on a nonresident agreement with another district for a length of time, it builds enrollment patterns that allow it to anticipate financial needs and strains. If a district suddenly can no longer rely on nonresident agreements to be consistent year after year, there will be uncertainty regarding future enrollment and revenue.

### **Superintendent Concerns About Reciprocal Agreements**

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Some superintendents stated that KDE has sided with county districts over ISDs in recent disputes and that ISDs feel at the mercy of county districts when signing nonresident agreements.

Many ISD superintendents (more than one-third of those that submitted comments to OEA) communicated their concerns that statute prevents districts from receiving state revenue for nonresident students unless there is a signed agreement. Superintendents stated that this arrangement puts them at the mercy of districts that can refuse to sign agreements for the full number of students who wish to enroll in ISDs. Some of these superintendents also stated that KDE has settled recent disputes between ISDs and county districts over nonresident students in favor of county districts.

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Many ISD superintendents favor school choice between all school districts within a county.

Also, many ISD superintendents favor open enrollment laws that would allow parents and students to enroll in the public schools of their choice. Several suggested that open enrollment of Kentucky

students in public schools would have some of the benefits associated with choice between traditional public schools and charter schools. They stated that, to be consistent, legislation that proposes school choice for nonpublic school options should also include school choice within the public school system, with one stating: “The public should have a chance at ‘school choice’ with the public schools that we already have in our state.”

One superintendent opined that competition among Kentucky school districts improves the quality of education for all students:

I have seen some very positive aspects of friendly competition between ISDs and county schools that have made both better. I think it is very important to have county and independent districts work together. Our area has had open enrollment for a very long time and both of our districts are better for it.

Small ISDs are most vulnerable to limits in the number of students included in reciprocal agreements, especially if they are located in areas where parents are less likely to be able to afford tuition payments. A superintendent in one such area noted that loss of SEEK funds for even a few nonresident students can have a large effect on the district’s revenue.

### **Tuition**

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Local boards may charge tuition pursuant to KRS 158.120.

KRS 158.120(1) provides that any board of education may charge a reasonable tuition fee per month for nonresident students. Reasonableness is determined by the local board and is subject to board discretion. Review of board action must only be in cases of corruption or bad faith.<sup>42</sup> When tuition reasonableness is disputed, the Kentucky Board of Education shall make a final determination.

The second section of KRS 158.120 permits a district to enter into a tuition contract with another district when it is deemed convenient for a student residing in the first district to attend an approved public school in the second district. Convenience is a question of fact determined based on the view of the board and is subject to review as to reasonableness.<sup>43</sup> KRS 158.120(2) states: “When a district undertakes, under operation of tuition contract or of law, to provide in its school for pupils residing in another district, the district of their residence shall share the total cost of the school, including transportation when furnished at public expense, in proportion to the number of pupils or in accordance with the contract agreement between the two (2) boards.”

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The local board of education where the student resides must pay tuition.

Tuition is to be paid by the board of education of the district of residence unless the board of that district makes provision for the child's education within that district. Whether or not a district makes a provision for a child's education is a question of fact, and reasonableness of that provision may be subject to review.<sup>44</sup>



## Chapter 3

### Exchange Of Nonresident Students With Other Districts

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Chapter 3 analyzes data and local policies related to nonresident students.

Chapter 3 analyzes a variety of issues related to nonresident students, including district policies and procedures for enrollment and tuition; state and district data on numbers and types of nonresident students; and transportation of nonresident students.

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Given the large number of nonresident students in the state, it is important that district and policies and procedures be clear. This is not always the case.

While Chapter 2 analyzed state statutes and regulations related to nonresident students, this chapter analyzes the ISD policies and reciprocal agreements that determine whether districts receive SEEK funds and tuition for nonresident students. Given the large number of nonresident students (in 2014, almost 14,000 in ISDs alone), it is important that district policies and procedures be clear. However, staff found substantial variation in the clarity and comprehensiveness of local district policies.

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Nonresident students make up a greater percentage of total enrollment in ISDs than in county districts. The effect of nonresident enrollment on district revenue will be discussed in Chapter 4.

Nonresident students make up a greater percentage of total enrollments in ISDs than in county districts, accounting for more than 30 percent of total enrollment in seven districts. As will be shown in Chapter 4, a substantial percentage of total revenue in some districts is associated with nonresident students.

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Some ISDs experience a net loss of enrollment as a result of nonresident students.

In some ISDs the number of district residents enrolled in other districts exceeds the number of nonresident students enrolled in the district; these districts experience a net loss of students because of nonresident enrollment. Some of the districts that lose students are K-8 districts whose high school students are enrolled in other districts. The chapter includes a detailed description of nonresident students in ISDs that do not have a high school.

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Data describing transportation of nonresident students is used by KDE to provide funding, but existing data may not always be accurate.

Data submitted by ISDs to KDE suggest that approximately 3,600 nonresident students enrolled in ISDs were transported in 2014. However, data collected by OEA in connection with this study suggests that fewer students may be transported than what is reported by districts to KDE.

### Reciprocal Agreements

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OEA reviewed the number and types of reciprocal agreements, as well as conditions for enrollment.

Reciprocal agreements between independent and county school districts to enroll nonresident students residing in other districts

were analyzed. More specifically, OEA reviewed the number of agreements, types of agreements, and conditions for enrollment.

### **Number Of Agreements**

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OEA reviewed 322 reciprocal agreements. Five districts stated they had none in school year 2013-2014.

When OEA requested copies of reciprocal agreements to admit nonresidents into their districts, five districts (Bellevue, Dawson Springs, Silver Grove, Southgate, and West Point) said they had none in school year 2013-2014. The other 48 ISDs sent a total of 322 agreements; thus, on average, each district had agreements to admit nonresidents from six other districts. However, students were not actually enrolled from all districts that had contracts. ISDs, on average, received nonresident students from four districts with reciprocal agreements.

### **Types Of Reciprocal Agreements**

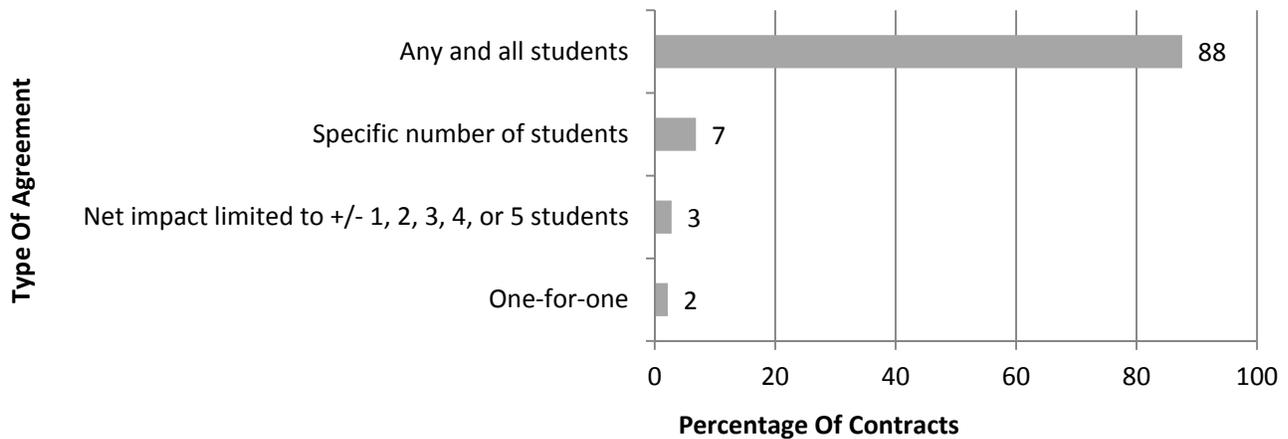
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Most reciprocal agreements allow other ISDs to receive SEEK funds for "any and all" students.

As Figure 3.A shows, most agreements allow ISDs that educate nonresident students to receive SEEK funds for "any and all" students. Of the 322 agreements, 282 (88 percent) were for "any and all." Twenty-two (7 percent) were for a specific number of students; some of these agreements are a result of a dispute settlement between districts.

Sixteen agreements (5 percent) limited the net impact of transfers on enrollment. Seven (2 percent) specified a one-for-one exchange of students (for instance, district A can enroll and receive SEEK funds for a student from district B only if district B enrolls and receives funds for a student from district A). The other nine (3 percent) provided a little more flexibility by keeping the net impact on each district within a certain range (often +/- three students).

**Figure 3.A**  
**Types Of Agreements For Nonresident Student Enrollment**



Source: Staff analysis of 322 reciprocal agreements submitted by independent school districts.

### Conditions For Nonresident Enrollment

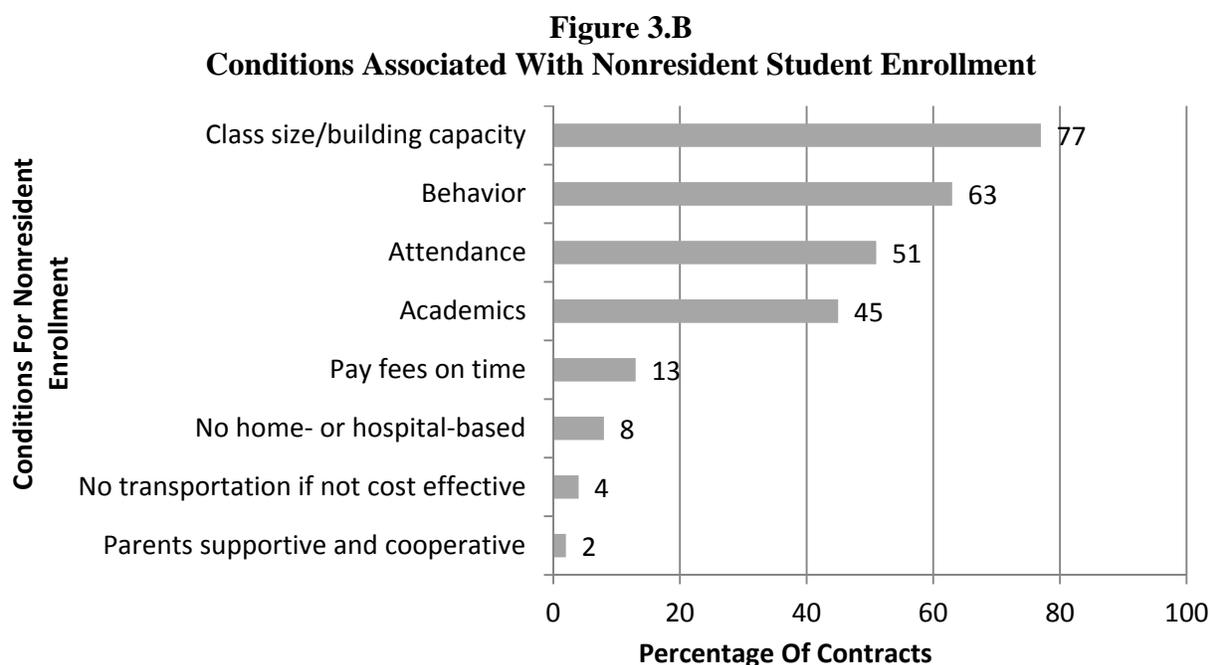
Many ISDs set conditions for accepting nonresident students. Some conditions are intended to avoid undue burden on the district's resources. Others concern academic progress or behavior.

Because enrolling in a school outside the district of residence is considered a privilege, not a right, many districts set conditions. Some conditions are intended to avoid undue burden on the district's resources; for example, a nonresident student is not admitted if adding that student would require the district to add a new teacher, classroom, or bus route, or incur the costs of special services, such as instruction of a home- or hospital-bound student. Other conditions concern academic progress, disciplinary actions, attendance, parental cooperation, and timely payment of fees.

Of the 322 reciprocal agreements submitted, 273 (85 percent) had some kind of written conditions.

Of the 322 reciprocal agreements submitted to OEA, 273 (85 percent) had some kind of written conditions associated with them. However, there is little consistency regarding where conditions are stated. For example, conditions may be included within reciprocal agreements, enrollment forms, and policies (such as those for tuition, admissions, attendance, and nonresident students).

Figure 3.B summarizes the conditions for nonresident enrollment; each type of condition is discussed in more detail below.



Source: Staff analysis of 322 reciprocal agreements submitted by independent school district, district policies, and other documents.

### Class Size/Building Capacity

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A common condition is that nonresidents be admitted to classes only when enrollment is below the allowable class size.

Common conditions are that nonresident students will be admitted only if they can be assigned to classes in which enrollment is below the allowable class size and only if the school building is not at full capacity. These conditions applied to 77 percent of the 322 contracts. This is a standard clause in the nonresident student admissions procedure. It is sometimes stated, along with other conditions, in the nonresident student policy.

### Behavior

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Behavior is another common condition.

Sixty-three percent of agreements set conditions concerning behavior; most often, they state that nonresidents must not have been previously suspended or expelled.

### Attendance

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More than half of ISDs stipulate a maximum number of unexcused absences.

Fifty-one percent of districts have conditions that the nonresident not be truant or specifying a maximum number of unexcused absences (most often, three).

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Forty-five percent of ISDs have some sort of academic conditions.

### **Academics**

Forty-five percent of agreements have some sort of academic conditions. The wording of these conditions may be brief and vague (“make satisfactory academic progress”) or may specify a grade point average or statewide test result.

### **Other Conditions**

Less common conditions are that parents pay fees on time (13 percent of agreements), that the district not be required to pay for home-based or hospital-based education (8 percent of agreements), that the district not be required to provide transportation if it is not cost-effective to do so (4 percent of agreements), and that parents be supportive and cooperative (2 percent of contracts).

### **Consequences To Currently Enrolled Nonresident Students**

Failure to meet conditions described in reciprocal agreements or district policies may affect a district’s decision when the student applies to enroll again the following year (a new application for nonresident enrollment must be submitted and reviewed each year).

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Expulsions based solely on conditions of reciprocal agreements may violate a student’s due process.

Expulsions based solely on conditions of reciprocal agreements may violate a student’s due process as set forth in KRS 158.156(5) and (6). Generally, the criteria include oral or written notice, opportunity for explanation of evidence, opportunity to present different facts, as well as a hearing before the school board.

### **Tuition**

In connection with this study, OEA requested that ISDs submit tuition policies, tuition fee schedules, and board minutes approving current tuition fees.

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ISD tuition policies vary broadly, both in the nature of the policies and in the level of detail.

Documents submitted indicate that district tuition policies vary broadly, both in the nature of the policies (amount charged, admissions criteria) and in the level of detail included in the policies. Some policies provide little or no guidance, and others are comprehensive. OEA did not request tuition documents from county districts. Although OEA only analyzed ISD policies, similar issues may be occurring in county districts.

## Tuition Policies

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There are three common types of nonresident students who may pay tuition.

As discussed in Chapter 2, there are three common types of nonresident students for whom districts might charge different tuition amounts:

- Nonresident students for whom the district has a contract with the resident school district
- Nonresident students for whom the district does not have a contract with the resident school district
- Children of district employees

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Close to 60 percent of ISDs submitted documents that were not clear with respect to tuition policies for the three types of nonresidents.

In theory, district tuition documents should be clear about whether and how much tuition applies to each of these groups, but this was the case in only 12 of the 53 ISDs. Of the remaining districts, 31 submitted documents that were not clear for at least one of these categories (most often CDEs) and 10 submitted no tuition documents. Many districts submitted tuition fee documents but did not specify whether the fees applied to students with agreements or those with no agreements.

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There is a possibility that some districts have more complete tuition policies or documents that were not submitted to OEA.

It is possible that some districts have more complete tuition policies or documents than were submitted to OEA. For example, districts may clarify tuition policies related to CDEs in board policies related to staff rather than in board policies related to tuition. However, whether or not districts are ultimately in possession of documents that clarify all aspects of their tuition policies, it remains the case that tuition policies in most districts are not clearly discernible.

Tuition policies in many districts contained general language such as “The Board may charge a fee, according to a schedule adopted by the Board, for each student attending its schools, whose parent is not a bona fide resident of the District” or “Reciprocal written agreements with other school districts concerning nonresident students shall be made in compliance with state statutes and administrative regulations.”

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Global policies were often not accompanied by fee schedules or other board documents.

These global policies were often not accompanied by fee schedules or other board documents that made it clear whether and how much tuition is actually charged. Some of the districts that submitted incomplete policies explained that the district did not have tuition policies because it did not have any tuition-paying students.

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OEA identified some inconsistencies in the tuition document of six districts.

OEA identified some inconsistencies in the tuition documents of six districts. In several of these districts, tuition reported in the fee schedule is different from the tuition described in board policy. In another district, board policy states that nonresident students will be accepted only from cooperating districts but the district enrolls at least two nonresident students without reciprocal agreements.

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OEA's analysis of district policies indicated that not all policies were clear and transparent.

As shown later in this chapter, large numbers of Kentucky students (approximately 27,000 in 2014) attend schools in districts other than those in which they reside. It is important that district policies and procedures related to admission of and tuition for nonresident students be clear and transparent. However, OEA's analysis of district policies indicates that this is not always the case.

### Recommendation 3.1

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Recommendation 3.1

**Local boards of education should ensure that district policies and procedures related to admission of and tuition for nonresident students are clear, transparent, and reflective of best practices. District policies and procedures should address, at a minimum, the criteria that the district use in making admissions decisions for nonresident students and the tuition that applies to students covered by reciprocal agreements, those not covered by reciprocal agreements, and children of district employees.**

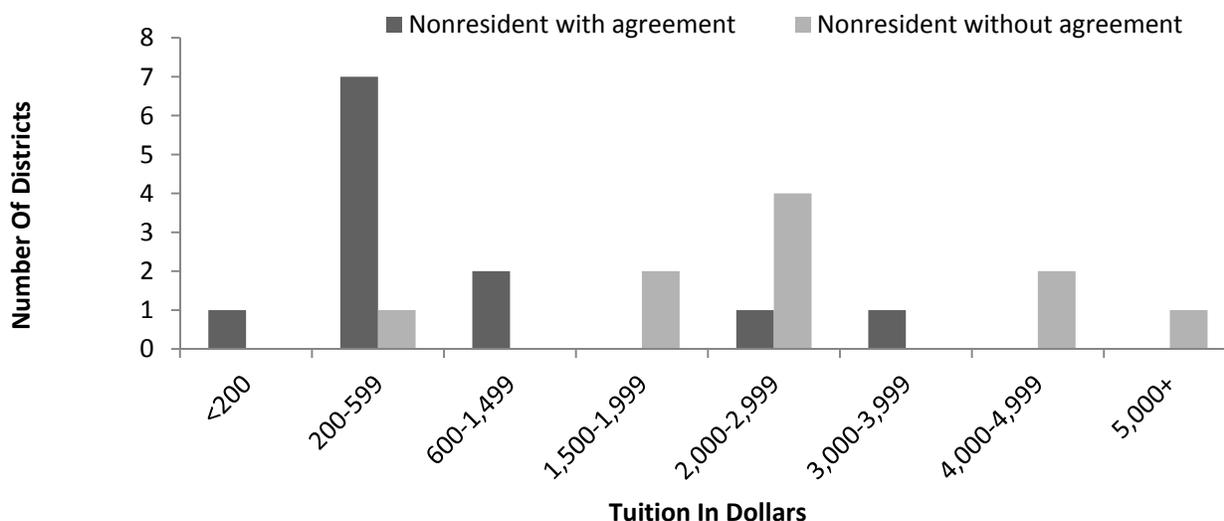
### Tuition Fees

Figure 3.C shows specific tuition fees reported for nonresident students with and without reciprocal agreements.<sup>j</sup> Other ways of charging tuition—such as tuition based on SEEK funding—are reported after the figure.

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<sup>j</sup> Not reflected in the figure are sibling discounts provided by many districts for nonresident students who have tuition-paying siblings enrolled in the district.

**Figure 3.C**  
**Tuition Reported By ISDs For Nonresident Students**  
**With Agreements And Without Agreements**



Source: Staff analysis of independent school district tuition policies and fee schedules.

Of those ISDs reporting specific tuition amounts for nonresident students with reciprocal agreements, fees ranged from \$54 to \$3,600.

**Nonresident Students With Reciprocal Agreements.** Among the 12 districts that reported charging specific tuition amounts for nonresident students, fees ranged from \$54 to \$3,600. Eight of the 12 charged \$600 or less. Not reported in the figure is one district that charges the per-pupil local portion of the SEEK guaranteed base. Twenty-six districts did not charge any tuition for nonresident students with reciprocal agreements. Tuition fees for nonresident students with reciprocal agreements were not clear in the remaining districts.

Of those ISDs reporting specific tuition amounts for nonresident students without reciprocal agreements, fees ranged from \$500 to \$6,000.

**Nonresident Students Without Reciprocal Agreements.** The specific tuition fees charged for nonresident students without agreements ranged from \$500 to \$6,000. Of the 10 districts that reported charging specific fees for nonresident students without agreements, only three reported charging more than \$3,000. Tuition fees are generally much higher for nonresident students without agreements than for nonresident students with agreements.

Twelve districts report tuition based on the state portion of the SEEK formula.

**SEEK Or Per-Pupil Operating Expenses.** As shown in Table 3.1, 16 districts charge tuition for nonresident students based on calculations that can change from year to year. Twelve districts report tuition based on the state portion of the SEEK formula, with some specifying that the tuition includes the amount associated with the SEEK add-on for special programs for which nonresident students are eligible, such as special education.

For example, the tuition policy in one district stated that tuition for nonresident students without reciprocal agreements is “equal to ADA plus any special service funds.” Two districts charge amounts in addition to the state portion of the SEEK funding; one charges an additional \$900 and the other an additional amount equivalent to per-pupil local funding. Tuition for nonresident students without agreements in two districts is based on per-pupil operating expenses as calculated by the Kentucky Department of Education.

**Table 3.1**  
**Tuition For Nonresident Students (Without Agreements)**  
**Based On SEEK Or Per-Pupil Operating Expenses**

Tuition	Number Of Districts
State portion of SEEK	12
State portion of SEEK + local funding	1
State portion of SEEK + \$900	1
Per-pupil operating expenses	2

Source: Staff analysis of independent school district documents.

**Children Of District Employees.** As explained in Chapter 2, nonresident CDEs do not require agreements in order to be counted in districts’ ADA for SEEK purposes. Districts are permitted to charge tuition for CDEs, but only one ISD reported doing so (\$2,300).

**Other Types Of Tuition.** Two districts reported additional methods of charging tuition. Anchorage charges tuition of \$115 per day for students whose parents have purchased a residence in the district but are not yet residing in the residence or students who were attending school in the district but have moved out of the district prior to the end of the school year. Elizabethtown charges a fee of \$1 per day to high school students on reciprocal agreements from West Point.

### Number Of Nonresident Students

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On average, nonresident students constitute a larger percentage of total enrollment in ISDs than they do in county districts.

Enrollment of nonresident students is a greater percentage of total enrollment in the average ISD than it is in the average county district. As a percentage of total enrollment, the net number of nonresident students is about 8 percent in ISDs. In contrast, the average ISD loses more students than it gains in nonresident agreements, though this loss constitutes less than 1 percent of total enrollment.

The remainder of this chapter will focus on the number of nonresident students who are attending schools outside of their district boundaries. The analysis also includes the number of foreign exchange students, along with some characteristics of nonresidents, such as homelessness and the need for special education services. Finally, the chapter ends with an analysis of transportation of nonresident students.

### **Agreements And Nonresident Students**

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Reciprocal agreements allow districts to receive state SEEK funds for nonresident students. In other words, if a local board of education enrolls a nonresident student without a reciprocal agreement, that district does not receive SEEK funds related to those students.

Local boards of education enter into reciprocal agreements with other local boards to agree on the number of nonresident students who are allowed to enroll in the nonresidential district. These agreements allow districts to receive state SEEK funds for nonresident students. If a local board of education enrolls nonresident students without reciprocal agreements, then that district does not receive SEEK funds related to those students.

As shown in Figure 3.D, in FY 2010 ISDs had 11,392 nonresident students under reciprocal agreements attending their schools. This number increased to 12,715 by FY 2014. The nonresident students enrolled without reciprocal agreements numbered 538 in 2010 and decreased to 321 by FY 2014.

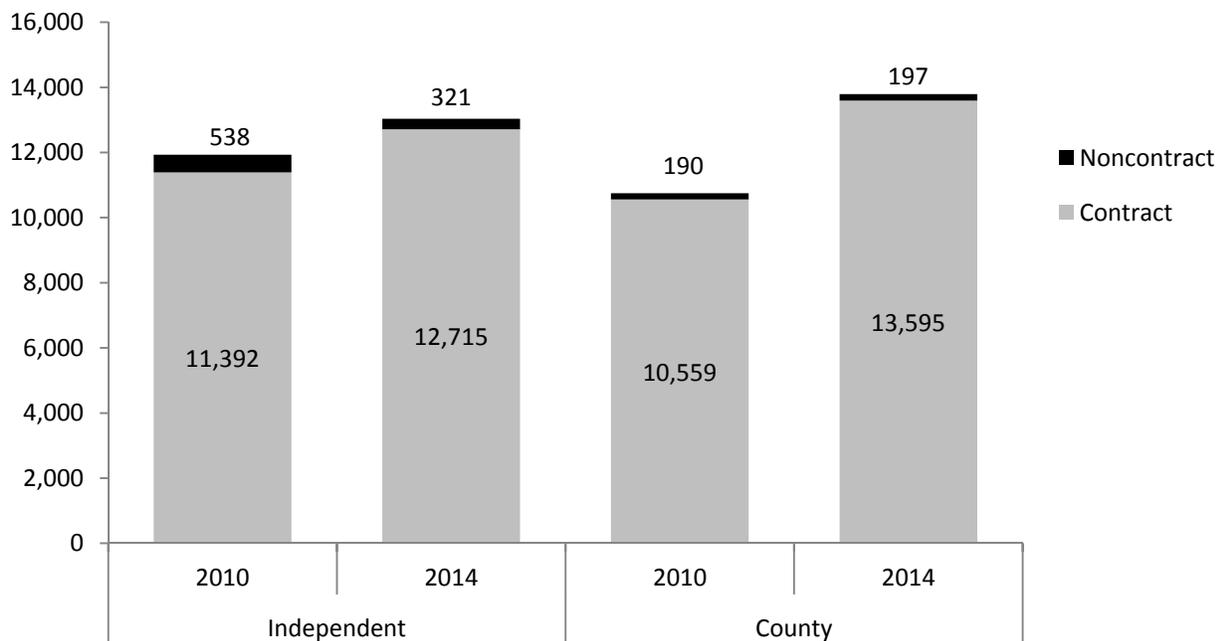
County districts received 10,559 nonresident students under reciprocal agreements in 2010. That number increased to 13,595 by 2015. The nonresident students without reciprocal agreements numbered 190 in FY 2010 and only increased by 7 within 5 years.

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Total enrollment, including nonresident and resident students, for ISDs was 72,031 in FY 2014 and 606,853 for county districts.

To place these numbers in perspective, total enrollment, including nonresident and resident students, for ISDs was 72,031 in FY 2014, with total enrollment for county districts at 606,853 students. As a percentage of total enrollment, nonresidents are 18 percent for all ISDs and just more than 2 percent for all county districts. However, as the following section shows, percentages of nonresident students in individual districts are much different when the net effect of nonresident students into and out of districts is taken into account.

**Figure 3.D**  
**Number Of Nonresident Students, With Reciprocal Agreements**  
**Versus Without Reciprocal Agreements, FY 2010 And FY 2014**



Source: Staff analysis of independent school district documents.

### Children Of District Employees

In 2013, the General Assembly amended KRS 157.350 to allow children of district employees (CDEs) who attend school in districts that employ their parents to be counted in the district's average daily attendance for SEEK funding.

CDE students were not required to be tracked in the student information system prior to 2013.

Eight ISDs recorded no CDE students in 2015.

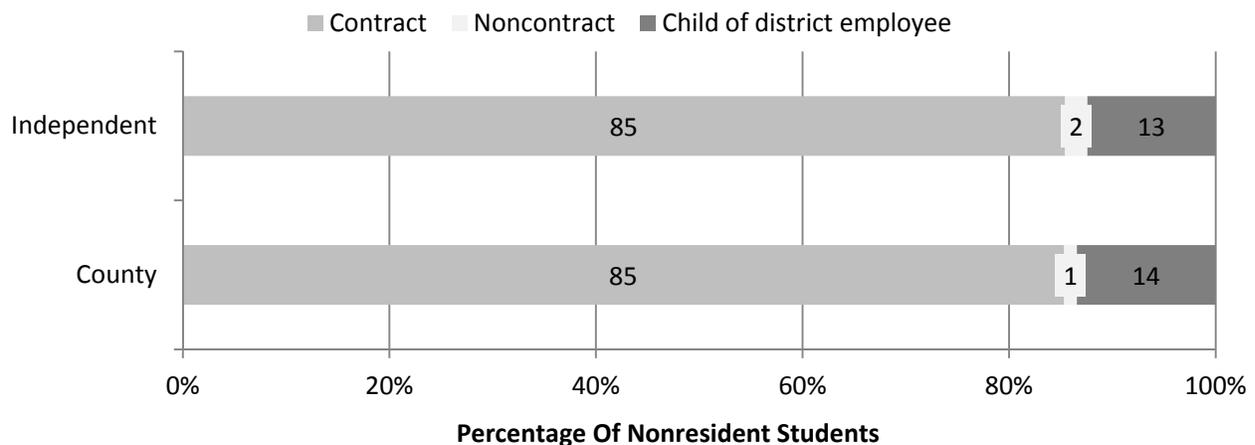
Another type of nonresident student is a child of a district employee. The General Assembly passed HB 182 in the regular session of 2013, which amended KRS 157.350 to allow that, when CDE students attend school in a district that employs their parents, the students may be counted in the district's average daily attendance for SEEK funding. CDE students are not counted in nonresident agreements between districts. Also, tuition fees for CDE students may be waived.

Because CDE students were not required to be tracked in the student information system prior to the implementation of HB 182, trend analysis related to these students was not possible. Figure 3.E, however, shows that CDE students made up 13 percent of the total ISD nonresident students in FY 2014, which amounts to 1,649 students.

Eight ISDs recorded no CDE students in 2014. Of the ISDs that did have CDE students, the lowest number was 2 and the highest was 126. Five ISDs had at least 95.

The CDE students enrolled in county districts accounted for 14 percent of the total nonresident students, or 1,931 students, during the same fiscal year. There were 39 county districts with no CDE students in FY 2014, and the average number of CDE students was 25. Four districts had one CDE student, and Kenton County had the largest number at 96.

**Figure 3.E**  
**Type Of Nonresident As A Percentage Of Total ISDs**  
**Compared To County Districts, FY 2014**



Source: Staff analysis of data from the Kentucky Department of Education.

### Foreign Exchange And Immigrant Students

Currently, 15 ISDs enroll foreign exchange students.

Some Kentucky students come from other countries to study temporarily in the US as foreign exchange students or to immigrate and live permanently in the US. Foreign exchange students have F-1 student visas for academic studies, M-1 student visas for vocational studies, or J-1 exchange visitor visas for programs designed to enhance cultural and educational understanding between the US and other countries.<sup>45</sup> In FY 2015, 15 ISDs enrolled foreign exchange students. Paintsville and Paducah ISDs both had the most at 7 each. Danville was the only ISD to have a foreign exchange student who does not qualify for SEEK funds in FY 2015. Nine districts had 1 or 2 immigrant students.

**Table 3.2**  
**Foreign Exchange And Immigrant Students, FY 2010-FY 2015**

Fiscal Year	J-1 Foreign Exchange Student	F-1 and M-1	
		Foreign Exchange Student	Immigrant Student
2010	54	6	17
2011	34	4	20
2012	56	6	18
2013	51	19	14
2014	45	6	11
2015	38	1	12

Note: F-1 is a student visa for academic studies. M-1 is a student visa for vocational studies. J-1 is an exchange visitor visa for a program designed to enhance cultural and educational understanding between the US and other countries.

Source: Staff analysis of data from the Kentucky Department of Education.

### Net Nonresident Enrollment

OEA analyzed the net number of nonresident students flowing into and out of districts.

To understand the impact of nonresident enrollment, it is necessary to know how many students are flowing both into and out of districts. Staff analyzed the net number of nonresident students in each district, adding the number of nonresident students enrolled in the district and subtracting the number of district residents enrolled in other districts. Staff also calculated the net nonresident enrollment as a percentage of total district enrollment. Compared to county districts, ISDs have, on average, greater net nonresident enrollment and higher percentages of total enrollment comprising nonresident students.

Most of the districts that net large numbers of nonresident students are independent districts. Conversely, a greater number of county versus independent districts have net losses of nonresident students.

Figure 3.F shows the number of districts that fall in different ranges of net nonresident enrollment. Most of the districts that net large numbers of nonresident students are independent districts. For example, of the districts that gained more than 200 students, 16 were ISDs and 3 were county districts. Conversely, a greater number of county versus independent districts have net losses of nonresident students. For example, the number of districts that lost more than 100 students was 5 for ISDs and 20 for county districts.

Most of the districts with high percentages of nonresident students are ISDs.

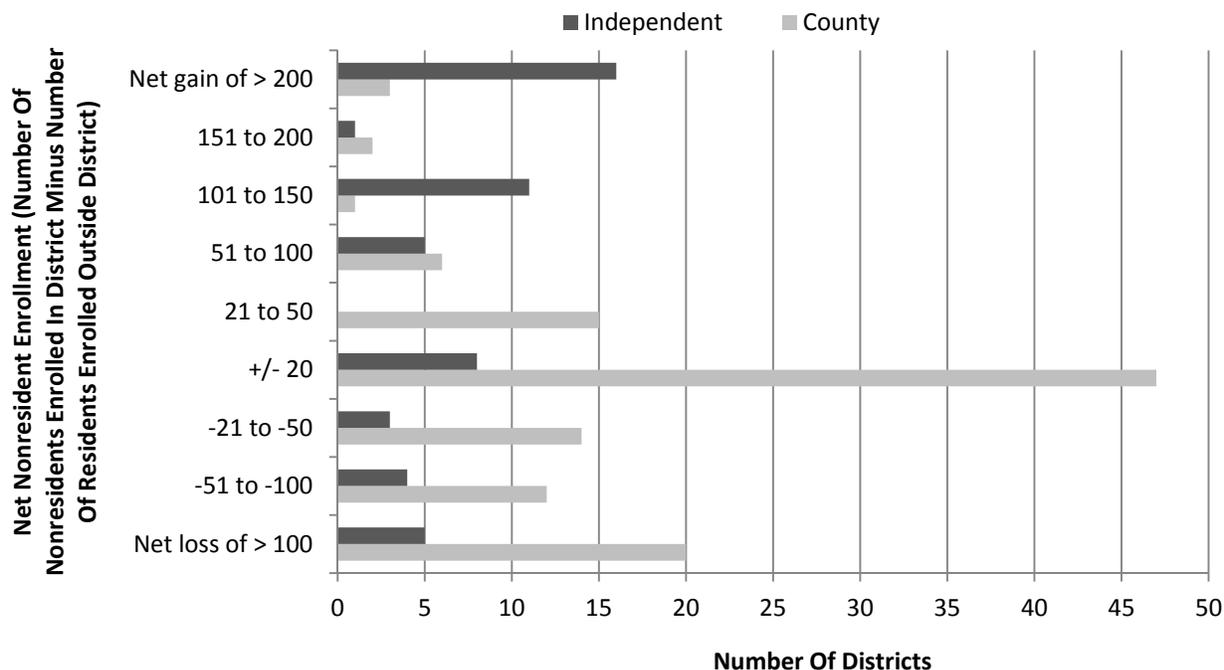
Figure 3.G shows the number of districts that fall in different ranges of nonresident students as a percentage of total enrollment. Most of the districts with high percentages of nonresident students are ISDs. In FY 2014, the percentage of total enrollment comprised of nonresident students was greater than 30 percent in seven districts. These districts are located in southeastern and eastern Kentucky (Paintsville, Raceland, Fairview, Harlan, Jackson,

Barbourville, and Pineville). The ISD with the largest net is Pineville, with nonresident students making up 47 percent of total enrollment. Percentages of total enrollment comprising nonresident students were between 20.1 and 30 in another six ISDs.

Eight ISDs had a net loss of nonresident students that was greater than 10 percent of total enrollment.

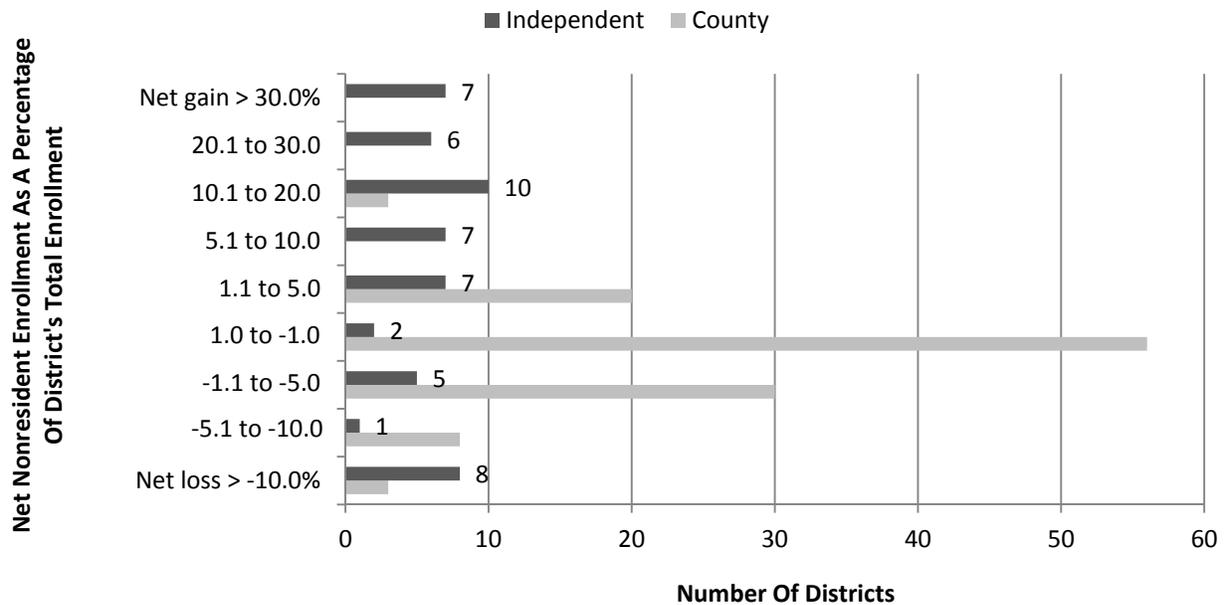
Figure 3.G also shows some ISDs with high net loss of nonresident students as a percentage of total enrollment. Eight ISDs had a net loss of greater than 10 percent: Middlesboro, Southgate, West Point, Caverna, Newport, Anchorage, Paris, and Jenkins. The ISD losing the most students was Southgate, at 32.4 percent. This number reflects the fact that Southgate does not have a high school; high school students who are residents of the district must enroll in other districts. If the high school students in districts with no high schools were excluded from this analysis, then Middlesboro would be the district in which the net percentage of nonresident students as a percentage of total enrollment (29 percent) represents the greatest loss.

**Figure 3.F**  
**FY 2014 Net Nonresident Enrollment**



Source: Staff analysis of data from the Kentucky Department of Education.

**Figure 3.G**  
**FY 2014 Net Nonresident Enrollment As A Percentage Of District's Total Enrollment**



Source: Staff analysis of data from the Kentucky Department of Education.

### Districts Without High Schools

For the five ISDs that have no high school, statutes are silent with respect to procedures for selecting high schools outside the district when resident students reach high school age.

For the five ISDs that have no high school (Anchorage, Science Hill, Southgate, WestPoint, and East Bernstadt), statutes are silent with respect to procedures for selecting high schools outside the district when resident students reach high school age. As Table 3.3 describes, each district interacts locally to place students.

**Table 3.3**  
**Arrangements Made For High School Students Residing**  
**In Independent Districts That Have No High School, FY 2014**

<b>District</b>	<b>Arrangements Made For High School Students Residing In District</b>
Anchorage	<ul style="list-style-type: none"> <li>• 33 students attend Jefferson County Public Schools (JCPS)</li> <li>• 4 students attend Oldham County</li> <li>• Remaining students attend private high schools</li> <li>• Reciprocal agreement with JCPS and Oldham County</li> <li>• Students can apply to any high school in both counties</li> <li>• Anchorage pays tuition fees to both districts</li> <li>• FY 2014 tuition \$5,529 per student (\$17,599 for special education students)</li> </ul>
East Bernstadt	<ul style="list-style-type: none"> <li>• Students attend Laurel County</li> <li>• Laurel County codes these students as resident students</li> </ul>
Science Hill	<ul style="list-style-type: none"> <li>• 54 students attend Somerset</li> <li>• 1 student attends Pulaski County</li> <li>• Reciprocal agreements with both</li> </ul>
Southgate	<ul style="list-style-type: none"> <li>• 47 students attend Fort Thomas</li> <li>• 24 attend Newport</li> <li>• 2 attend Bellevue</li> <li>• 1 student each attends Boone, Campbell, Kenton, and Ludlow</li> <li>• Reciprocal agreements with all districts and parents pay any tuition fees</li> <li>• Students denied enrollment attend Learning Academy; Southgate pays tuition</li> <li>• Special education students attend Phoenix Academy; Southgate pays tuition</li> </ul>
West Point	<ul style="list-style-type: none"> <li>• 44 students attend Elizabethtown</li> <li>• West Point transports these students and receives transportation credit</li> <li>• Reciprocal agreement makes no mention of tuition; West Point pays \$1 per day per student despite Elizabethtown's policy to charge no tuition for students covered by reciprocal agreements</li> </ul>

Source: Staff analysis of reciprocal agreements submitted by independent school districts, district policies, and student information system data.

Staff identified some inconsistency with respect to how high-school-age students are reported within Infinite Campus (IC).

Staff analysis identified some inconsistency with respect to how high-school-age students are handled within Infinite Campus. For example, Laurel County coded the high school students from East Bernstadt as resident students during the 6-year time frame discussed in this report. According to the county district, students are counted as resident students since East Bernstadt does not have a high school.

KRS 159.010(1)(b)2 requires that all children residing in the district are subject to the local board's compulsory age policy. However, KRS 159.030(1) does not provide an exemption from compulsory attendance for districts without high schools.

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Staff analysis also found that after one ISD/county merger, some nonresident students were still coded as "on contract."

The analysis also found that after FY 2014, when Monticello merged with Wayne County, the county did not clean up its data to code these students as residents. In FY 2015, although coding was changed for most of these students, 26 students were still coded as nonresidents on contract from Monticello to Wayne County.

### Recommendation 3.2

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Recommendation 3.2

**The Kentucky Department of Education should work with all districts to ensure that data in Infinite Campus reflects resident and nonresident student numbers.**

### Special Services

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The school of origin is required to provide transportation to a homeless student, even if the homeless student finds a place to live in another county or state.

**Homeless.** The McKinney-Vento Homeless Education Assistance Improvement Act of 2001 is intended to ensure that homelessness does not cause children to be left behind in school. Therefore, homeless students must stay in the school of origin, unless the parent and/or guardian choose differently. The school of origin must provide transportation to a homeless student as well, even if the homeless student finds a place to live in another county or state.

When looking at the homeless nonresident students, it would appear that ISDs are educating fewer homeless students now than 6 years ago, while the numbers in county districts have more than doubled.

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In FY 2010, there were 235 nonresident homeless students attending ISDs. This number dropped by 6 students by FY 2015.

In FY 2010, there were 235 nonresident homeless students attending ISDs, but that number dropped by 6 students by FY 2015. Almost 70 percent of the nonresident homeless students were in seven of the ISDs in FY 2015, with 15 percent being educated in Harlan and 11 percent in Fairview.

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Special education students may be mainstreamed in a traditional classroom along with other regular education students.

**Special Education.** Students who have a physical, emotional, mental, and/or social delay that causes them to perform below their peers and who have an individualized education program are categorized as special education students. Special education students may be mainstreamed in a traditional classroom along with other regular education students or placed in a self-contained classroom with students with similar disabilities.

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In 2010, there were 1,057 nonresidential special education students in ISDs; the number grew to 1,132 by 2015.

As shown in Table 3.4, in 2010 there were 1,057 nonresidential special education students in ISDs; the number grew to 1,132 by 2015. Almost 50 percent of the nonresident special education students are reported in 10 independent districts, with Bardstown reporting 90.

**Table 3.4**  
**Homeless And Special Education Nonresident Students In Independent Districts,**  
**FY 2010-FY 2015**

	2010	2011	2012	2013	2014	2015
Homeless	235	241	226	234	267	229
Special education	1,057	1,129	1,237	1,232	1,210	1,132

Source: Staff analysis of data from the Kentucky Department of Education.

**State Agency Children.** KRS 158.135(2) discusses reimbursement for districts that educate state agency children through a contract with Kentucky Education Collaborative for State Agency Children. These are students who are in a state institution, in a day treatment center, or in custody of the Department of Juvenile Justice.

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Thirteen superintendents stated their districts educate state agency children.

Of the 53 ISDs, 13 superintendents who responded to the OEA survey stated their districts educate state agency children. Of the ISDs that did report having state agency children, Owensboro had the most, with 86 students, while Paintsville had the least, with four. Two districts reported that their state agency children numbers fluctuate throughout the year on any given day. For example, Elizabethtown had 58 students in FY 2014; however, the district stated that it is allotted only 20 slots at a time.

**Migrant.** Children qualify for the migrant program because of the lifestyle of their parents. For example, these families may move into the United States or cross school district, county, or state borders in order to find temporary or seasonal employment. Children may also qualify if they move without their parents and are seeking temporary or seasonal employment in qualifying activities.

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During FY 2015, a total of five nonresident migrant students attended school in two ISDs.

In FY 2010, no nonresident students attending ISDs were classified as migrant. However, in FY 2015, a total of five nonresident migrant students were attending ISDs, three attending Caverna and two attending Glasgow.

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Districts receive transportation funding for transporting students who live 1 mile or more from school.

**Transportation.** Districts receive transportation funding for transporting students who live 1 mile or more from school. KRS 157.370(6) requires the chief state school officer to “determine the average cost per pupil per day of transporting pupils in districts having a similar density ...” It also states that “[n]o independent school district will receive an average cost per pupil per day in excess of the minimum received by any county district or districts.”

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KRS 157.370(4) allows for adjustment should districts authorize another district to transport students.

KRS 157.370(4) allows for adjustment should districts authorize another district to transport students. More specifically, it states that “if one (1) district authorizes another district to provide transportation services for a part of its area, this area shall be deducted from the area served by the authorizing district and added to the area served by the district actually providing the transportation.”

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Reciprocal agreements between county districts and ISDs typically specify which district will receive SEEK transportation credits.

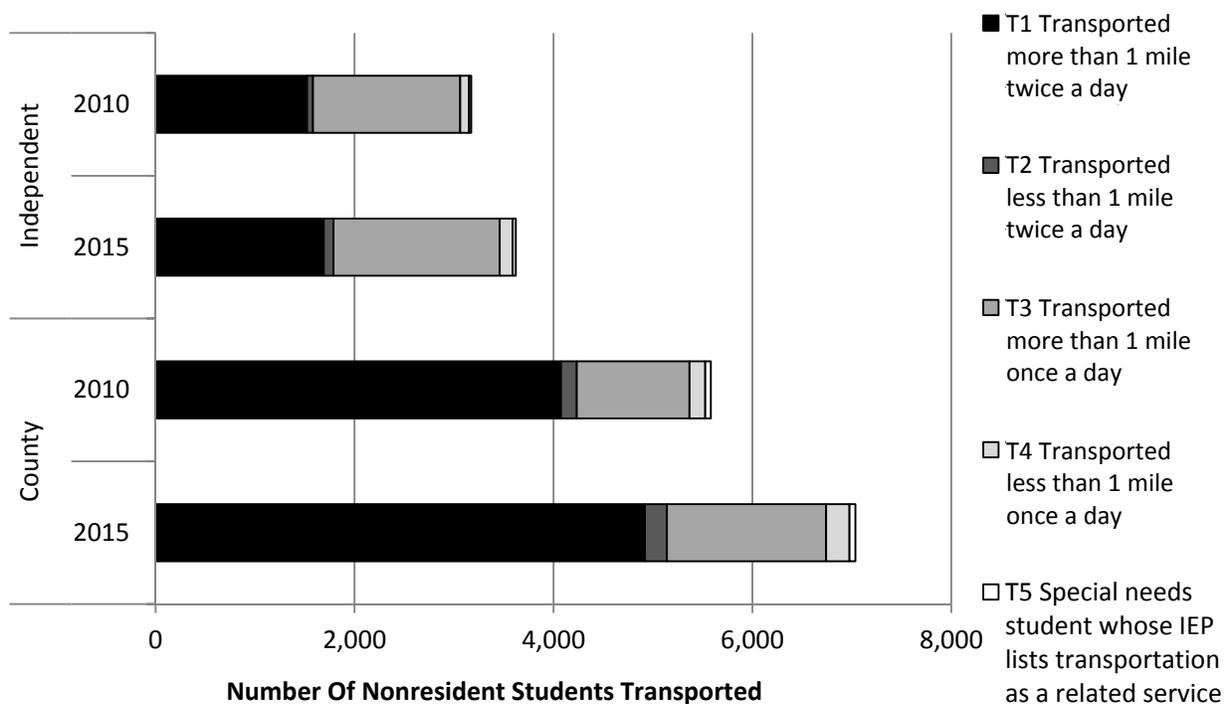
Reciprocal agreements between county districts and ISDs with respect to nonresident students typically specify which district will receive the SEEK transportation credit. Currently, reciprocal agreements are not maintained by KDE; if they were, they could provide additional information related to transportation credits and calculations of areas served. According to KDE, the department is not making consistent area adjustments.

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OEA identified ISDs that provide transportation to nonresident students.

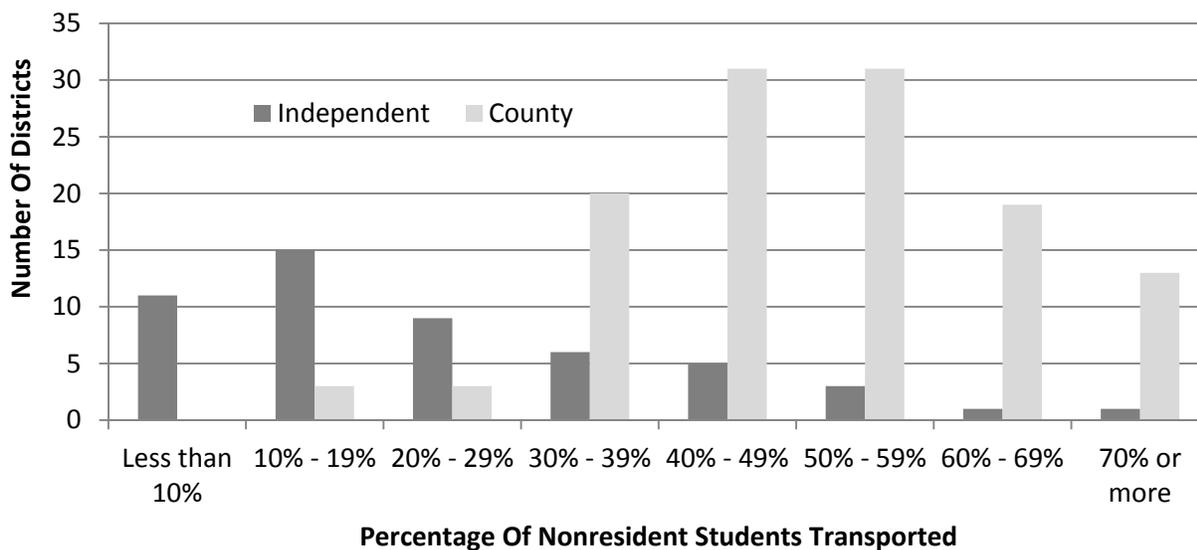
OEA’s analysis of transportation data within IC identified ISDs that provide transportation to nonresident students. Figure 3.H shows the number of nonresident students coded as being transported by receiving districts for FY 2015. Figure 3.I shows the percentage of coded nonresident students being transported for that year. Six ISDs reported not transporting any nonresident students during that year.

**Figure 3.H**  
**Distance And Frequency Of Transportation Provided For Nonresident Students**  
**FY 2010 And FY 2015**



Note: T1, T2, T3, T4, and T5 are codes used in IC; the legend provides a definition for each of these codes.  
Source: Staff analysis of data from the Kentucky Department of Education.

**Figure 3.I**  
**Percentage Of Nonresident Students Transported In FY 2015**



Source: Staff analysis of data from the Kentucky Department of Education.

According to the IC data for FY 2015, county districts transported a larger percentage of nonresident students than ISDs. County districts transported 7,035 nonresident students compared to ISDs transporting only 3,621 of their nonresident students.

Figure 3.H shows that, of the 3,621 nonresident students coded as being transported to ISDs in 2015, 1,690 were transported more than 1 mile twice a day and 1,671 were transported more than 1 mile once a day. Thirty students needed special transportation according to their IEPs.

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While districts are not funded for transporting students less than 1 mile, most districts still transport these students for safety reasons.

While districts are not funded for transporting students less than 1 mile, most districts still transport these students for safety reasons. According to the IC data about nonresidents transported less than 1 mile, ISDs transported 98 of these students twice a day and 132 students once a day.

---

Almost half of the ISDs transported less than 20 percent of their nonresident students in FY 2015.

Figure 3.I shows the number of districts by percentage of nonresident students being transported. Almost half of the ISDs were transporting less than 20 percent of their nonresident students in FY 2015. Jenkins was transporting the largest percentage of nonresident students (76 percent). Middlesboro was the next largest, with 60 percent.

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IC's transportation data may have some inaccuracies. IC data shows that 16 ISDs transported nonresident students, even though superintendents in those ISDs stated they do not provide transportation for nonresident students.

IC's transportation data may have some inaccuracies. When OEA asked ISDs whether they transport nonresident students, 30 of the 45 superintendents who responded said they do not. However, IC shows 16 of those 30 transporting nonresidents in FY 2015. Overall, of the approximately 3,600 nonresident students that IC shows ISDs transporting in FY 2015, more than 1,200 were from ISDs that told OEA they do not transport nonresident students.

Superintendents' responses indicated a variety of circumstances for transportation: just a few; nonresident students living on approved bus routes; nonresident students residing in an adjacent district; and any and all.

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KDE reviews student transportation related to special education (T5 code), as well as overlapping transportation codes, missing transportation codes, and verification of end dates on codes.

According to 702 KAR 5:010, Section 4, KDE "may make a district pupil transportation system survey or audit in any school district providing transportation for its pupils, or that is planning to provide transportation for its pupils." KDE, in its Attendance Review Program Form, reviews student transportation related to special education (T-5 code), as well as overlapping transportation codes, missing transportation codes, and verification of end dates on transportation codes. Finally, KDE recommends that individual student transportation codes be verified at least once a semester.<sup>46</sup>

### Recommendation 3.3

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#### Recommendation 3.3

**The Kentucky Department of Education, as it reviews student transportation, should also review reciprocal agreements to identify which districts are authorized to receive SEEK transportation credits to be calculated in accordance with KRS 157.370, as well as to ensure that district areas are adjusted pursuant to KRS 157.370(4).**

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Several ISD superintendents had comments and concerns related to transportation of students. Comments related to inadequate funding and concerns with the funding formula.

Several ISD superintendents had comments and concerns related to transportation of students. These concerns included statements that transportation funding is inadequate, that the funding formula itself is too difficult to understand, and that the funding formula creates unique issues for ISDs.

Some comments dealt with not receiving transportation funding for transporting students who live a mile or less from school. Some superintendents believe they should receive funds for transporting elementary students for less than a mile because inner city traffic and other hazards make safety a major concern for unaccompanied children.

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One superintendent stated that the district transports more than 2,000 students who live within a 2-mile radius.

One superintendent stated that the district transports more than 2,000 students who live within a 2-mile radius. The district receives no funding for students living 1 mile or less from school, and very little for students who live 2 miles away. In contrast, the superintendent stated, millions of dollars are given to parochial schools to transport nonpublic school children.

The remaining comments are tied directly to county districts transporting students in the ISD. It is more convenient for the county to drive through the city to transport nonresident students; however, some county districts are not allowing the ISDs to transport nonresident students in the county. One superintendent commented that if the ISD did try to transport nonresident students in the county, they would be held under the threat of nonrenewal. And if the ISD had more incoming students than outgoing to the county, the county district would threaten nonrenewal. A few ISD superintendents said that the county districts dictate how these agreements work.

## Chapter 4

### Revenue And Expenditures

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Chapter 4 examines taxes and total revenue and discusses revenue sources and their effect on ISDs.

This chapter examines total revenue generated by ISDs relative to the number of pupils they serve. It also discusses revenue sources and their effect on ISDs. On average, compared to other districts, ISDs take in slightly more revenue, primarily local revenue. Although ISDs generally have less taxable property, they are, on average, taxing themselves at higher rates.

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This chapter also discusses the willingness of ISD local boards to increase property tax rates over time.

This chapter also discusses tax rates reported for ISDs, and the willingness of local boards to increase tax rates over time, especially property tax rates. An analysis of statutory options available to local boards when annually approving property tax rates shows that, in the past 7 years, a majority of ISD boards have taken advantage of options that allow for higher increases.

OEA reviewed components of tax collection at the ISD levels, including who collects taxes, the rate charged for tax collections, and collection rates. ISDs have collection rates ranging between 90 percent and 100 percent. This chapter also shows some small differences between ISDs and other districts in spending patterns.

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On average, the percentage of expenditures attributed to transportation is lower in ISDs whereas the percentage of expenditures associated with district administration is higher.

The chapter also analyzes percentages of total expenditures attributed to different functions in ISD and county districts. On average, the percentage of expenditures on transportation is lower in ISDs, whereas expenditures on district administration are higher. Higher percentages of expenditures on district administration are associated with small district size in both ISD and county districts.

### Revenue

#### Total Revenue

To compare the amount of revenue taken in by districts relative to the pupils they serve, staff divided total district revenue in FY 2014 by the average daily attendance of pupils in each district.

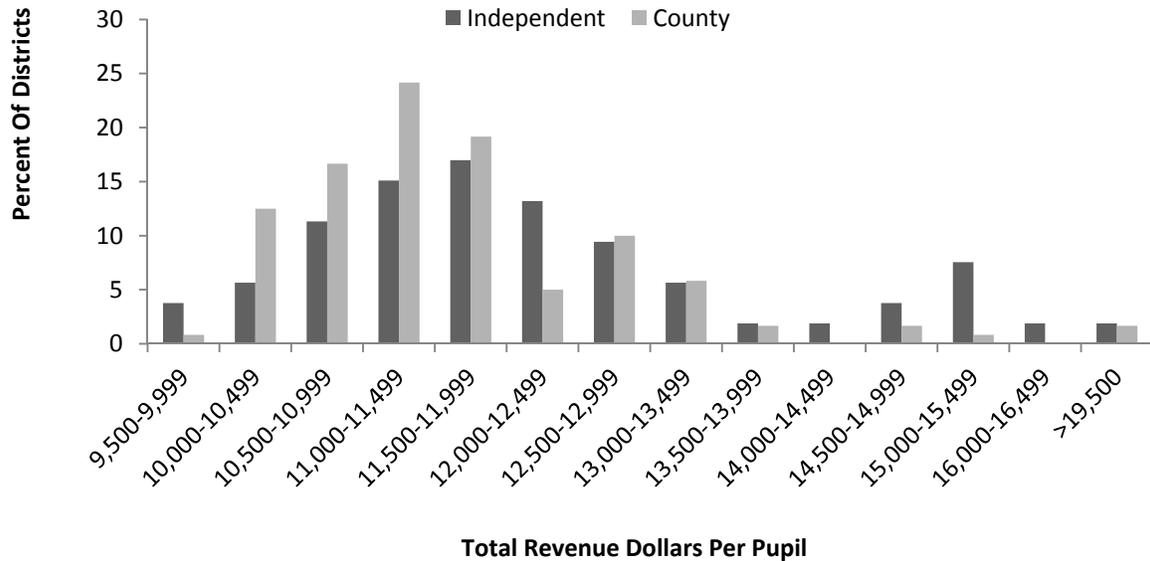
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On average, ISDs take in more total revenue than county districts.

Figure 4.A shows the percentage of independent and county school districts in different per-pupil revenue ranges. As the figure shows, both independent and county school districts can be found among the lowest and highest in the state. On average, however, the total

revenue taken in by ISDs (\$12,358) was slightly higher than the total revenue taken in by county districts (\$11,727).

**Figure 4.A**  
**Total Revenue Per Pupil, FY 2014**  
**Percentage Of Independent And County School Districts**



Note: This figure shows the number of independent and county districts in each range as a percentage of all districts. ISDs are shown as a percentage of 53 total independent school districts, and counties are shown as a percentage of 120 county districts.

Source: Staff analysis of data from the Kentucky Department of Education.

### Sources Of Revenue

District revenue comes from state, local, federal, and other sources.

As described in Table 4.1, district revenue comes from state, local, federal, and other sources. The proportion of revenue from each source varies among districts.

**Table 4.1  
Sources Of District Revenue**

<b>Source</b>	<b>Description</b>
State	Primarily from Support Education Excellence in Kentucky (SEEK) funds that provide per-pupil funding and funding for students who require additional services, such as students living in poverty and special education students. The state portion of SEEK funding varies by district wealth; less wealthy districts receive more state SEEK funds per pupil. Additional sources include on-behalf payments for teacher retirement and health care funds and state grants (for example, for textbooks, professional development, and preschool).
Local	Primarily from taxes on assessable property; property taxes are the largest source.
Federal	From a variety of programs administered by the United States Department of Education but predominantly from Title I programs that support education of students living in poverty, and Individuals With Disabilities Education Act funds that support special education programs.
Other	Largest source of other revenue are bond proceeds to support construction, interest, and indirect costs.

Source: Staff analysis of data from the Kentucky Department of Education.

### **Per-Pupil Revenue By Source**

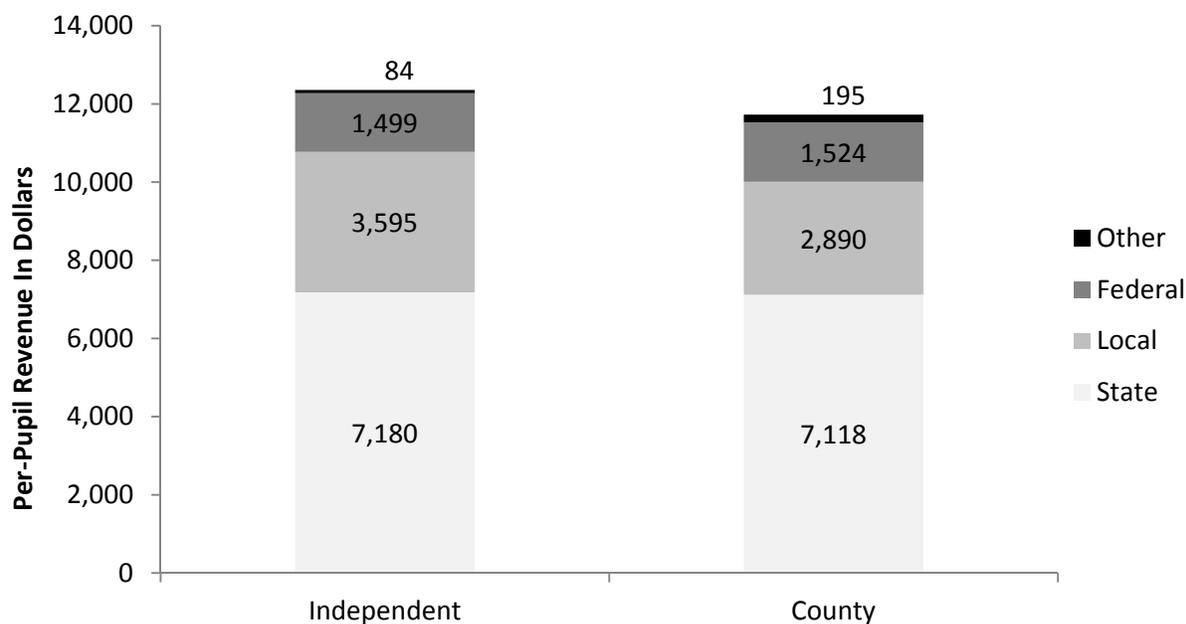
As with total revenue, ISDs vary in the total amount of per-pupil revenue they take in from each revenue source, with some ISDs receiving much more revenue from state versus local sources and others receiving revenue primarily from local sources.

On average, ISDs take in \$600 more in total revenue than do county districts. ISDs take in an average of \$700 more in local revenue and \$90 less in “other” revenue than do counties.

Figure 4.B shows the average per-pupil revenue received by districts from state, local, federal, and other sources. On average, ISDs take in about \$600 more in total revenue than do county districts. The discrepancy is due primarily to differences in local revenue. While average state and federal revenue are similar, ISDs take in an average of \$700 more in local revenue and \$90 less in “other” revenue than do counties.<sup>k</sup>

<sup>k</sup> On average, ISDs take in less “other” revenue than counties, primarily because ISDs are less likely than districts to take out bonds to support new construction and other large projects.

**Figure 4.B**  
**Average Per-Pupil Revenue By Source, FY 2014**  
**Independent And County School Districts**



Source: Staff analysis of data from the Kentucky Department of Education

### Sources Of Local Revenue

Total amount of revenue from local taxes reflects a combination of the value of a district's taxable assets and the tax rates levied for those assessments as approved by local school boards.

The total amount of revenue generated from local taxes reflects a combination of the value of a district's taxable assets, as measured by a district's property assessments, and the tax rates levied for those assessments as approved by local school boards. Statewide, the majority of local revenue—about 70 percent in FY 2014—is generated by taxes on real estate property. In most counties, the remainder of local tax revenue comes from motor vehicle taxes and a combination of utility taxes, occupational taxes, taxes on tangible property of businesses and personal service corporations, and various other taxes.<sup>1</sup>

The levied equivalent tax rate conversion is the district's total tax revenue divided by its total assessments.

Because local districts use different combinations of taxes, KDE converts local efforts into a standardized tax rate called the levied equivalent tax rate. The rate is the district's total tax revenue divided by its total assessments.

<sup>1</sup> Statewide, utility and occupational taxes comprise the next largest source of local taxes after real estate taxes, but these taxes are not collected by all districts. All but 15 districts—9 of which are ISDs—collect utility taxes. Only 10 districts collect occupational taxes, but these include the state's two largest, Jefferson and Fayette Counties. Anchorage is the only ISD that collects an occupational tax.

ISDs have less taxable property but tax that property at higher tax rates. ISDs have, on average, \$42,000 less in per-pupil property assessment.

Table 4.2 compares per-pupil assessments and tax rates for ISDs and county districts. While ISDs have less taxable property, they tax that property at higher rates. ISDs have, on average, about \$42,000 less in per-pupil property assessment. Their average levied equivalent tax rate is higher (86 cents per \$100 of taxable property, compared to 63 cents in county districts). Their average real estate taxes are much higher (74 cents versus 41 cents in county districts) and motor vehicle taxes are also higher.

**Table 4.2**  
**Average District Property Assessment And Local Taxes,**  
**FY 2014**

	<b>Per-Pupil Property Assessment</b>	<b>Levied Equivalent Rate</b>	<b>Real Estate Rate</b>	<b>Motor Vehicle Rate</b>
Independent	\$351,031	86	74	64
County	\$393,145	63	41	51

Note: Tax rates represent the cents collected in taxes per \$100 of taxable property in each category. The table includes real estate and motor vehicle tax rates because these are collected from every district. Other categories of taxes, such as tangible property, utility, and occupational taxes, are not collected in every district.

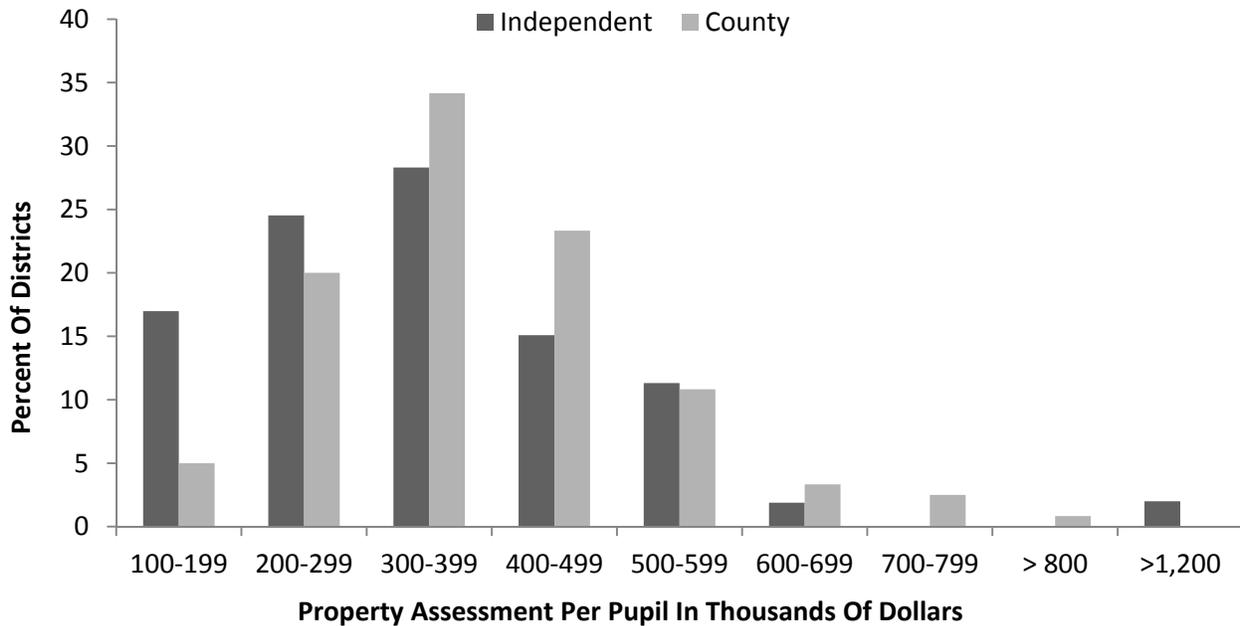
Source: Staff analysis of data from the Kentucky Department of Education.

To illustrate variations among districts, Figure 4.C shows the percentage of independent and county school districts in various ranges of property assessments per pupil in FY 2014. The figure shows a larger percentage of ISDs in the lowest property assessment range.

Nine ISDs had per-pupil property assessments between \$100,000 and \$200,000, compared to six county districts.

Nine ISDs (17 percent) had per-pupil property assessments between \$100,000 and \$200,000, compared to six county districts (5 percent). The district with the state's highest property assessment per pupil is an ISD.

**Figure 4.C**  
**Property Assessment Per Pupil, FY 2014**  
**Percent Of Independent And County School Districts**

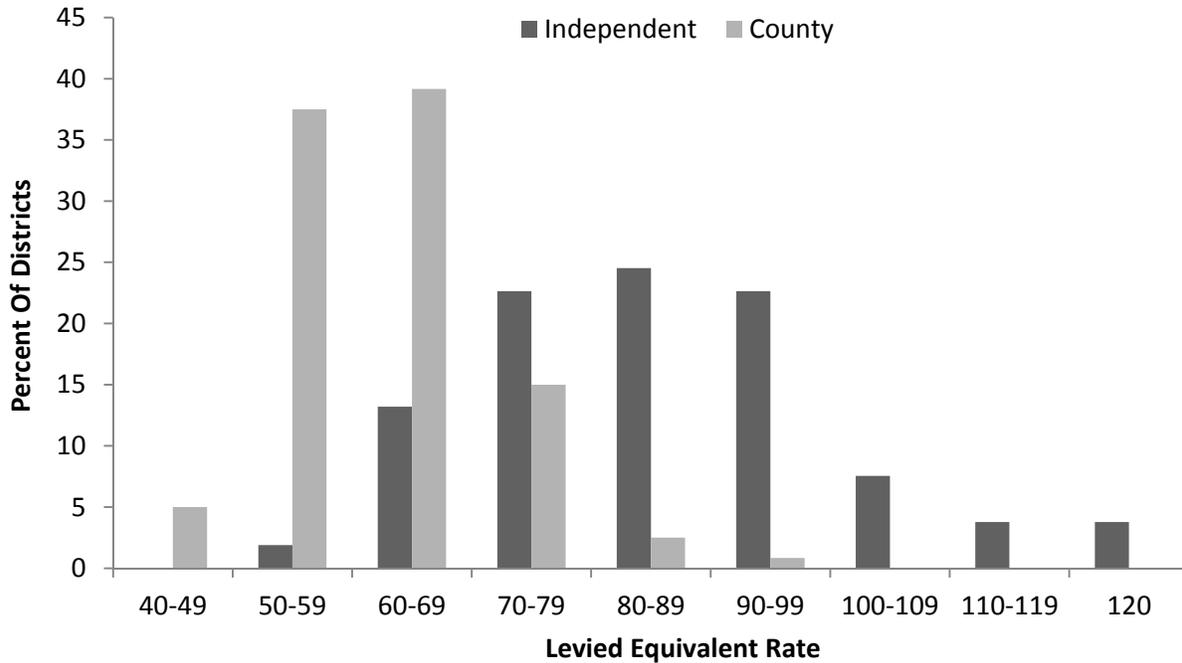


Source: Staff analysis of data from the Kentucky Department of Education.

In FY 2014, 2 percent of ISDs had levied equivalent rates less than 60 cents per \$100, compared to 43 percent of county districts. In contrast, 16 percent of ISDs had equivalent tax rates above 99 cents, but no county districts did.

In contrast, Figure 4.D shows a smaller share of ISDs in the lower levied equivalent tax ranges and a larger share in the higher tax ranges. In FY 2014, districts with levied equivalent rates less than 60 cents per \$100 included 51 county districts but only one ISD (2 percent of ISDs versus 43 percent of counties). In contrast, 16 percent of ISDs had equivalent tax rates above 99 cents, but no county districts did.

**Figure 4.D**  
**Levied Equivalent Tax Rate, FY 2014**  
**Percent Of Independent And County School Districts**



Note: Tax rates represent the cents collected in taxes per \$100 of taxable property.

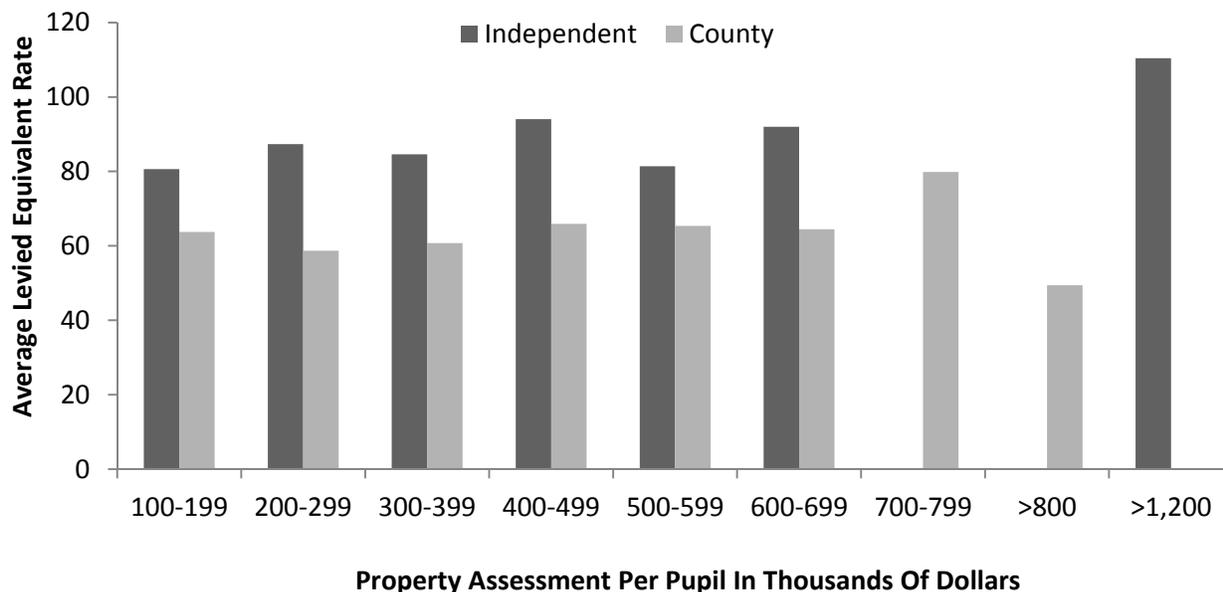
Source: Staff analysis of data from the Kentucky Department of Education.

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ISDs in every range of property wealth are, on average, levying higher taxes than county districts with similar property wealth.

Figure 4.E shows that ISDs in every range of property wealth are, on average, levying higher taxes than are county districts with similar property wealth.

**Figure 4.E**  
**Average Equivalent Tax Rates By Property Assessment Range**  
**Independent And County School Districts, FY 2014**



Source: Staff analysis of data from the Kentucky Department of Education.

### Superintendent Comments About Property Assessments And Tax Burdens

About half of ISD superintendents submitting comments stated that revenue challenges confront ISDs. Challenges relate to limited potential for land development within their districts' boundaries.

About half of ISD superintendents submitting comments for this study identified revenue challenges confronting ISDs because of the limited potential for land development within their districts' boundaries. Local revenue relies primarily on property assessments, especially real estate and tangible property of businesses. This presents a unique problem for ISDs, in which much of the land is occupied by nontaxable property, reducing availability of property for development.

Several superintendents noted the disproportionate amount of nontaxable public property in ISDs, the lack of compensation to ISDs for nontaxable property, and tradeoffs inherent to development in smaller districts.

Several superintendents noted the disproportionate amount of nontaxable public property in ISDs, the lack of compensation to ISDs for this nontaxable property, and tradeoffs inherent to development in smaller districts. In the words of one superintendent:

The biggest issue we have is that the boundaries haven't been changed since the '50s while growth—both residential and industrial—has moved outside the district boundaries to new subdivisions and industrial parks. The hospital, the university, the parks, the public libraries, etc. are all in our district—all non-tax-paying entities. When these

organizations expand, they buy up homes taking property off the tax roll and taking away homes for families to reside. All of these organizations serve the entire county and perhaps region but the financial impact is on our district.

Several superintendents also noted that they do not receive “in lieu of” taxes for government, religious, and other public-use facilities in their districts.

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Because growth in taxable property is limited in many ISDs, revenue can be increased only by increasing the levels at which this property is taxed.

Because growth in taxable property is limited in many ISDs, revenue can be increased only by increasing the levels at which this property is taxed. Superintendents noted the burden this creates on local taxpayers and also the public relations challenges posed to ISDs that must raise revenue in order to survive but can do so only through increased taxation.

### **Rates Levied**

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The section that follows describes the statutory options available to local boards when approving property tax rates annually. It shows that, in the last 7 years, the majority of ISD boards have taken advantage of options that allow for higher increases.

The tax rates reported for ISDs in the preceding section reflect the willingness of local boards to increase tax rates over time, especially property tax rates. The section that follows describes the statutory options available to local boards when approving property tax rates annually. It shows that, in the last 7 years, the majority of ISD boards have taken advantage of options that allow for higher increases.

### **Effects Of Taxation Decisions**

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KRS 160.455 gives tax-levying authority for public schools to local boards of education.

KRS 160.455 gives tax-levying authority for public schools to local boards of education. These boards decide each year which rate to levy on real estate and personal property. Real estate taxes are assessed on land, buildings, and improvements thereon, including real property of public service corporations.

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KDE calculates four separate tax rates, including the House Bill 44 tax rate for the compensating rate, subsection (1) rate, 4 percent increase rate, and House Bill 940 tax rate.

Personal property encompasses inventory and equipment used in the operation of a business, including personal property of public service corporations. KDE calculates four separate tax rates for each district pursuant to current laws, after the Kentucky Department of Revenue and local PVAs report the assessed value of property subject to taxation. The four tax rate levies sent to districts are the House Bill 44 tax rate for the compensating rate, subsection (1) rate, 4 percent increase rate, and House Bill 940 tax rate. Each rate is described below.

## Compensating Tax Rate

The compensating tax rate allows boards to collect the same amount of property taxes as they did in the prior year.

Local boards can levy the compensating tax rate without a public hearing, and it is not subject to a recall vote. This rate allows boards to collect the same amount of property taxes as they did in the prior year, but is based on current property assessments.

## Subsection (1) Tax Rate

The subsection (1) tax rate may generate no more revenue than the prior year's maximum rate certified to districts.

This rate, which is subject to a hearing and a recall vote, may generate no more revenue than the prior year's maximum rate certified to districts.

## 4 Percent Tax Rate

The 4 percent tax rate will produce 4 percent more revenue than the compensating rate.

This tax rate is subject to a public hearing but no recall vote. If districts adopt this property tax rate, it would produce 4 percent more revenue than the compensating tax rate.

## House Bill 940 Tax Rate (Tier I Property Tax Rate)

The House Bill 940 tax rate collects revenue that qualifies districts for maximum Tier I equalization and is dependent on a mix of levied taxes.

This tax rate is subject to neither a public hearing nor a recall vote. It collects revenue that qualifies districts for maximum Tier I equalization and is dependent on a mix of levied taxes that could include real estate, personal property, and motor vehicle taxes; permissive taxes on utilities; and occupational and excise taxes.

## Other Rate

This is a tax rate that would produce more than the compensating rate but less than the maximum allowed increase.

Approximately 60 percent of ISDs took advantage of the 4 percent tax increase over the past 2 years. Except for FY 2009, a larger percentage of ISDs took the 4 percent increase than did county districts.

As reflected in Table 4.3, approximately 60 percent of ISDs took advantage of the 4 percent tax increase over the past 2 years. Between FY 2009 and FY 2015, 14 ISDs levied the 4 percent tax rate every year. During this period, Jackson ISD levied the compensating rate every year; however, the 4 percent tax increase is only \$6,000 per year for Jackson ISD. Except for FY 2009, a larger percentage of ISDs took the 4 percent increase than did county districts.

**Table 4.3**  
**Tax Rates Levied For ISDs**  
**FY 2009-FY 2015**

<b>Fiscal Year</b>	<b>Number of ISDs Levying Each Rate</b>				
	<b>Compensating</b>	<b>4%</b>	<b>Sub (1)</b>	<b>HB 940</b>	<b>Other</b>
2015	14	31	0	0	8
2014	15	33	1	1	3
2013	16	29	1	0	7
2012	13	31	1	0	8
2011	14	31	1	3	4
2010	14	28	1	2	8
2009	15	32	1	0	5

Source: Staff analysis of data from the Kentucky Department of Education.

Another perspective on this information is the lost opportunity of additional revenue for ISDs that levy the compensating or “other” rate instead of the 4 percent rate. The lost opportunity for all ISDs totaled \$2.2 million in FY 2014.

Another perspective on this information is the lost opportunity of additional revenue for ISDs that levy the compensating or “other” rate instead of the 4 percent rate. Appendix E shows the breakdown of the amount each of the four tax rates would have generated for each ISD based on the four different tax rates mentioned earlier. For FY 2014, the amount ranged from \$6 for Jenkins to \$639 for Covington. Lost opportunity for all ISDs totaled \$2.2 million in FY 2014.

A previous OEA study provided a detailed analysis of how tax rates are assessed and interact with the SEEK formula.<sup>47</sup>

### Collection Of Taxes

According to KRS 160.500, the sheriff shall collect school taxes for county districts. However, ISDs have the option to use the sheriff, the city, or a special tax collector. The commission charged shall not be less than 1.5 percent or more than 4 percent.

According to KRS 160.500, the sheriff shall collect school taxes for county districts. However, ISDs have the option to use the sheriff, the city, or a special tax collector. KRS 160.505 provides an alternative to authorize a board of education to appoint a person who shall be responsible for collection and administration of school taxes.

The board may require the position to be part time or full time, and the position shall be bonded. The commission charged shall not be less than 1.5 percent or more than 4 percent. The county clerk shall collect the motor vehicle taxes for both types of district, and the commission is set at 4 percent.

### Who Collects And Commission Rate

Of the 53 ISDs, 10 collect their own property taxes, 29 use the sheriff's office, 13 use the city, and 1 uses a special tax collector.

Of the 53 ISDs 10 collect their own property taxes, 29 use the sheriff's office, 13 use the city, and 1 uses a special tax collector. Owensboro is the only district using a special tax collector, and the rate it charges is 4 percent. Elizabethtown's sheriff is charging less than the allowed statute, at 1.4 percent, and Somerset's sheriff charges a flat fee of \$25,000 to collect taxes.

Of 42 ISDs analyzed, 5 (12 percent) are being charged the maximum of 4 percent commission rate. Eighteen (43 percent) are paying 2 percent or less in property collection commission.

Table 4.4 shows the ISDs' commission rates and the number of districts paying each rate. Of 42 ISDs analyzed, 5 (12 percent) are being charged the maximum of 4 percent commission rate for collecting property taxes. Eighteen (43 percent) are paying 2 percent or less in property collection commission. Because Caverna spans two counties, it has two sheriff's offices collecting property taxes; the Barren County sheriff's office charges 2.75 percent, and the Hart County sheriff's office charges 2.25 percent.

**Table 4.4**  
**Percent Commission Charged To ISDs, FY 2014**

Percent Commission	Number Of ISDs
1.5	9
1.55	1
1.62	1
2.0	7
2.25	4
2.5	4
2.75	3
3.0	7
3.5	1
4.0	5

Source: Staff analysis of data from the Kentucky Department of Education.

### Collection Rate

KDE tracks the real estate and personal property collection rate and the motor vehicle collection rate for each district. The lowest collection rate for an ISD was 90.8 percent.

KDE tracks the real estate and personal property collection rate and the motor vehicle collection rate for each district. Table 4.5 shows the number of ISDs along with the percent of taxes collected on real estate and personal property. Most are high, although a few are less than 95 percent.

The lowest collection rate for an ISD was 90.8 percent. This district is also being charged a 4 percent commission rate by the sheriff, the highest commission permitted by law.

Of the 10 districts that collect their own taxes, none have a collection rate under 95 percent.

Of the 10 districts that collect their own taxes, none have a collection rate under 95 percent. Five county districts have a lower property collection rate than the ISDs; these districts' rates ranged from 68.0 to 88.6 percent.

Seventeen ISDs had a 100 percent or greater real estate and personal property collection rate.

Seventeen ISDs had a 100 percent or greater real estate and personal property collection rate. East Bernstadt had the largest real estate and personal property collection rate of 144.60 percent, while the other ISDs that were more than 100 percent topped out at 108.80 percent.

The reason East Bernstadt's collection rate is so high is that a factory located within the district does not pay taxes, except for the school tax. The amount of real estate and personal property taxes East Bernstadt received from this factory in FY 2014 was \$37,679.

**Table 4.5**  
**Real Estate And Personal Property Collection Rate, FY 2014**

<b>Real Estate And Personal Property Collection Rate</b>	<b>Number Of Districts</b>
90.8–92.9	2
93.0–94.9	6
95.0–95.9	4
96.0–96.9	5
97.0–97.9	4
98.0–98.9	7
99.0–99.9	7
100 or greater	18

Source: Staff analysis of data from the Kentucky Department of Education.

Table 4.6 reflects the collection rate on motor vehicle taxes. Fifteen ISDs had motor vehicle collection rates greater than 100 percent. West Point had the highest, at 254.7 percent, and Harlan was the lowest with a 76.9 percent collection rate in FY 2014. However, a county district had a higher collection rate than West Point (258.8 percent), and another county district had a lower rate than Harlan (73.7 percent).

**Table 4.6**  
**Motor Vehicle Collection Rate, FY 2014**

<b>Collection Rate</b>	<b>Number Of Districts</b>
76.9–83.9	2
84.0–87.9	2
88.0–89.9	5
90.0–92.9	12
93.0–95.9	8
96.0–97.9	6
98.0–99.9	3
100 or greater	15

Source: Staff analysis of data from the Kentucky Department of Education.

### Local Grants, Donations, And Tuition And Fees

#### Local Grants And Donations

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ISDs generate revenue from various local grants and donations.

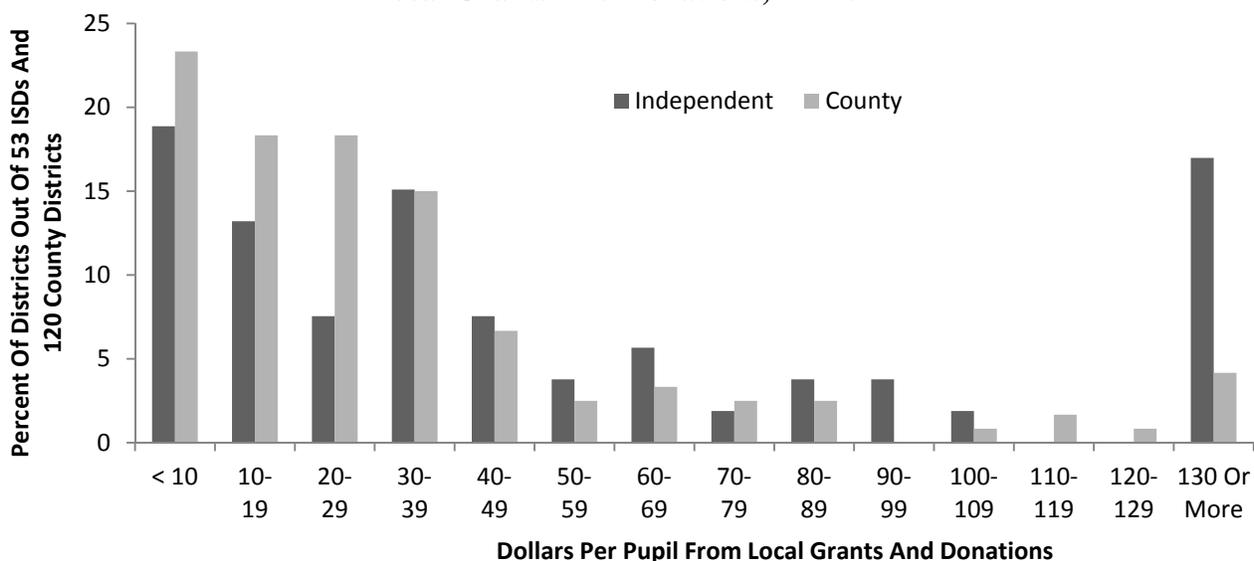
Revenue is generated from various local grants. WHAS Crusades for Children; United Way; local county governments; companies such as Toyota, Wal-Mart, and Target; and even Kentucky colleges give local grants to boards of education.

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In FY 2014, nine ISDs received \$130 or more per pupil from local grants and donations.

Donations to districts come from several sources such as the PTA/PTO, booster clubs, individuals, donations to the family resource youth service center, and private donations for professional development. Figure 4.F illustrates the variation among districts in per-pupil revenue from local grants and donations. In FY 2014, districts receiving \$130 or more per pupil from local grants and donations included nine ISDs but only five county districts (17 percent of ISDs versus 4 percent of county districts). Seven ISDs received no local grant/donation revenue. Of the ISDs that did receive local grants/donations in FY 2014, Danville received the largest per-pupil amount at \$428.14. Pineville received the least, at \$4.75 per pupil.

**Figure 4.F**  
**Local Grants And Donations, FY 2014**



Source: Staff analysis of data from the Kentucky Department of Education.

**Donations For Construction (Fund 360)**

From FY 2012-FY 2014, six ISDs received construction donations ranging from \$435 up to \$1.4 million.

In FY 2012, FY 2013, and FY 2014, a total of 19 districts received donations for construction projects. Six were ISDs, and 13 were county districts. As Table 4.7 shows, Fort Thomas received the largest donations over these 3 years, in the amount of \$2,136,519.

**Table 4.7**  
**Construction Donations For ISDs, FY 2012–FY 2014**

ISD	FY 2012	FY 2013	FY 2014
Ashland	\$0	\$0	\$336,000
Beechwood	\$20,000	\$3,071	\$18,310
Bowling Green	\$0	\$0	\$33,175
Fort Thomas	\$1,441,000	\$45,519	\$650,000
Murray	\$0	\$0	\$10,000
Russell	\$435	\$0	\$0
Total	\$1,461,435	\$48,590	\$1,047,485

Source: Staff analysis of data from the Kentucky Department of Education.

**Revenue From State SEEK (Nonresident Students), Tuition, And Fees**

District revenue from nonresident students comes primarily from state SEEK revenue; the remainder is from tuition and fee payments.

District revenue from nonresident students comes primarily from state SEEK revenue; the remainder is from tuition and fee

payments.<sup>m</sup> Tuition payments include those for nonresident students as well as for preschool students who did not qualify for state-funded preschool. Fees include transportation fees from nonpublic schools, fiscal courts, and other government sources.

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Thirty-three of the 53 ISDs had revenue recorded in the tuition and fee revenue codes for FY 2014. This ranged from \$400 for Williamsburg to \$872,929 for Fort Thomas.

Thirty-three of the 53 ISDs had revenue recorded in the tuition and fee revenue codes for FY 2014. This ranged from \$400 for Williamsburg to \$872,929 for Fort Thomas. Per-pupil revenue ranged from 55 cents to \$349.12. Of the 10 districts that received more than \$100 per pupil in tuition and fees, 8 were ISDs and 2 were county districts.

As explained in Chapters 2 and 3, state SEEK payments are made for a nonresident student only when the student's district of residence has made a contractual arrangement with the nonresident district, releasing the student's ADA to the nonresident district. Some districts charge tuition payments only for students for whom there is no contractual arrangement, while others also charge tuition for students covered by contracts. Depending on the contractual arrangements between districts, tuition is paid either by the local board of the student's resident district or by the student's parents or guardians.

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The calculations of nonresident revenue presented in this chapter are based on net nonresident enrollment.

As reported in Chapter 3, some ISDs experience a net loss in student enrollment as a result of nonresident students because the number of resident students who enroll in other districts exceeds the number of nonresident students enrolled in the district. The calculations of nonresident revenue presented in this chapter are based on net nonresident enrollment and therefore include a net loss of SEEK revenue in some districts.

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The overwhelming majority of revenue received by ISDs for nonresident students comes from SEEK payments. In 2014, ISDs received approximately \$27.7 million in revenue from state SEEK payments and \$3.3 million in tuition payments.

The overwhelming majority of revenue received by ISDs for nonresident students comes from SEEK payments. In 2014, ISDs received approximately \$27.7 million in revenue from state SEEK payments and \$3.3 million in tuition payments.<sup>n</sup> State SEEK funding accounted for about 89 percent of total nonresident net

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<sup>m</sup> Others sources include state grant funding for programs that are based on ADA, but these account for a small percentage of revenue from nonresident students.

<sup>n</sup> This figure reflects the total revenue from state SEEK funds received by ISDs, minus the state SEEK funds lost by ISDs for residents enrolling in other districts. Per-pupil state SEEK funds for each district were calculated by adding the state portion of the guaranteed base (the total base minus the 30-cent local effort), the per-pupil state Tier I funds, Facilities Support Program of Kentucky funds, capital outlay, and the average per-pupil add-on for each ISD. Total nonresident SEEK funds per district were calculated by multiplying total state funds by the number of nonresident contract students enrolled in each ISD.

revenue in 2014, and tuition payments accounted for about 11 percent.<sup>o</sup>

### **Nonresident Revenue From SEEK**

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In 2014, Bowling Green, which enrolls a net of 860 nonresident students, received the highest amount of SEEK nonresident revenue (approximately \$3.7 million).

In 2014, Bowling Green, which enrolls a net of 860 nonresident students, received the highest amount of SEEK nonresident revenue (approximately \$3.7 million). The median amount of SEEK nonresident revenue for ISDs was approximately \$473,000. Eleven ISDs experienced a net loss of SEEK revenue in 2014. Middlesboro, with a net loss of 393 resident students, lost approximately \$1.8 million in SEEK revenue.

### **Nonresident Revenue From Tuition**

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In 2014, Fort Thomas received the highest total amount from tuition revenue (\$1.7 million) whereas 17 districts took in no tuition revenue.

In 2014, Fort Thomas received the highest total amount from tuition revenue (\$1.7 million) whereas 17 districts took in no tuition revenue. The median amount of tuition taken in by ISDs was \$4,805. The analysis presented in this chapter does not take into account the loss in revenue experienced by ISDs in which the local board pays tuition on behalf of resident students; these data were not submitted to OEA in connection with this study.

### **Nonresident Revenue As A Percentage Of Total Revenue**

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In three districts, the revenue from nonresident students exceeded 20 percent of total district revenue.

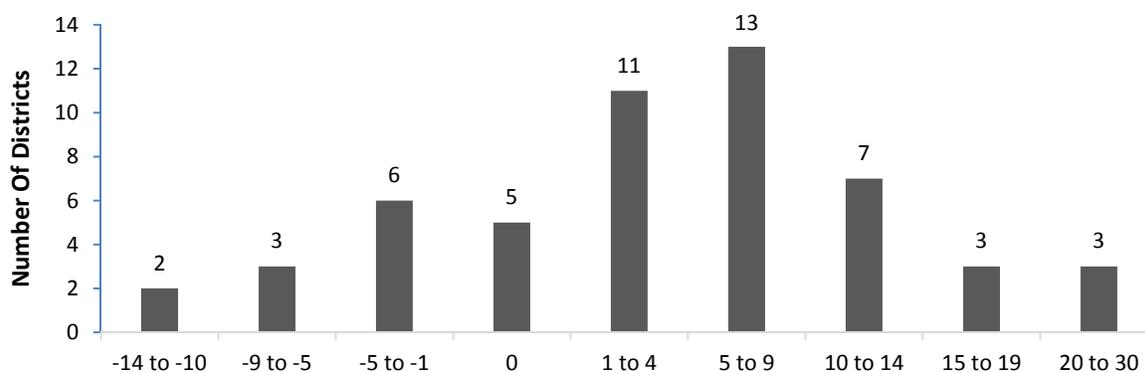
Figure 4.G shows the net gain or loss of total revenue for nonresident students (SEEK plus tuition) as a percentage of all revenue in individual ISDs in 2014. In three districts, the revenue from nonresident students exceeded 20 percent of total district revenue. Of these, Pineville was the highest at 28 percent. In 13 districts (about one-quarter of all ISDs), revenue from nonresident students was 10 percent or more of total revenue. Two districts experienced a loss of greater than 10 percent in total revenue. Of these, Middlesboro lost the most, at 13 percent. On average, revenue from nonresident students accounted for about 5 percent of total revenue in ISDs in 2014.

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<sup>o</sup> Tuition includes revenue object code 1300-1499. When possible, staff deleted revenue records for day care, school activity funds, and class fees. The revenue does not only include nonresident tuition. It may include some tuition fees from districts that have preschool children who are charged tuition, as well as tuition from other school districts or government sources.

SEEK revenue was calculated from the KDE SEEK spreadsheets, and include average per-pupil SEEK add-ons. Calculations presented in this figure are based on net enrollment of nonresident students and therefore take into account SEEK revenue that are lost by some districts when their residents enroll in other districts.

**Figure 4.G**  
**Net Gain/Loss Nonresident Revenue As A Percentage Of Total Revenue, FY 2014**



**Net Gain/Loss Nonresident Revenue As A Percentage Of Total Revenue**

Note: This figure takes into account net loss of SEEK revenue but does not take into account tuition payments made from some ISDs to other districts.

Source: Staff analysis of data from the Kentucky Department of Education.

## Expenditures

In FY 2014, the per-pupil current expenditure was about \$700 more in ISDs than in county districts (\$10,976 versus \$10,262).

As with district revenue, ISDs vary in the amount they spend per pupil; ISDs can be found among the lowest and highest per-pupil spenders in the state. In FY 2014, the per-pupil current expenditure was about \$700 more in ISDs than in county districts (\$10,976 versus \$10,262).

Table 4.8 shows the average percentage of district current expenditures attributed to functions such as instruction, administration, and transportation in FY 2014.<sup>P</sup> In most categories, ISDs did not, on average, differ substantially from county districts in the percentage of current expenses attributed to different functions. In both ISDs and county districts, the majority of current expenses were attributed to instruction, though the percentage ISDs spent on instruction (59 percent) was slightly higher than was the percentage for counties (57 percent).

On average, ISDs spent twice as much on district administration. The percentage of expenditures attributed to transportation was much lower in ISDs.

As a group, ISDs differ from county districts in the percentages spent on district administration and transportation. On average, ISDs spent twice as much on district administration (6 percent of current expenses, compared to 3 percent in county districts). The

<sup>P</sup> Current expenditures are those associated with the day-to-day operation of schools and districts and do not include expenditures associated with debt or capital outlay such as funds spent on school construction or renovation. Current expenses also exclude adult education and other programs not directly associated with prekindergarten through 12<sup>th</sup>-grade students.

percentage of expenditures attributed to transportation was much lower in ISDs (3 percent) than in county districts (7 percent).

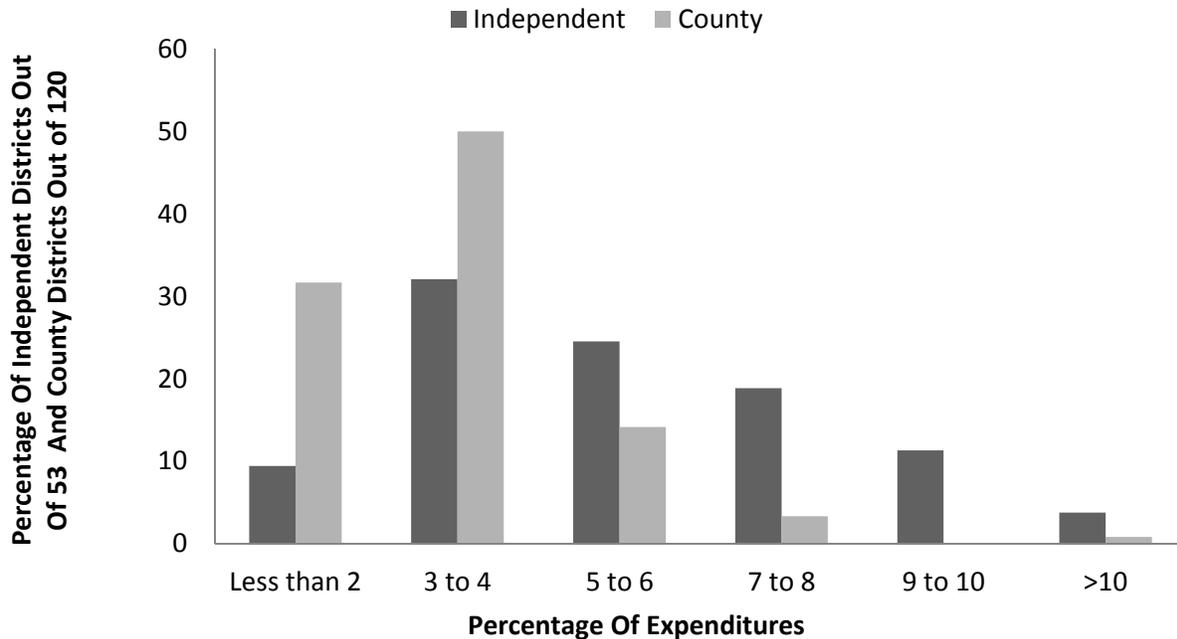
**Table 4.8**  
**Average Percentage Of Current Expenditures**  
**By Function, FY 2014**  
**Independent And County School Districts**

<b>Expense By Function</b>	<b>Independent</b>	<b>County</b>
Instruction	59	57
Instructional support	8	9
District administrative support	6	3
School administrative support	6	5
Business support	3	2
Plant support	9	9
Transportation	3	7
Food service	6	7

Source: Staff analysis of data from the Kentucky Department of Education.

Figure 4.H shows the percentage of county and independent school districts in various ranges of spending on district administration. The figure shows that the majority of ISDs spend 5 percent or more on district administration and that about one-third spend more than 7 percent. In contrast, only a small percentage of county districts spend 5 percent or more on district administration.

**Figure 4.H**  
**Percentage Of Current Expenditures On District Administration Support**  
**Independent And County School Districts**



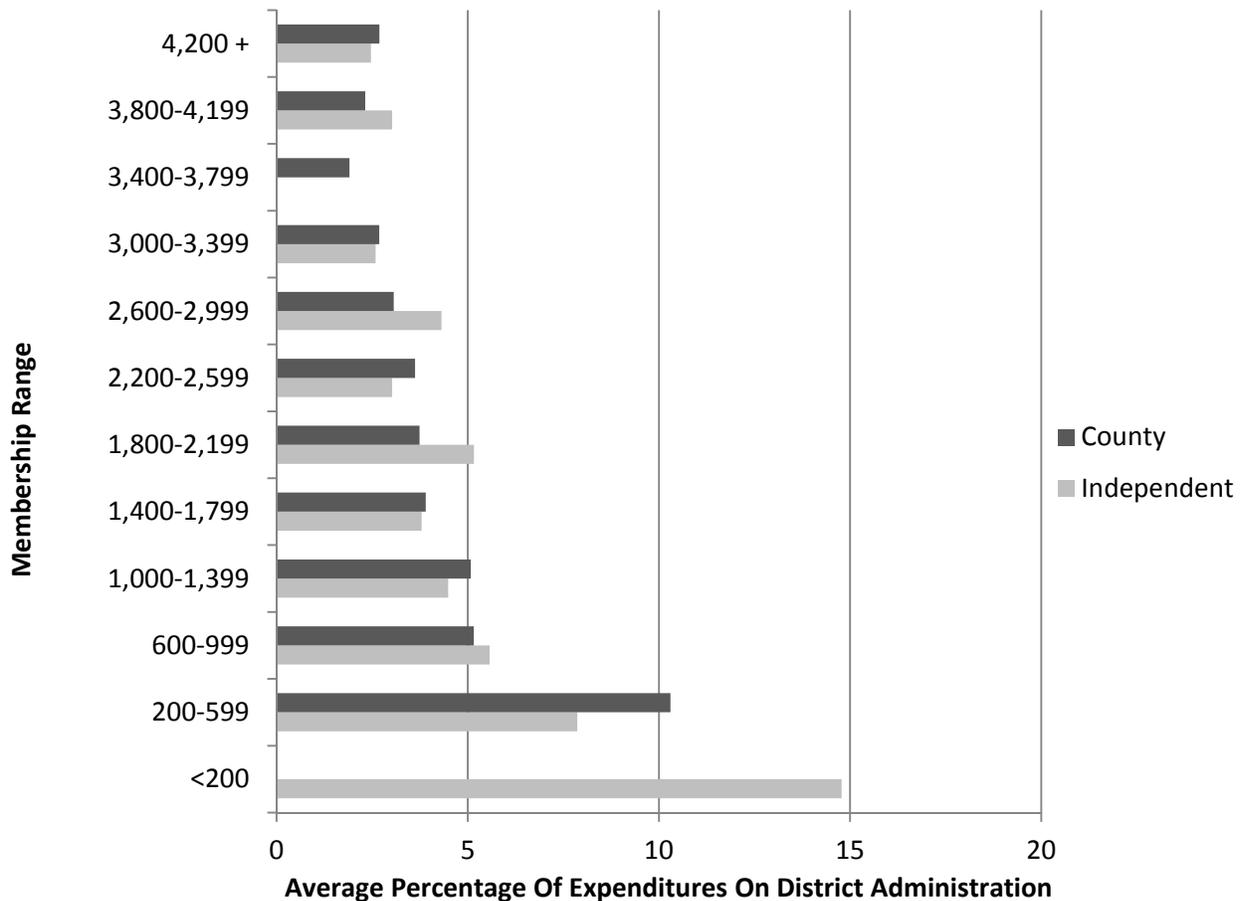
Note: Percentages are rounded to the nearest whole number.

Source: Staff analysis of data from the Kentucky Department of Education

As student membership drops, the average percentage spent on district administration increases for both county and independent school districts, especially in districts with fewer than 600 students.

Figure 4.I shows that the differences between county and ISDs in spending on administration are explained by the difference in student membership. The figure shows the average percentage spent on district administration for county and ISDs in different membership ranges. As student membership drops, the average percentage spent on district administration increases for both county and independent school districts. This increase is notable especially in districts with fewer than 600 students.

**Figure 4.I**  
**Average Percentage Of Current Expenditures On District Administration**  
**By Student Membership**  
**County And Independent School Districts, FY 2014**



Source: Staff analysis of data from the Kentucky Department of Education.

### Challenges To Efficiency Posed By Regulation

Several superintendents mentioned challenges faced by smaller districts in meeting demands posed by regulations, especially those that affect staffing requirements or creating additional administrative burdens.

Several superintendents mentioned challenges faced by smaller districts in meeting demands posed by regulations, especially those that affect staffing requirements or creating additional administrative burdens. To meet the variety of student curricular needs, especially at the high school level, smaller districts rely on teachers to serve more than one role. To aid efficiency, smaller districts similarly rely on administrators to serve more than one role.

Several superintendents noted that regulations requiring specific certification to administer programs pose challenges to efficient staffing in smaller districts. As explained by one superintendent, superintendents serve as the finance officer, transportation director,

facilities director, and superintendent. Also, “mandated” requirements for certifications are much easier to comply with for large county school systems compared to ISDs.

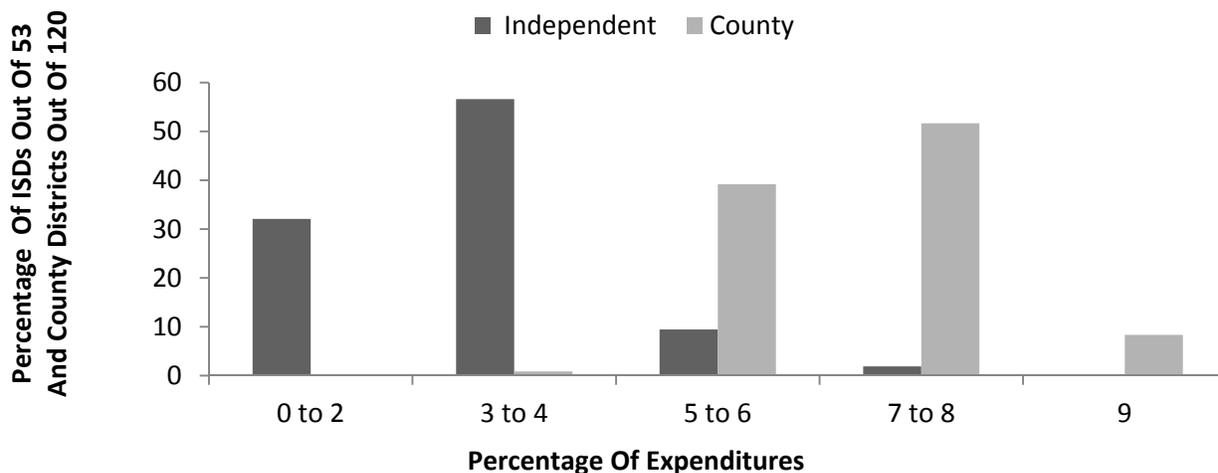
Administrators in smaller districts are already likely to be fulfilling multiple roles and may not be able to absorb new regulatory responsibilities.

Several superintendents noted that any regulations that require additional administrative tasks put undue burden on smaller versus larger districts. Administrators in smaller districts are already likely to be fulfilling multiple roles and may not be able to absorb new regulatory responsibilities. Thus, regulations with administrative requirements may require some smaller districts to hire additional administrative staff.

There are stark differences between county districts and ISDs in the percentage of current expenditures on transporting students.

Figure 4.J shows stark differences between county districts and ISDs in the percentage of current expenditures on transporting students. In 2014, 99 percent (all but one) of county districts spent 5 percent or more on transportation, compared to only 11 percent (six districts) of ISDs. The difference in spending on transportation is explained by the fact that ISDs transport a much smaller percentage of students than do county districts and the fact that students are transported fewer miles in ISDs than in county districts.

**Figure 4.J**  
**Percentage Of Current Expenditures On Transportation**  
**Independent And County School Districts**



Note: Percentages are rounded to the nearest whole number.  
Source: Staff analysis of data from the Kentucky Department of Education

## **Appendix A**

### **Coding Inconsistencies And Adjustments For Analysis**

Data from Infinite Campus were used for reporting nonresident students and transportation information. If a student attended multiple districts in the same year, then the student was counted one time for each district. Data from the Munis accounting system were used to report the grants, donations, and tuition information.

Review of the IC raw data identified students who may have been set up incorrectly. For example, 54 students were set up to receive SEEK funds based on the average daily attendance. However, they were not marked as “state exclude” even though they had out-of-state addresses.

Also, 184 students were recorded as not receiving SEEK funds, although they may have qualified. For example, in FY 2014 these students were flagged as “state excluded” from ADA calculations. However, attendance groups (non-contract or non-contract out-of-state) were not assigned to these records even though students had Kentucky addresses.

OEA received the 2015 Infinite Campus data before districts submitted their Superintendents Annual Attendance Reports to KDE. After eliminating duplicate records, OEA staff contacted one ISD to obtain its list of nonresident students to compare against the raw data files for FY 2015. When comparing the files received from KDE to the list received from the ISD, there were several differences in the number of students reported.

OEA staff contacted KDE staff and discussed these differences; it appears this district made several changes to student records in IC the day before the district sent OEA the list. Because this ISD had changes to the FY 2015 student records, it is likely other districts’ data may have needed updates as well.

This appendix explains the steps taken to remove duplicate student records from IC data and the methodology used for deriving finance figures and charts in this report.

**Table A.1**  
**Adjustments Related To Infinite Campus Data**  
**Nonresident Students And Transportation**

<b>Reason</b>	<b>Step</b>
Delete students who did not show up at the beginning of the new school year.	Delete any record with no show (NS) in the start status field.
Delete record if district number was the same as resident district.	The resident district field is the district in which the student resides. If the district number and the resident district number use the same district number, then the student is not a nonresident student and should be deleted.
Delete duplicate records.	Keep latest date in the start date field.
Delete duplicate records.	Delete duplicate record that was null in resident district field.
Delete duplicate records.	Keep latest transportation code start field.
Delete duplicate records.	Keep latest date record in transportation end date field.
Delete duplicate records.	Keep record that includes a complete address.
Delete resident students from county districts that merged with three ISDs and student records that were not cleaned up.	Delete student records in which the resident district record was 242 or 496 for all years. Delete student records in which the resident district record was 436 in FY 2014 and FY 2015.
Delete students transported.	These transported students were deleted because they were transported only 1 day. The districts did receive funding for that day.

**Table A.2**  
**Account Codes Used In Revenue Graphs And Tables**

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<b>Graph Or Table</b>	<b>Munis Account Codes</b>
Figure 4.F—Local Grants And Donations	<p>For local grants, any project that started with a 0 in the special revenue fund was included. Revenue object codes were deleted from grants for interest, à la carte sales, group sales, vending, admissions, bookstore, activity fund fees, day care fees, community education fees, adult education fees, other fees, rental income, building income, bus revenue, textbook rentals, state and federal revenue, and fund transfers.</p> <p>Donations included any donation coded to the 1920-1929 revenue object codes for donations and contributions except from the construction fund.</p>
Table 4.7—Construction Donations	Revenue object codes 1920-1929 in the construction fund.

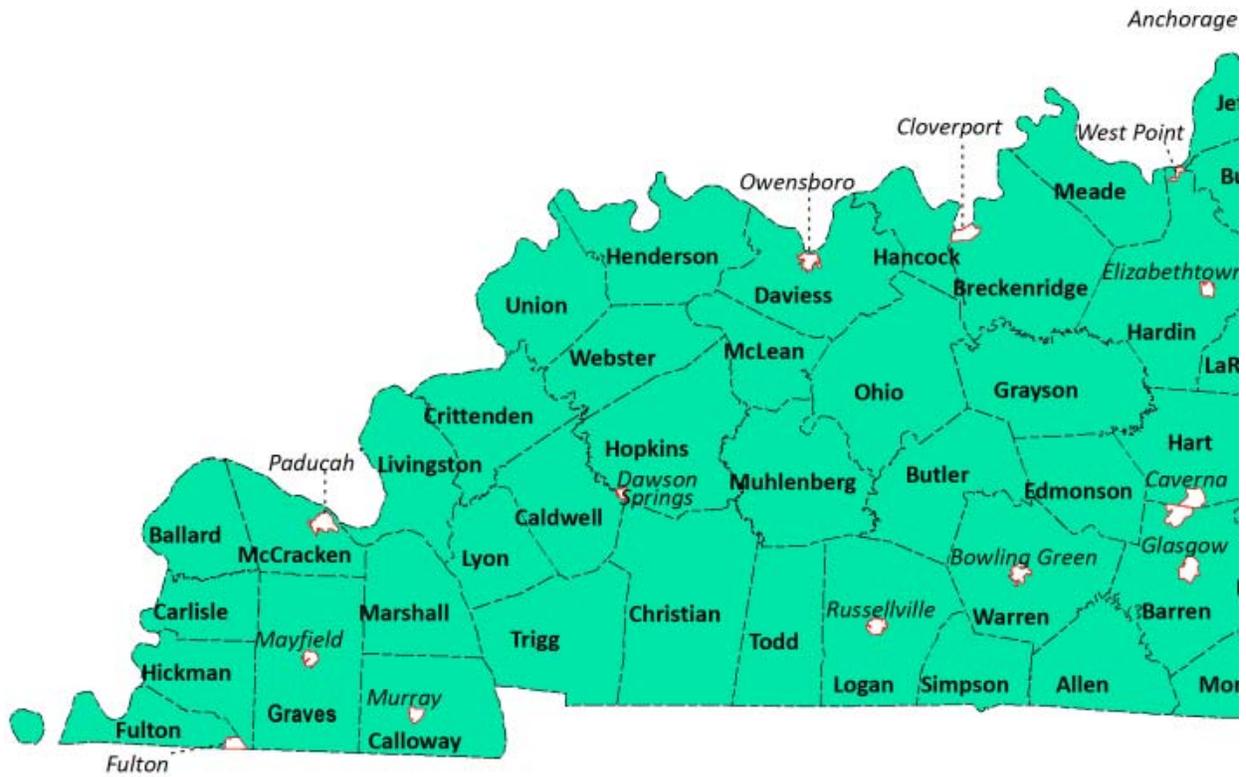
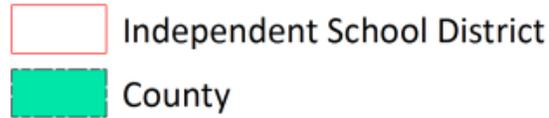
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## **Appendix B**

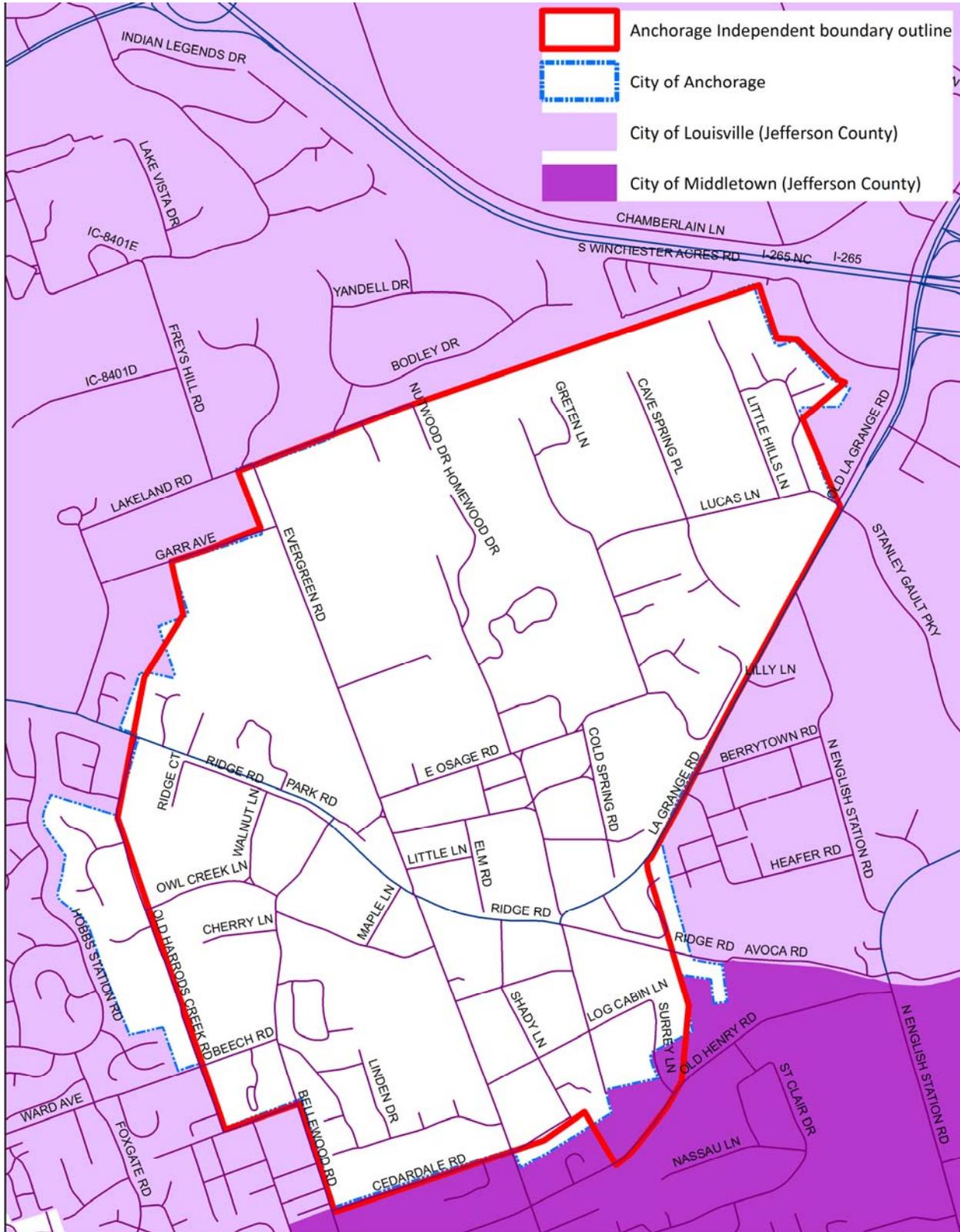
### **Maps Of Independent School Districts In Operation In FY 2014-FY 2015 Using 2005 Tax District Boundaries**

Unless otherwise noted, the maps in this appendix display 2005 tax districts using geographic information system files from Office of Property Valuation of the Kentucky Department of Revenue. The three exceptions (indicated by adding “From PVA” to the legend) are the Paris, Harlan, and Hazard districts, whose data were obtained from the PVAs of Bourbon, Harlan, and Perry Counties, respectively. Although all data are subject to error, these maps use the best available data.

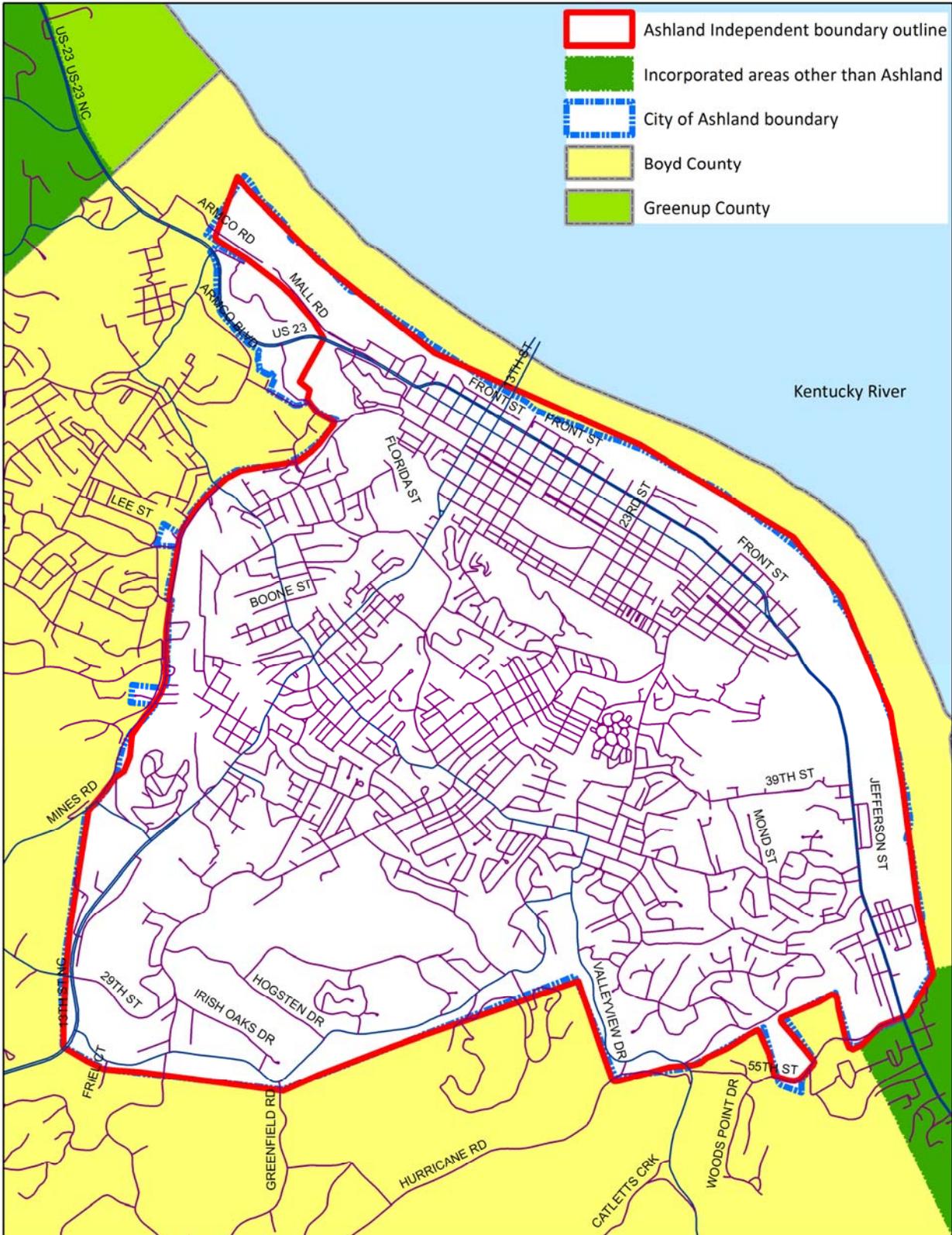




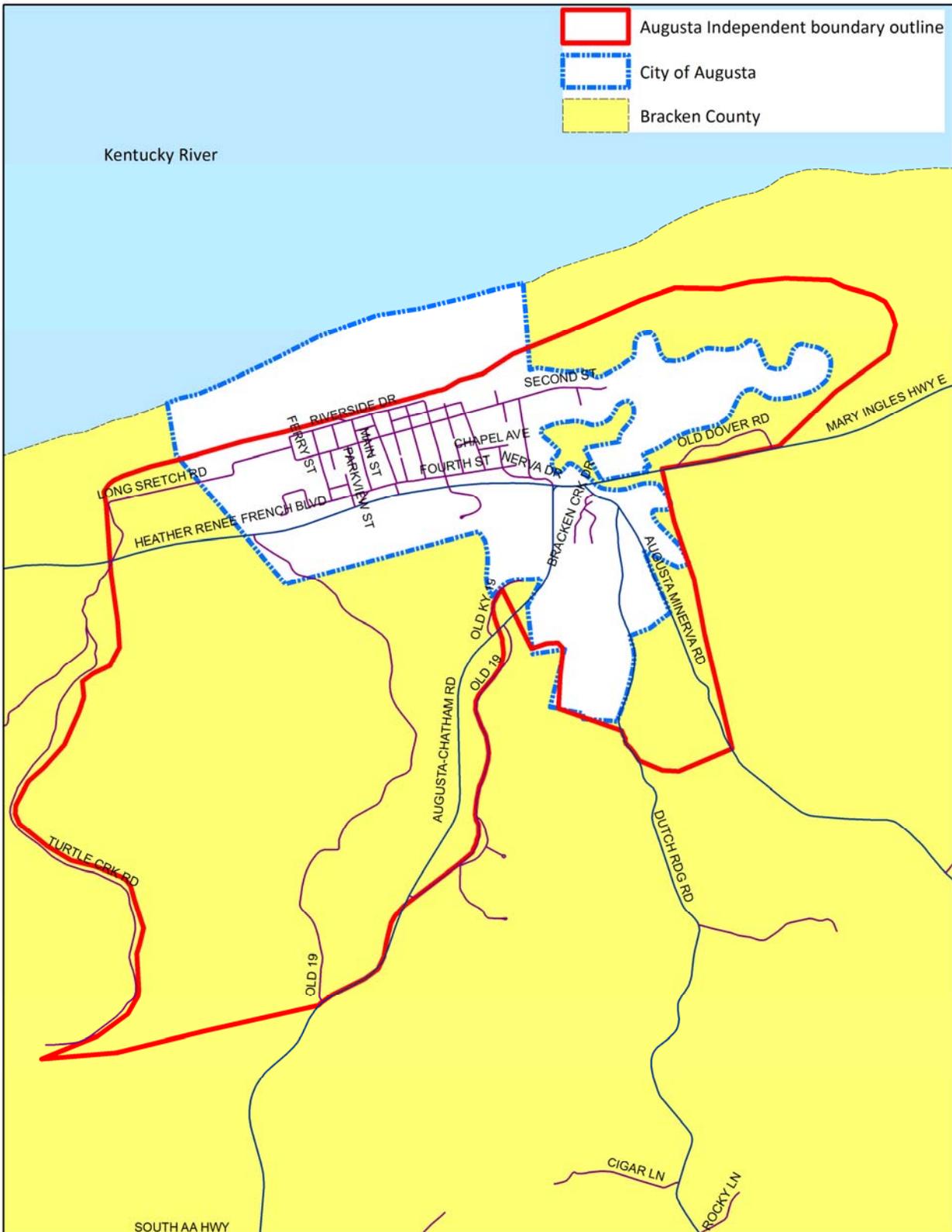
### Anchorage ISD



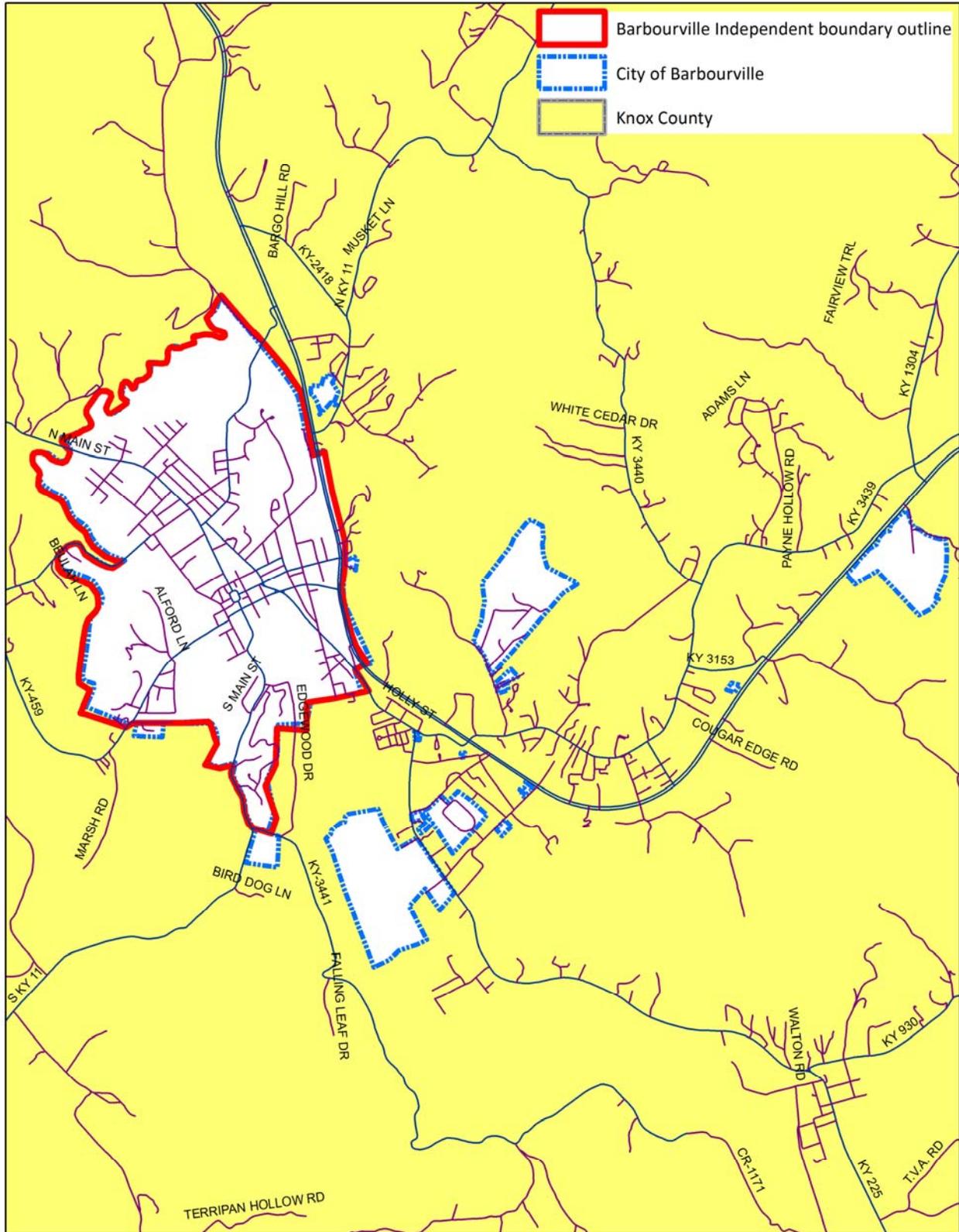
### Ashland ISD



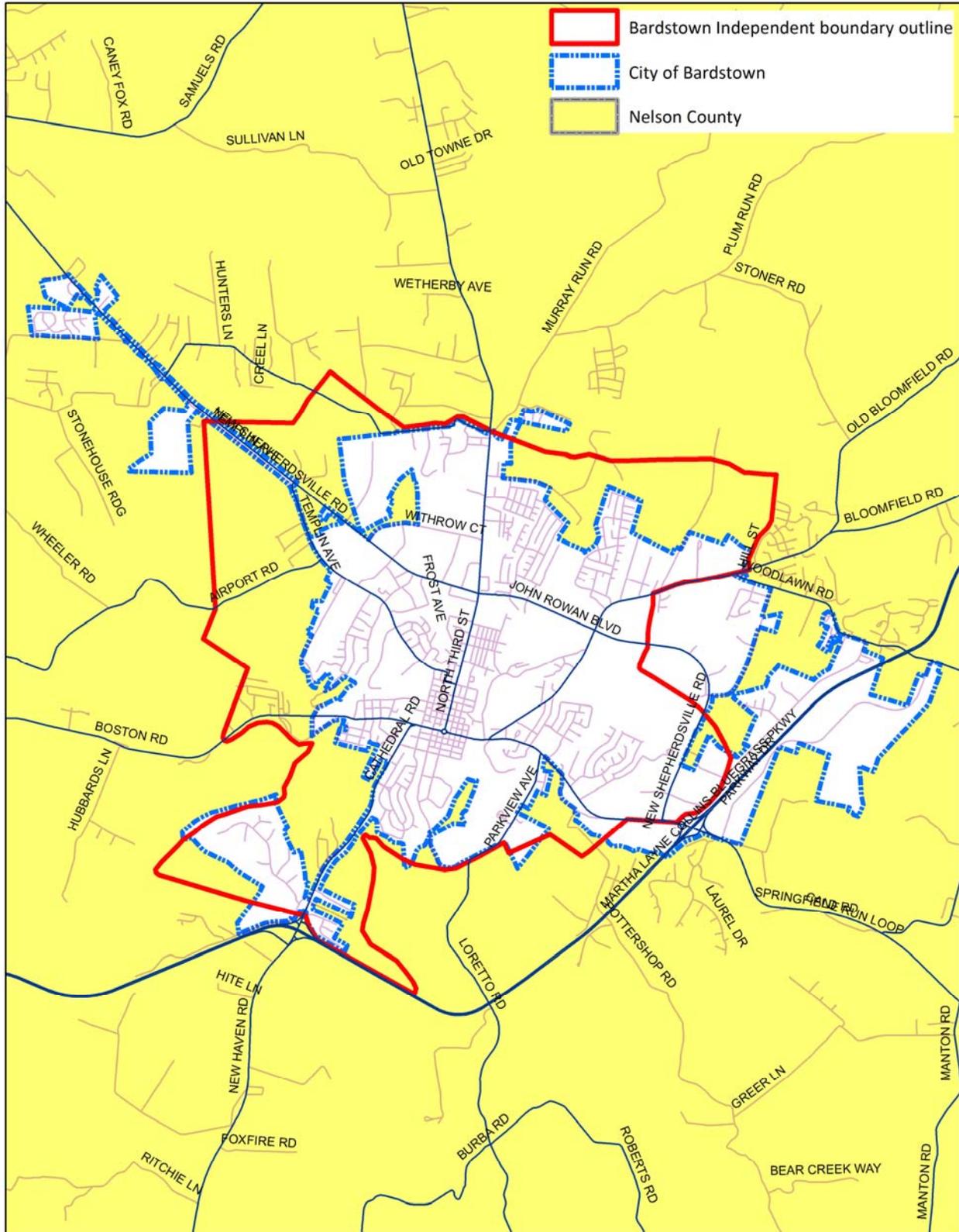
### Augusta ISD



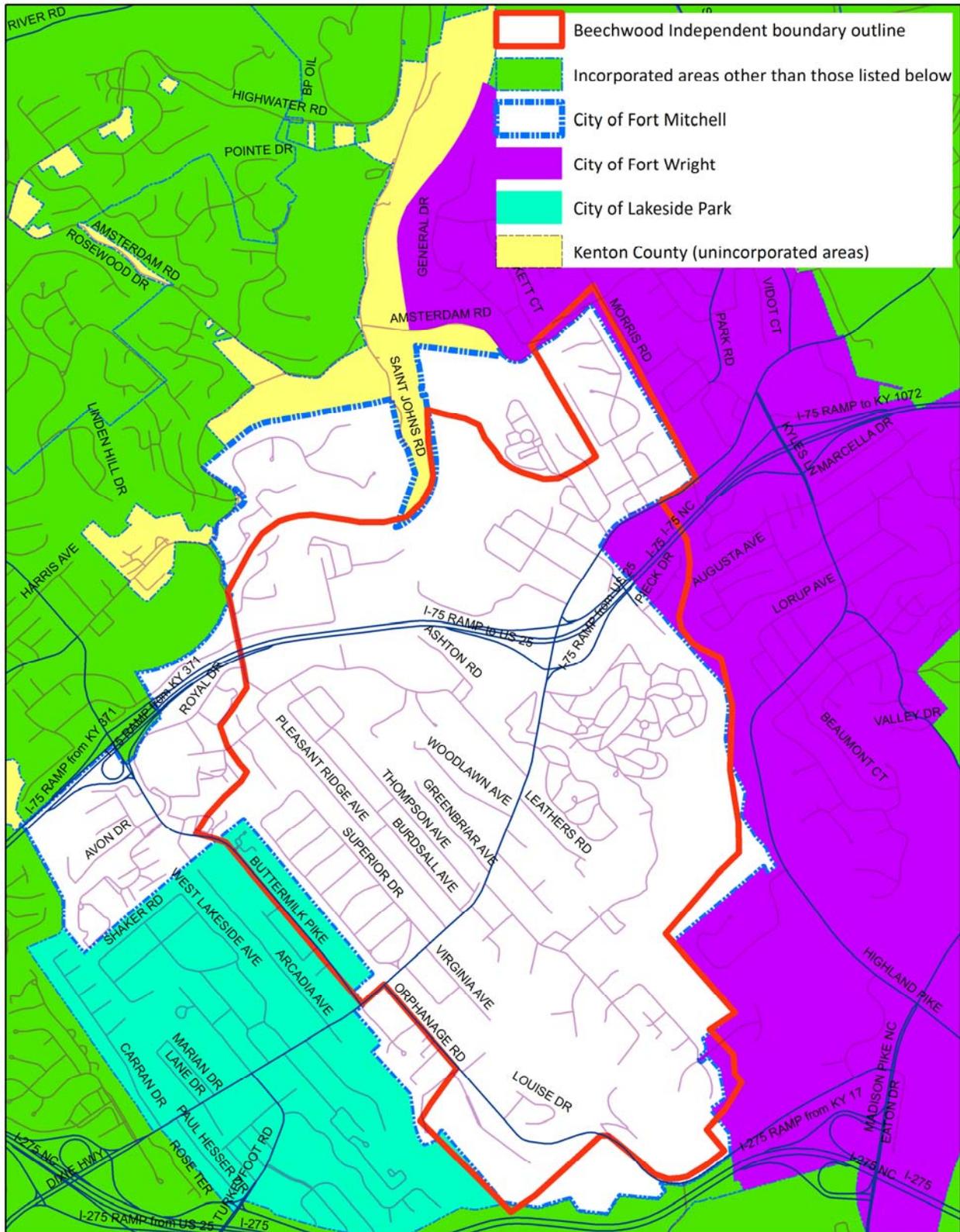
### Barbourville ISD



### Bardstown ISD

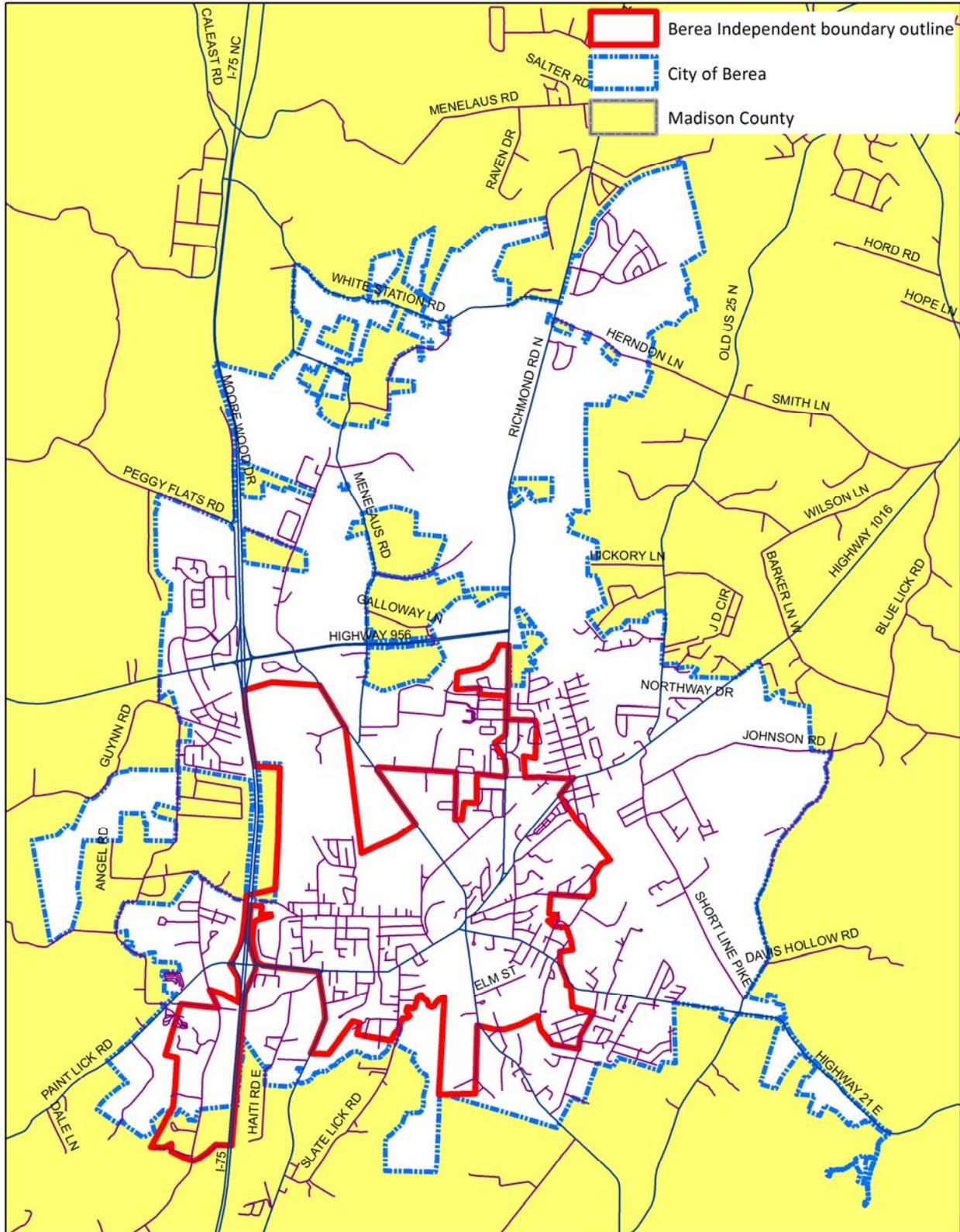


### Beechwood ISD

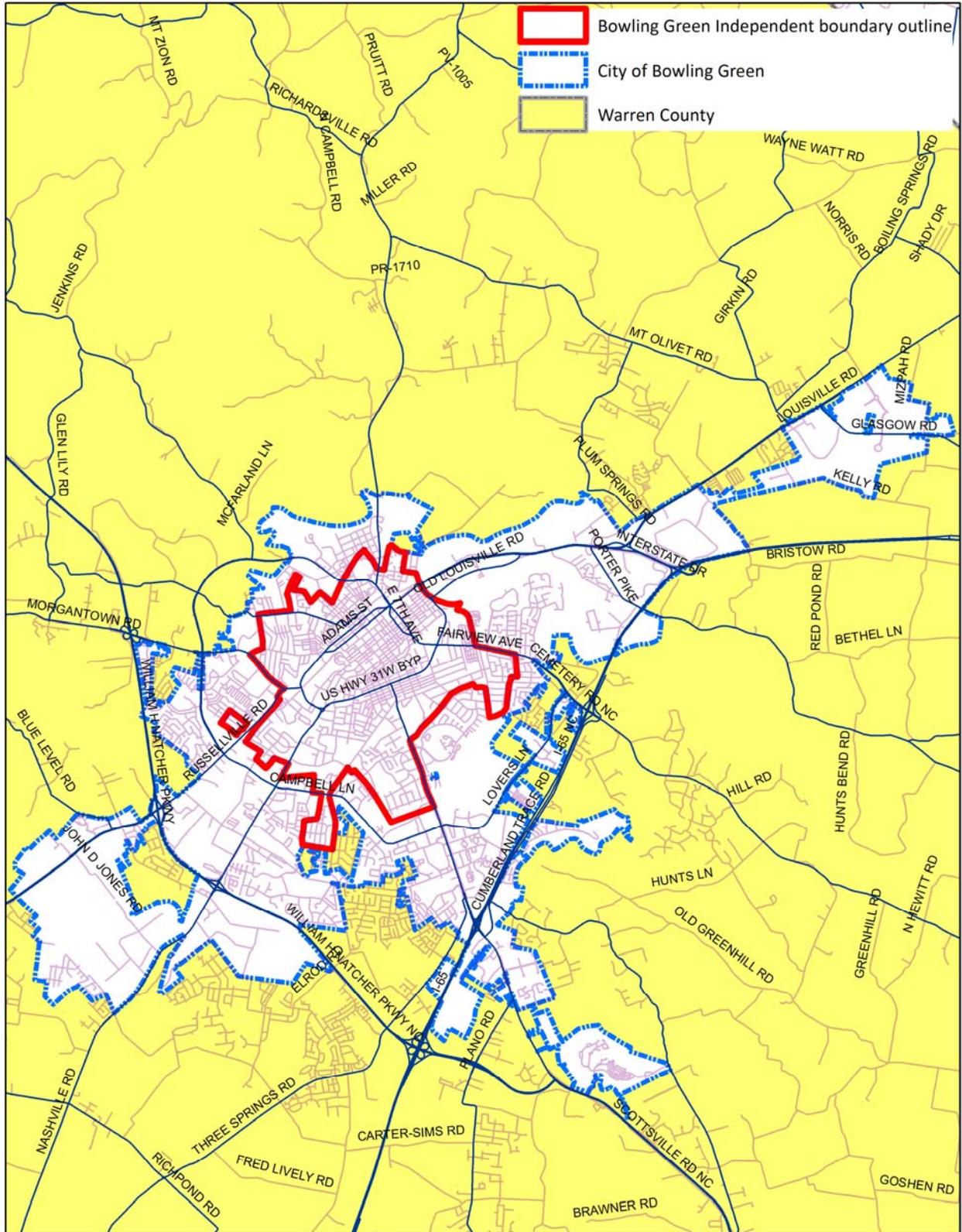




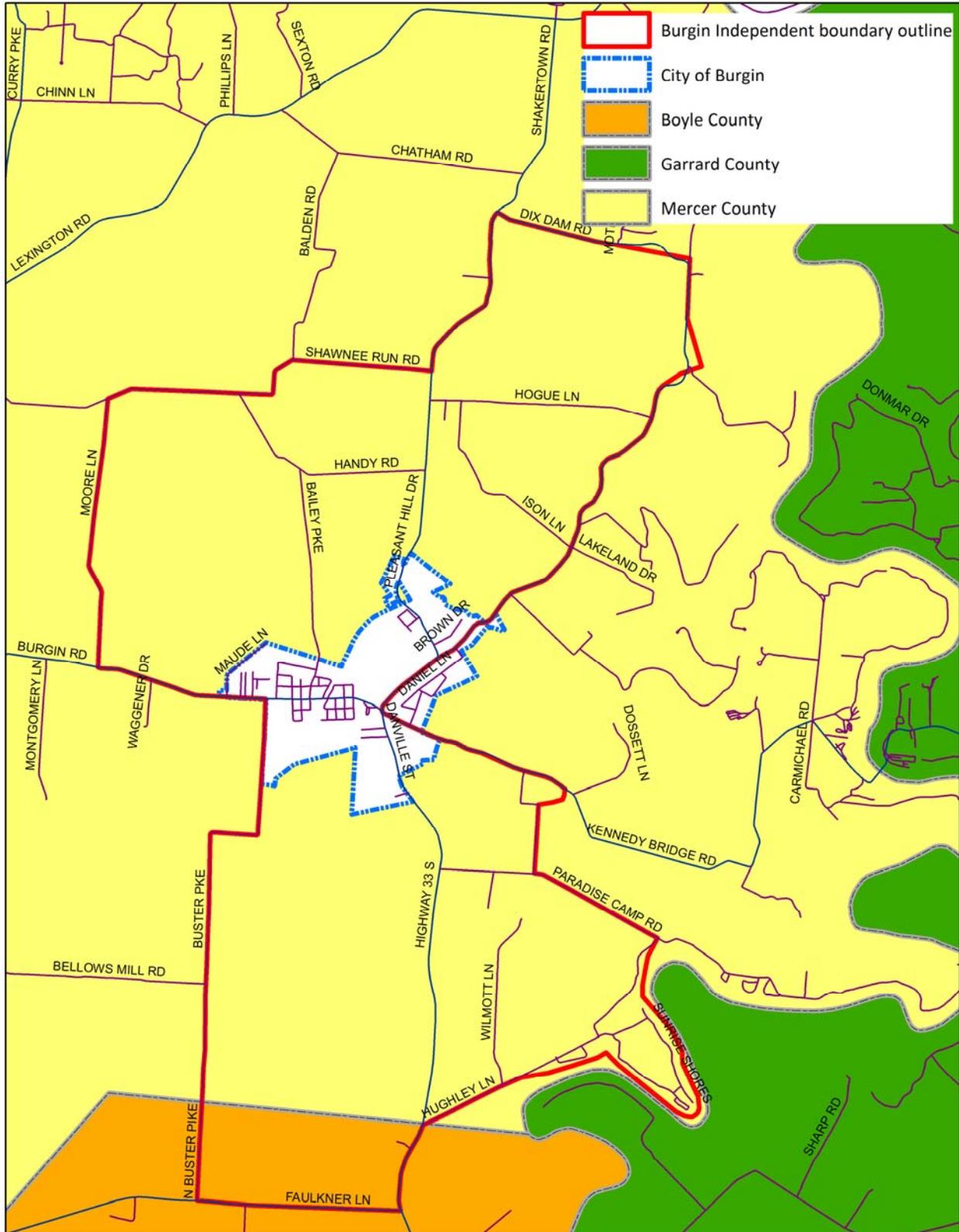
### Berea ISD



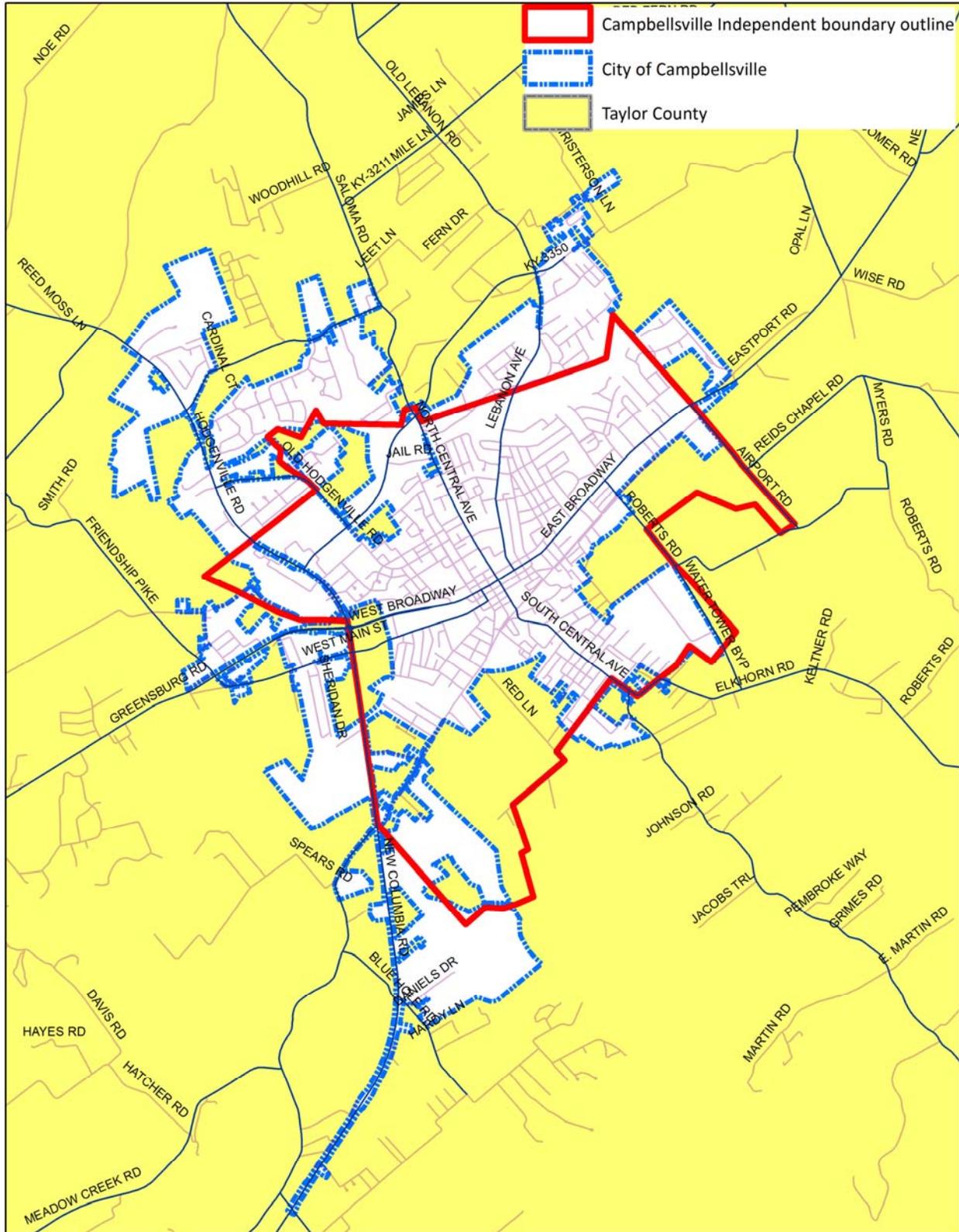
### Bowling Green ISD



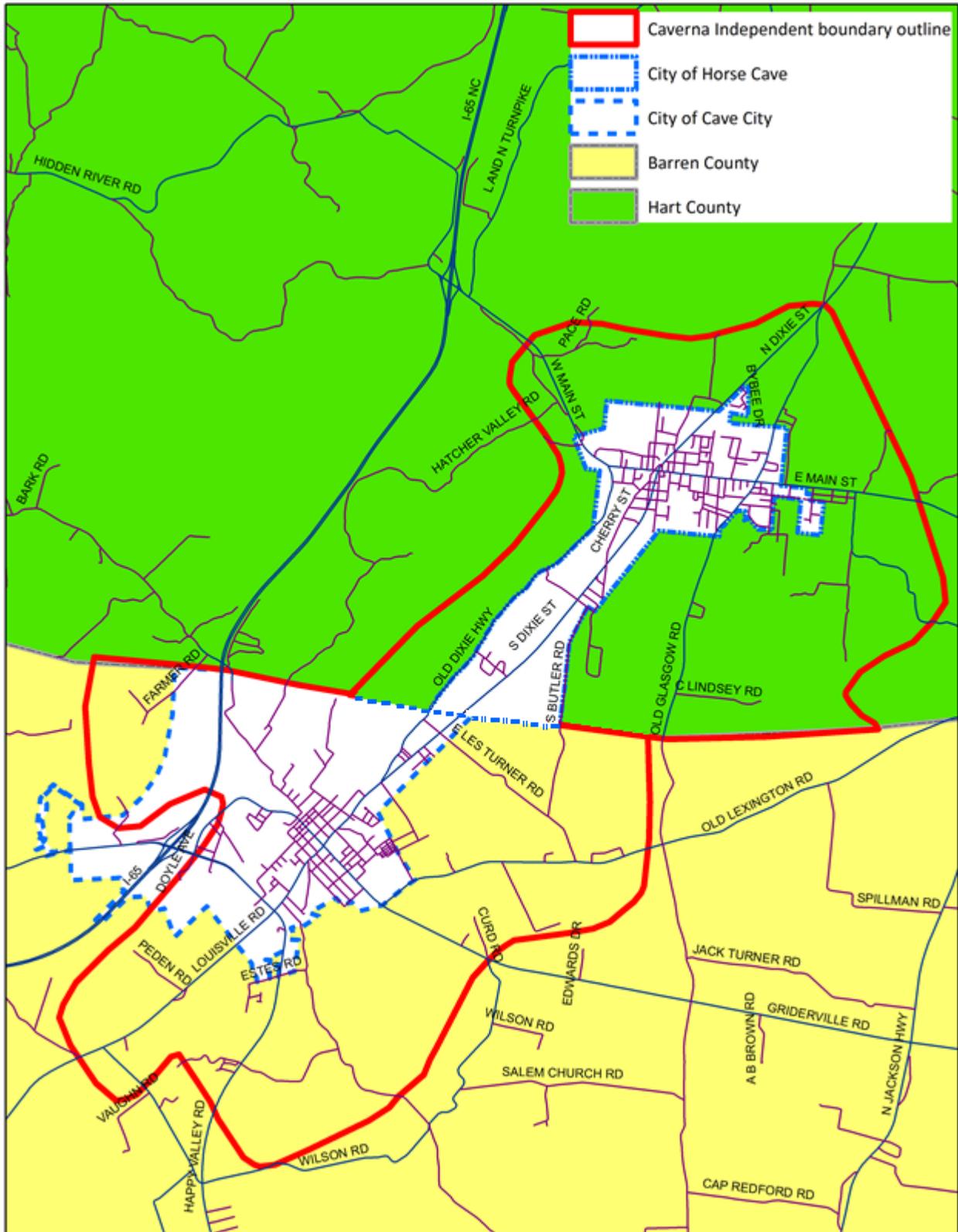
### Burgin ISD



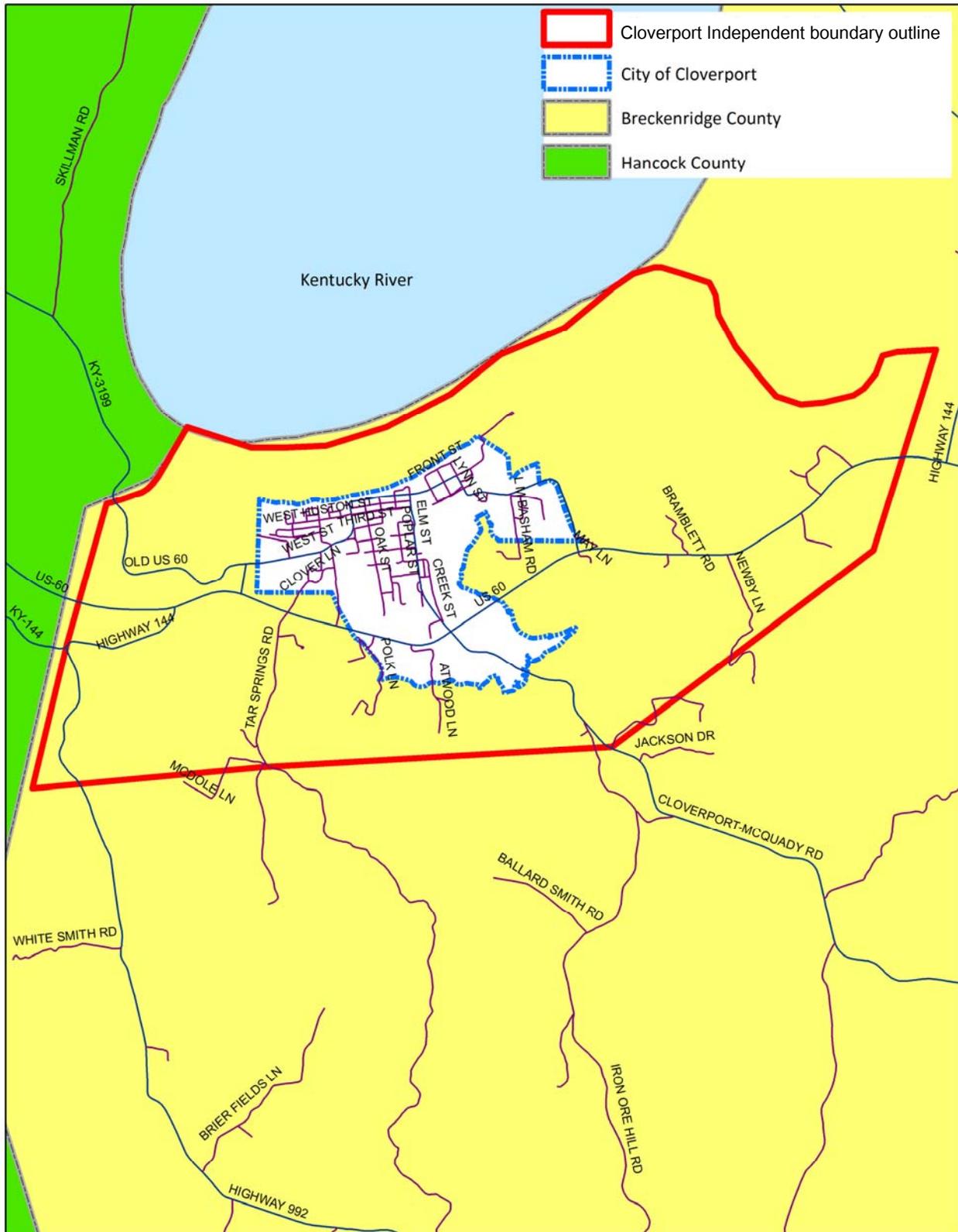
### Campbellsville ISD



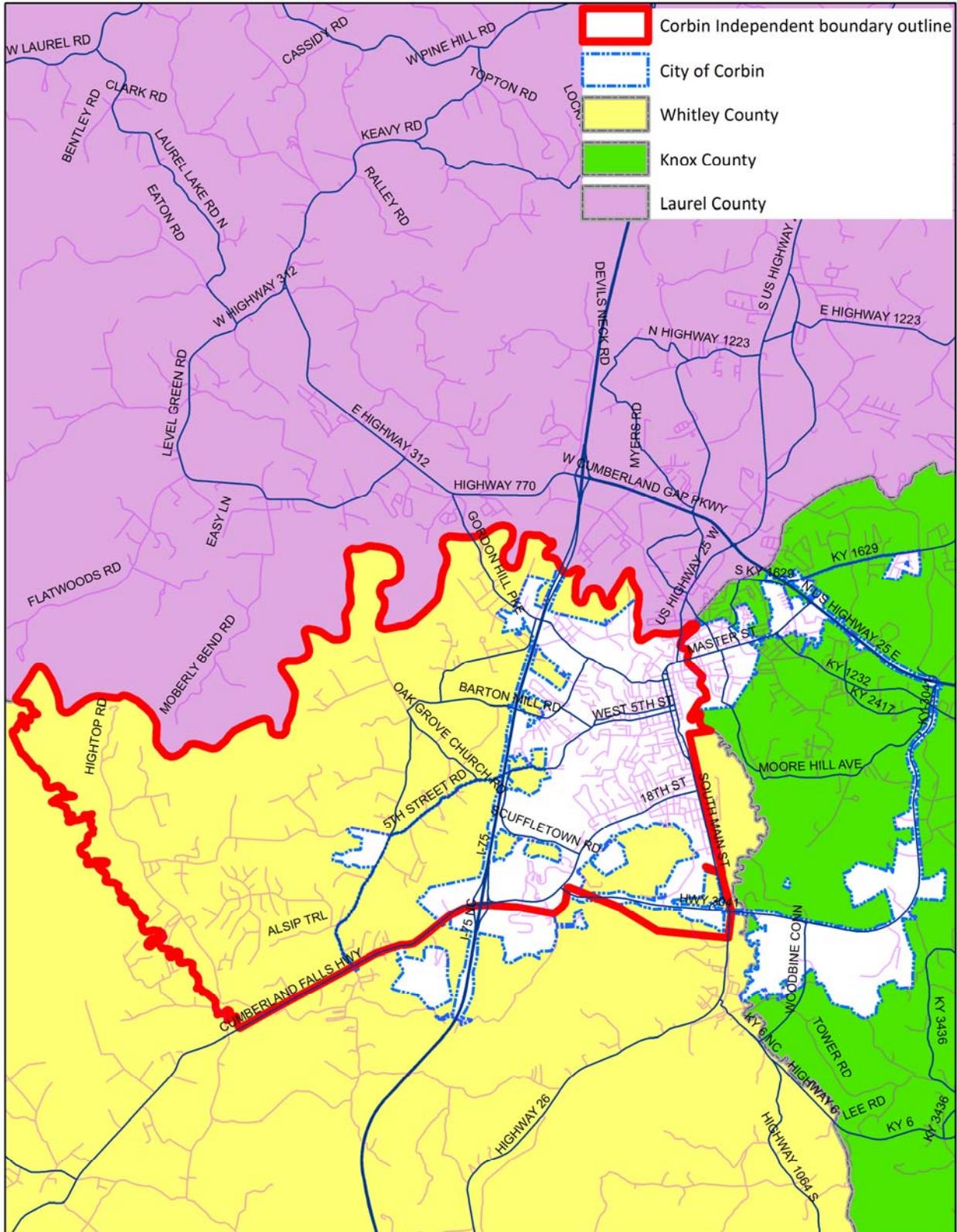
### Caverna ISD



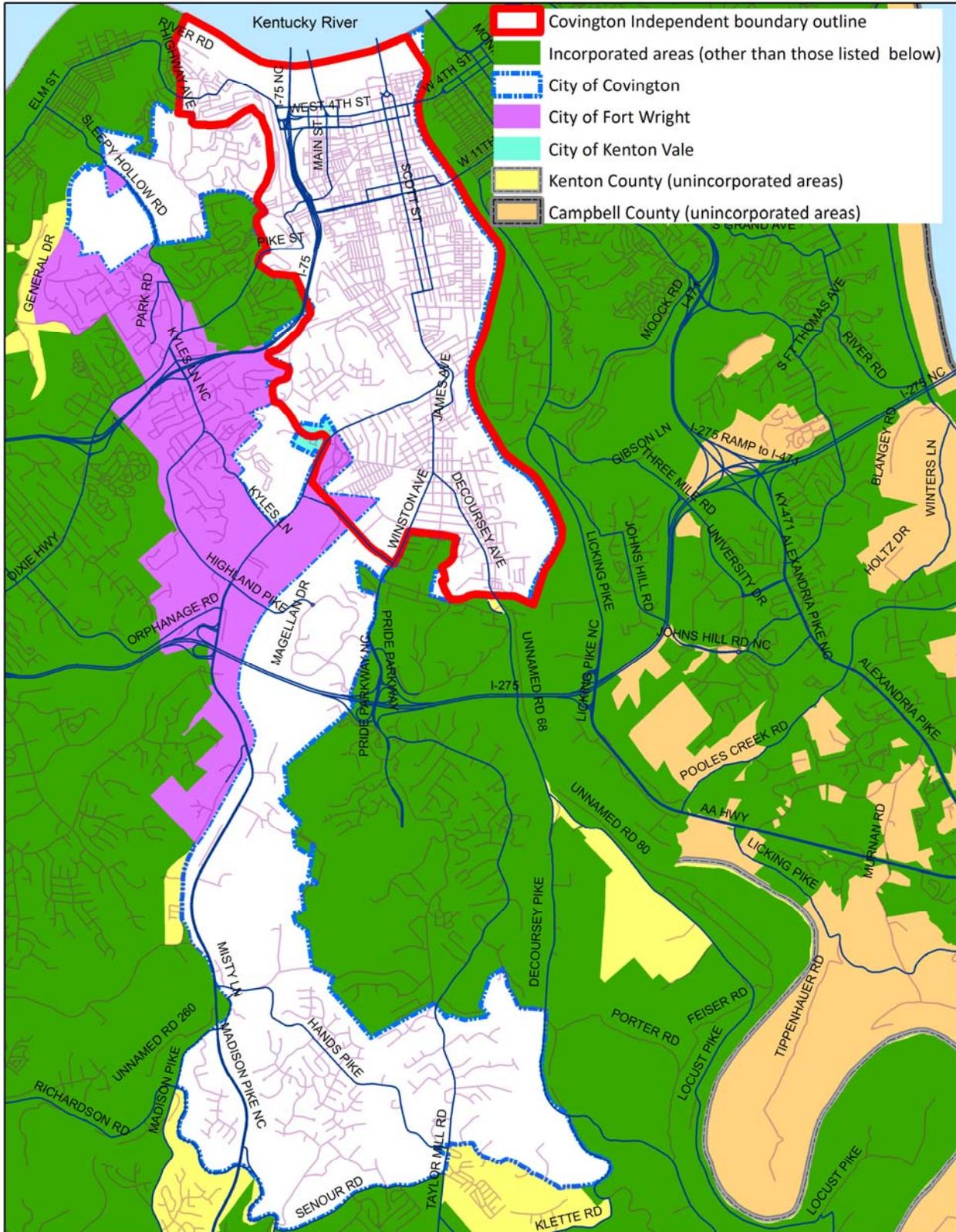
### Cloverport ISD



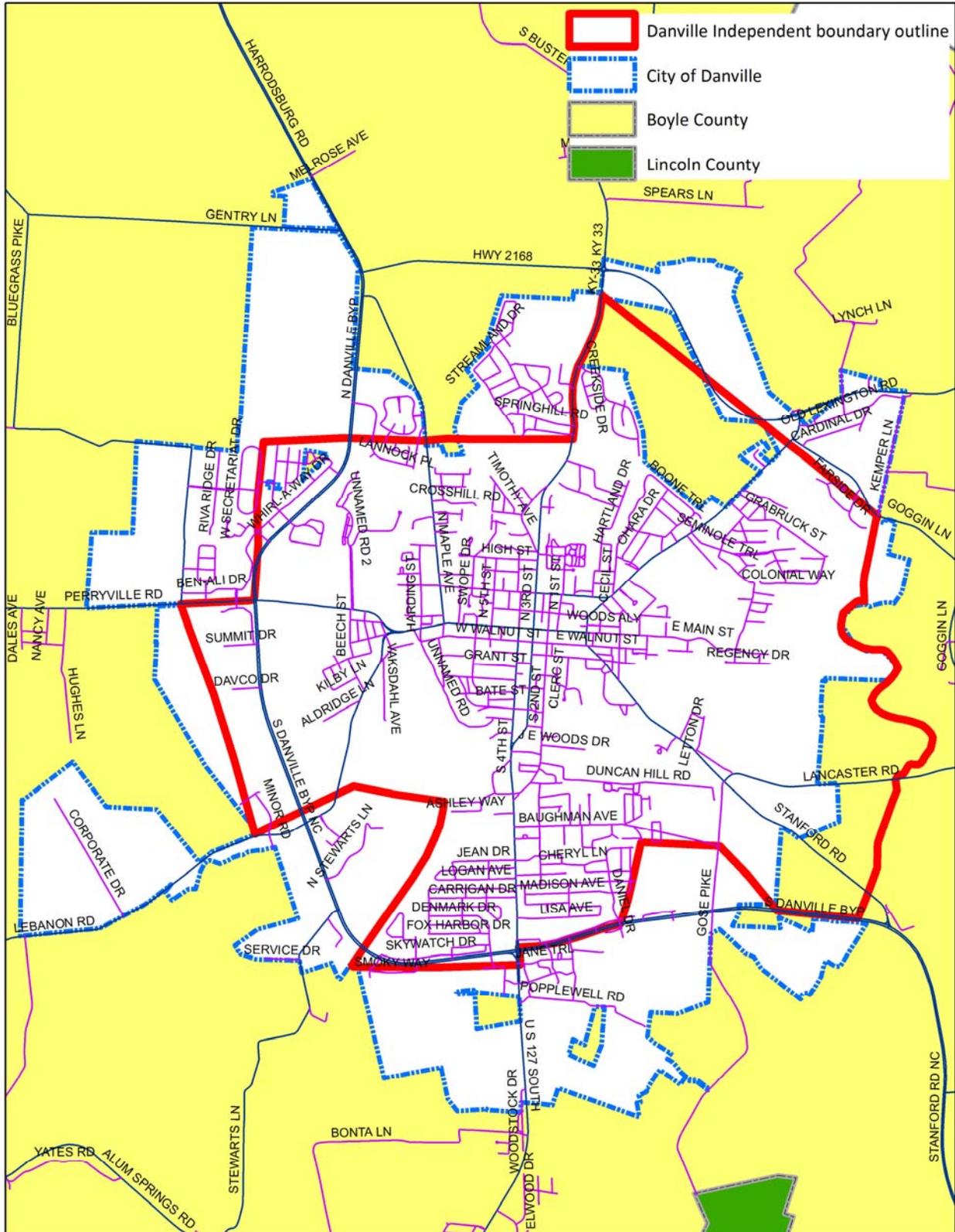
### Corbin ISD



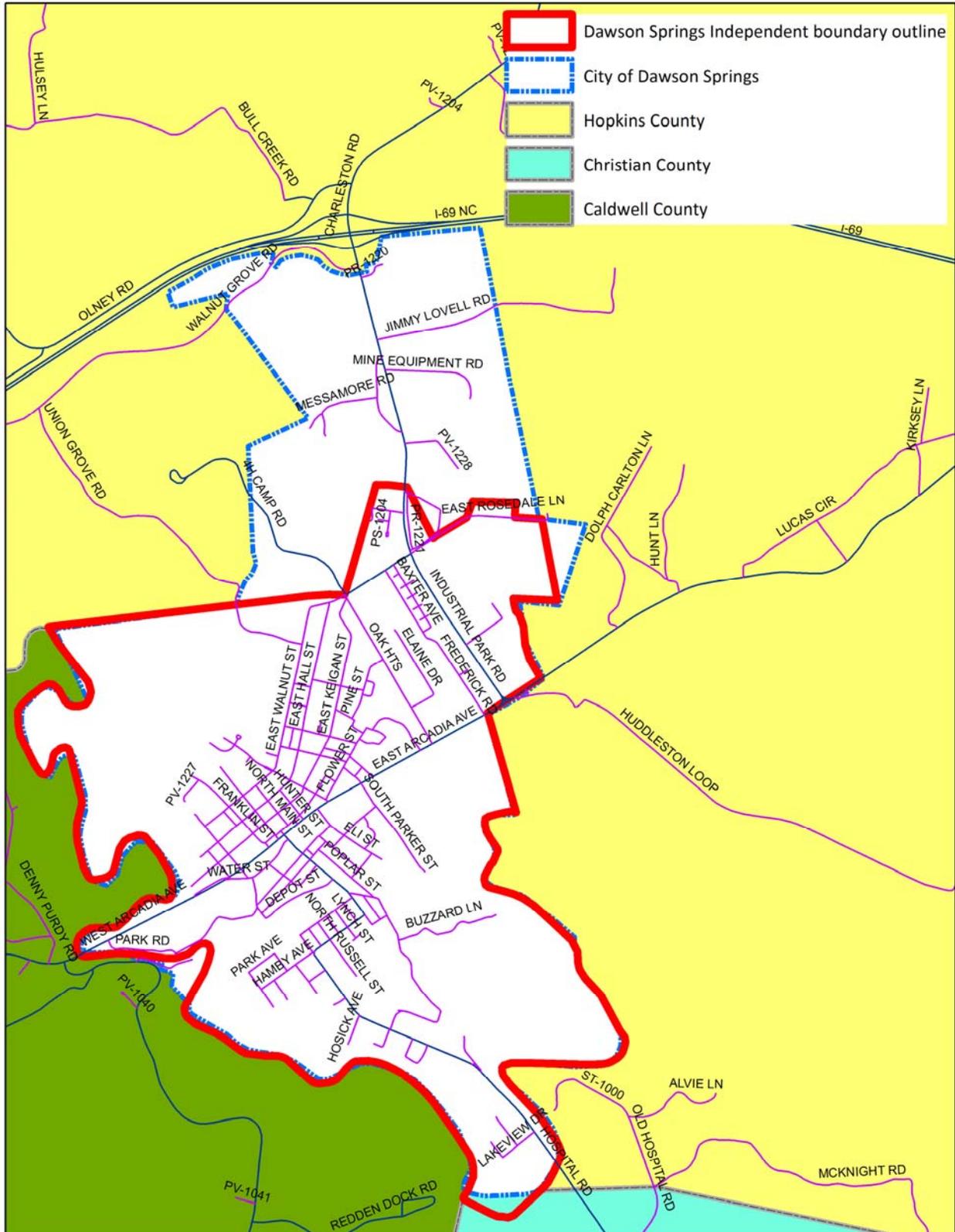
### Covington ISD



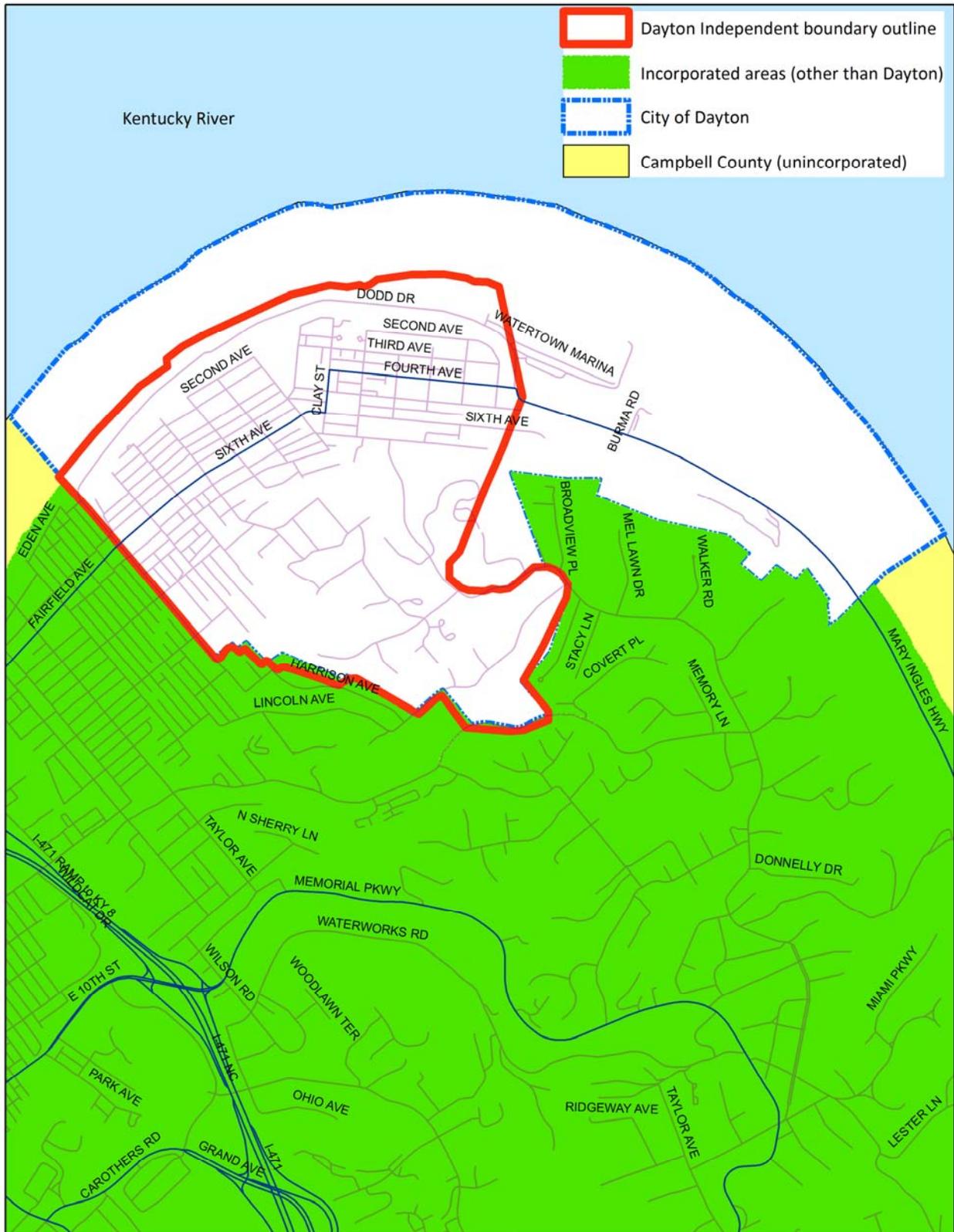
### Danville ISD



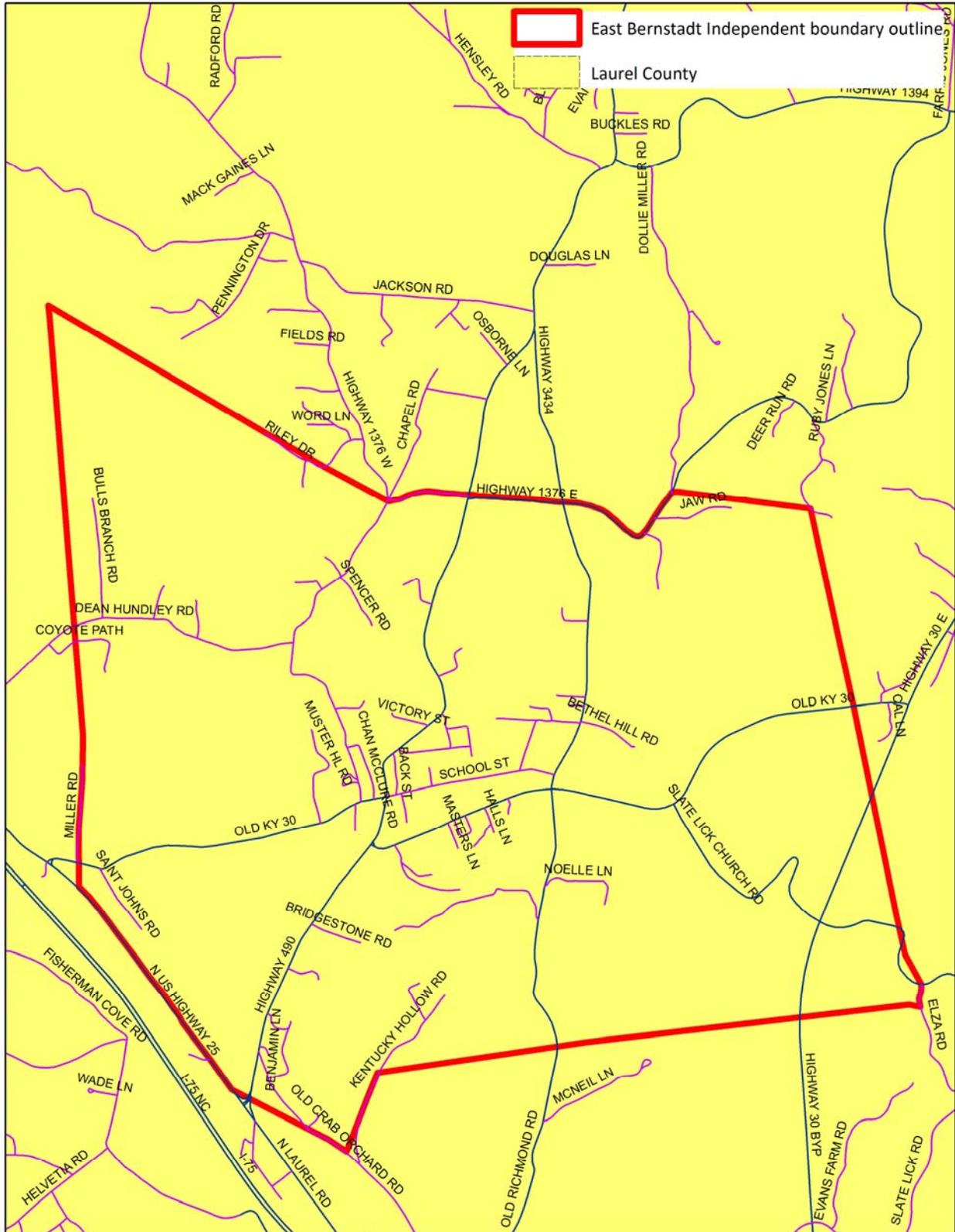
### Dawson Springs ISD



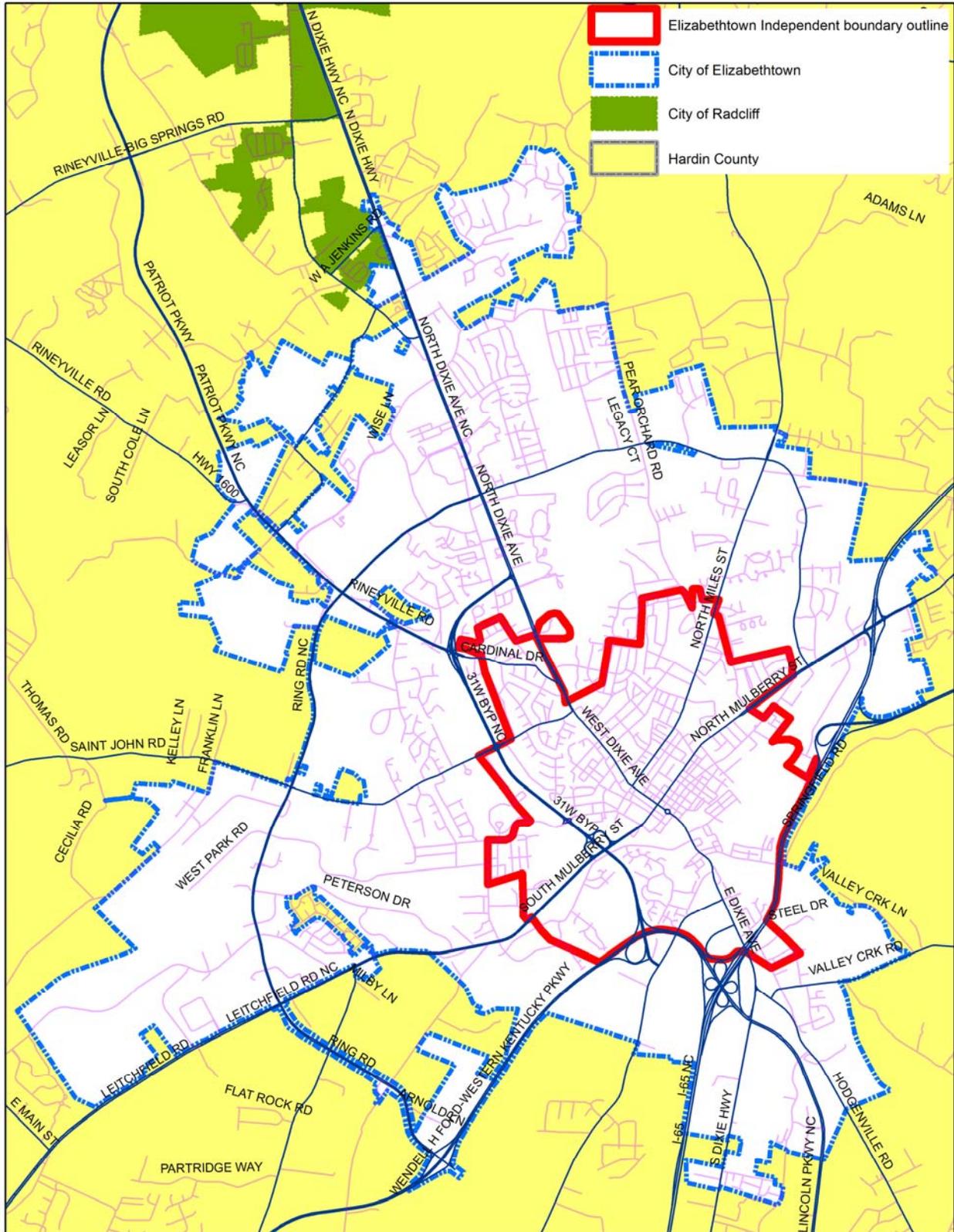
### Dayton ISD



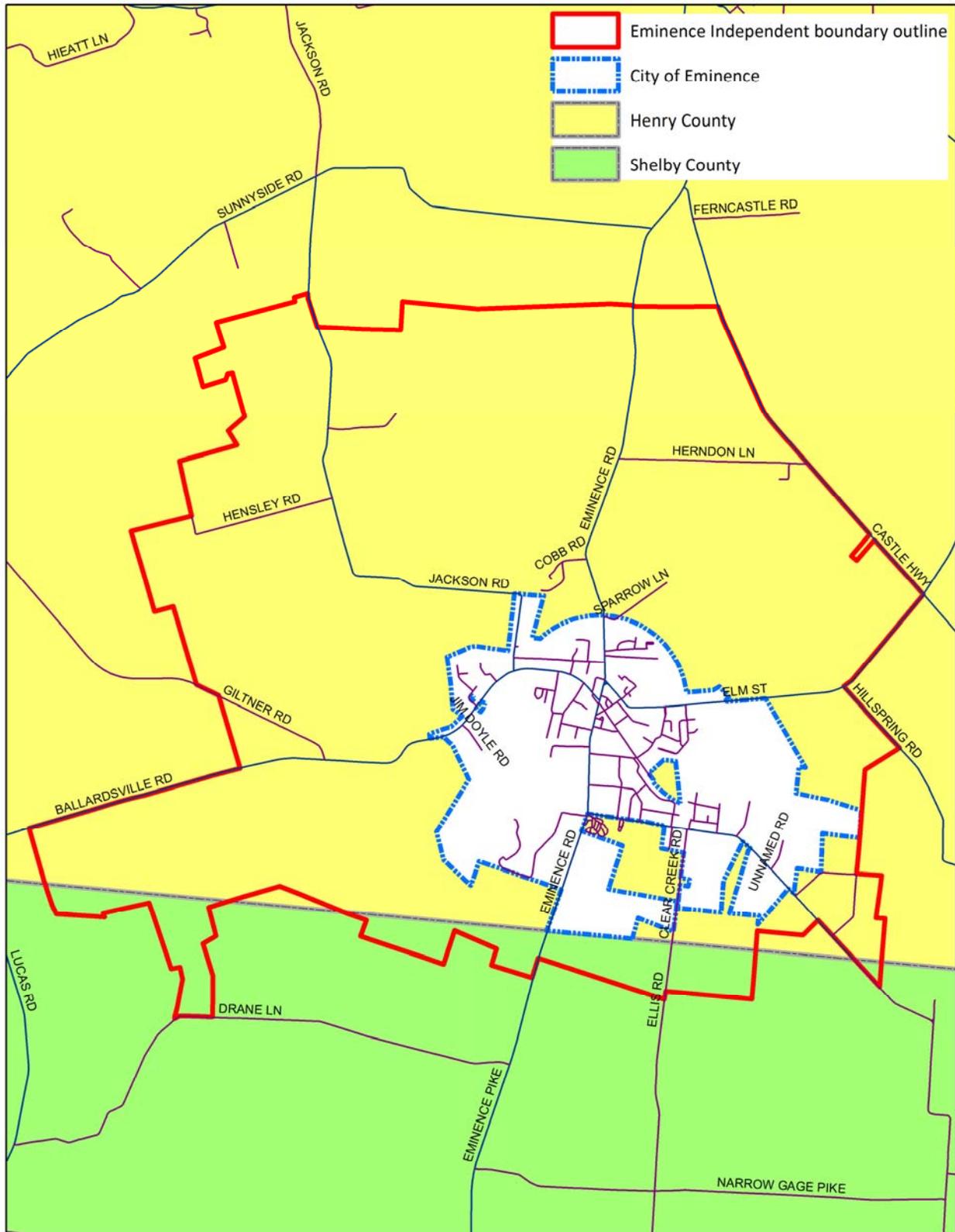
### East Bernstadt ISD



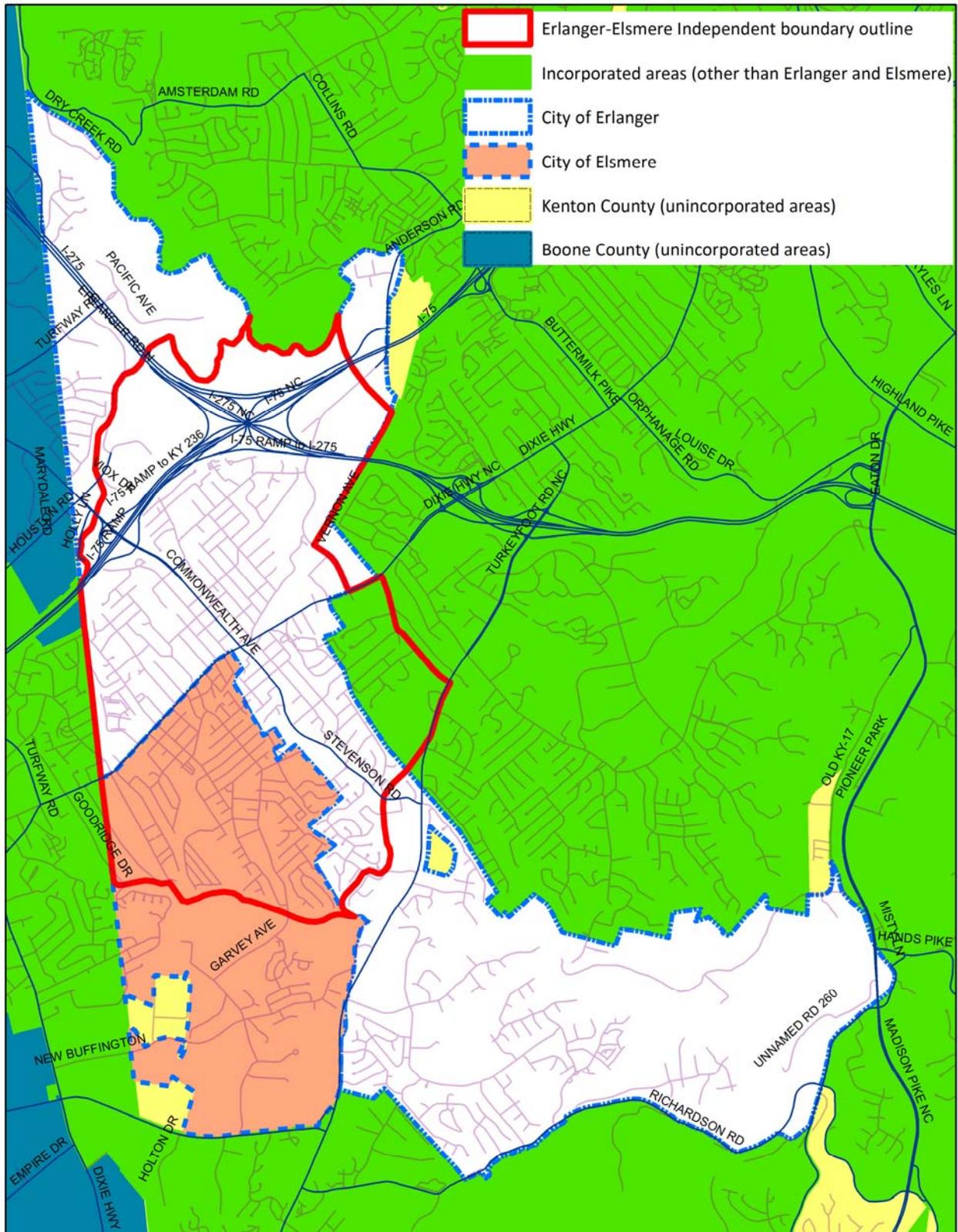
### Elizabethtown ISD



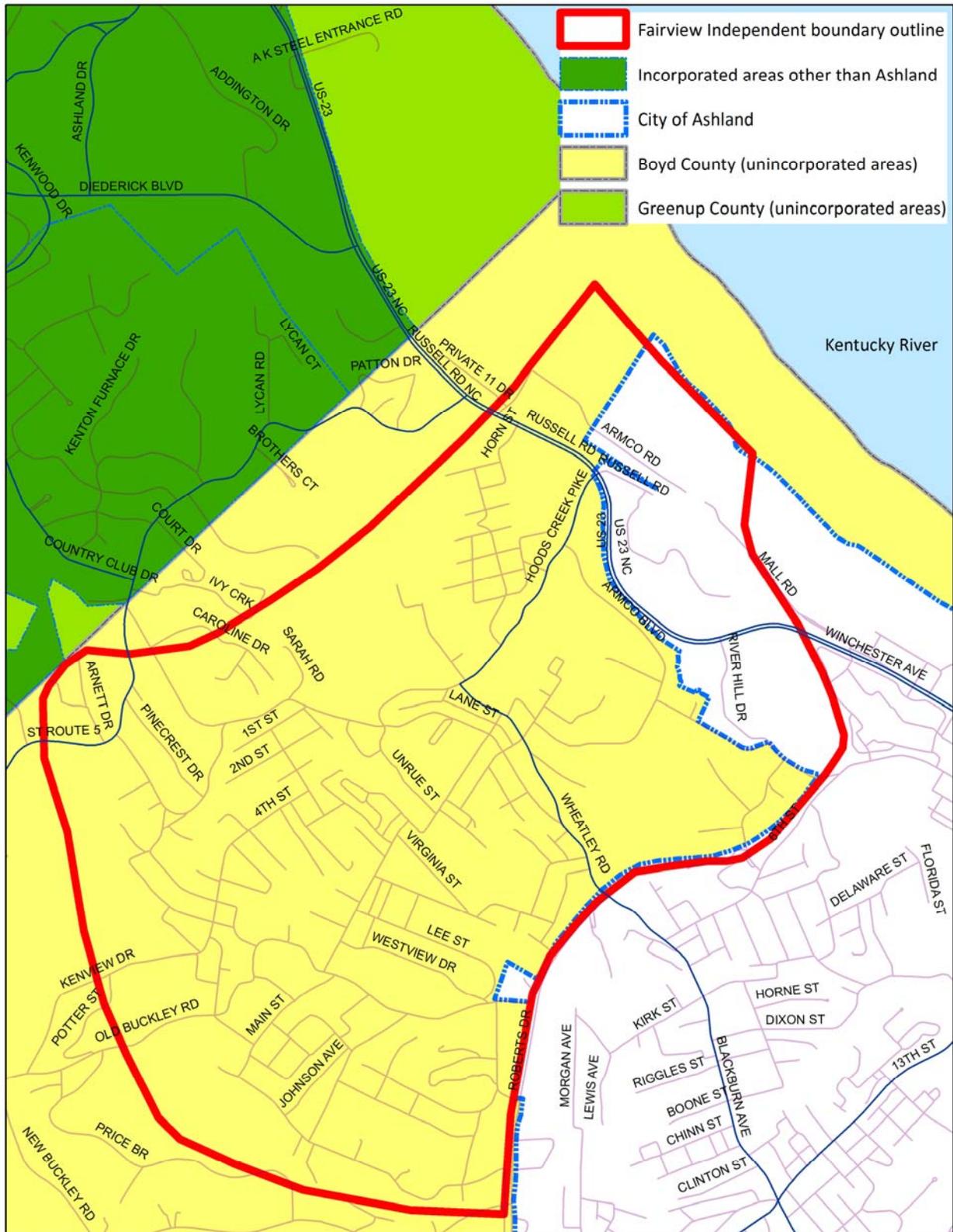
### Eminence ISD



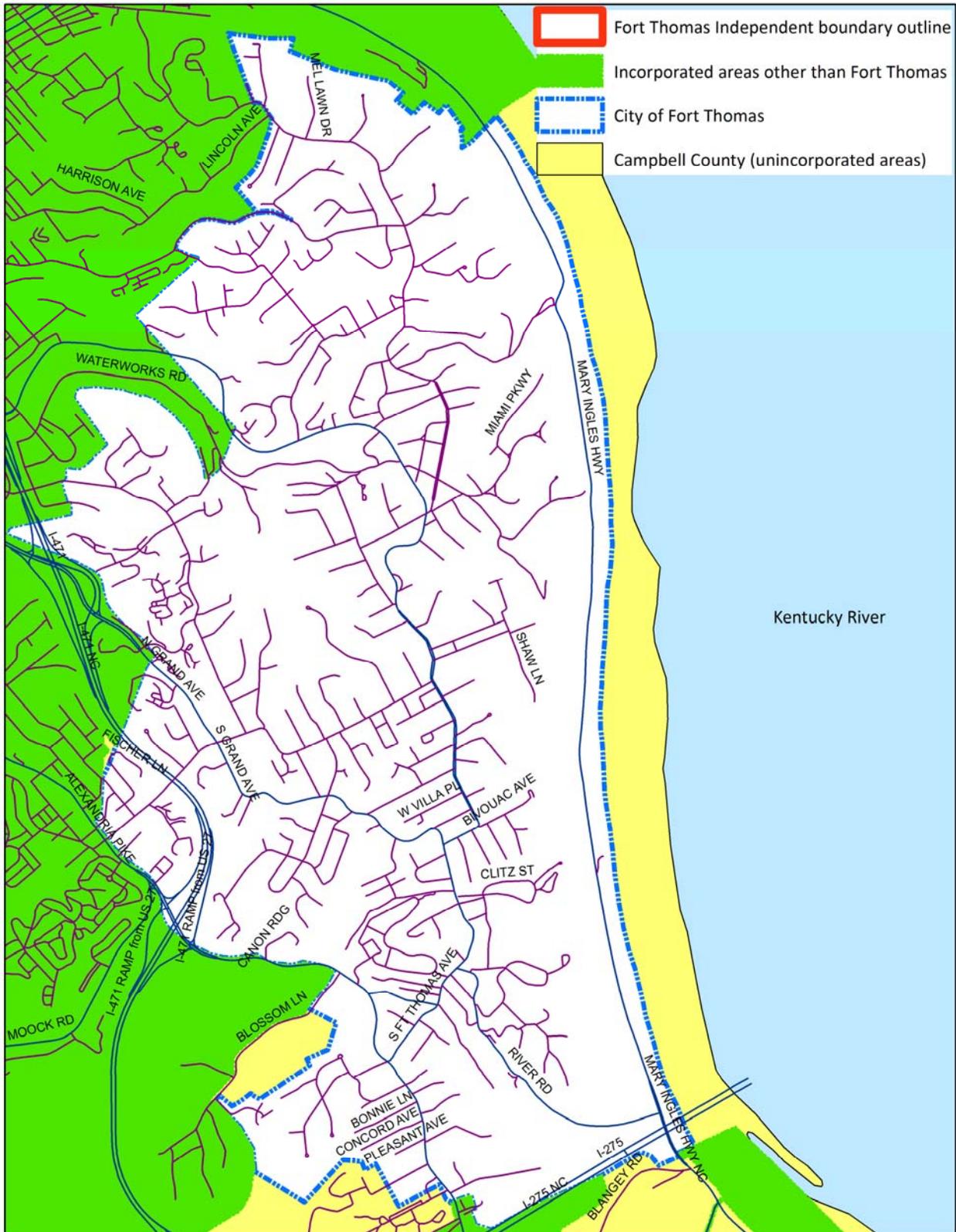
### Erlanger-Elsmere ISD



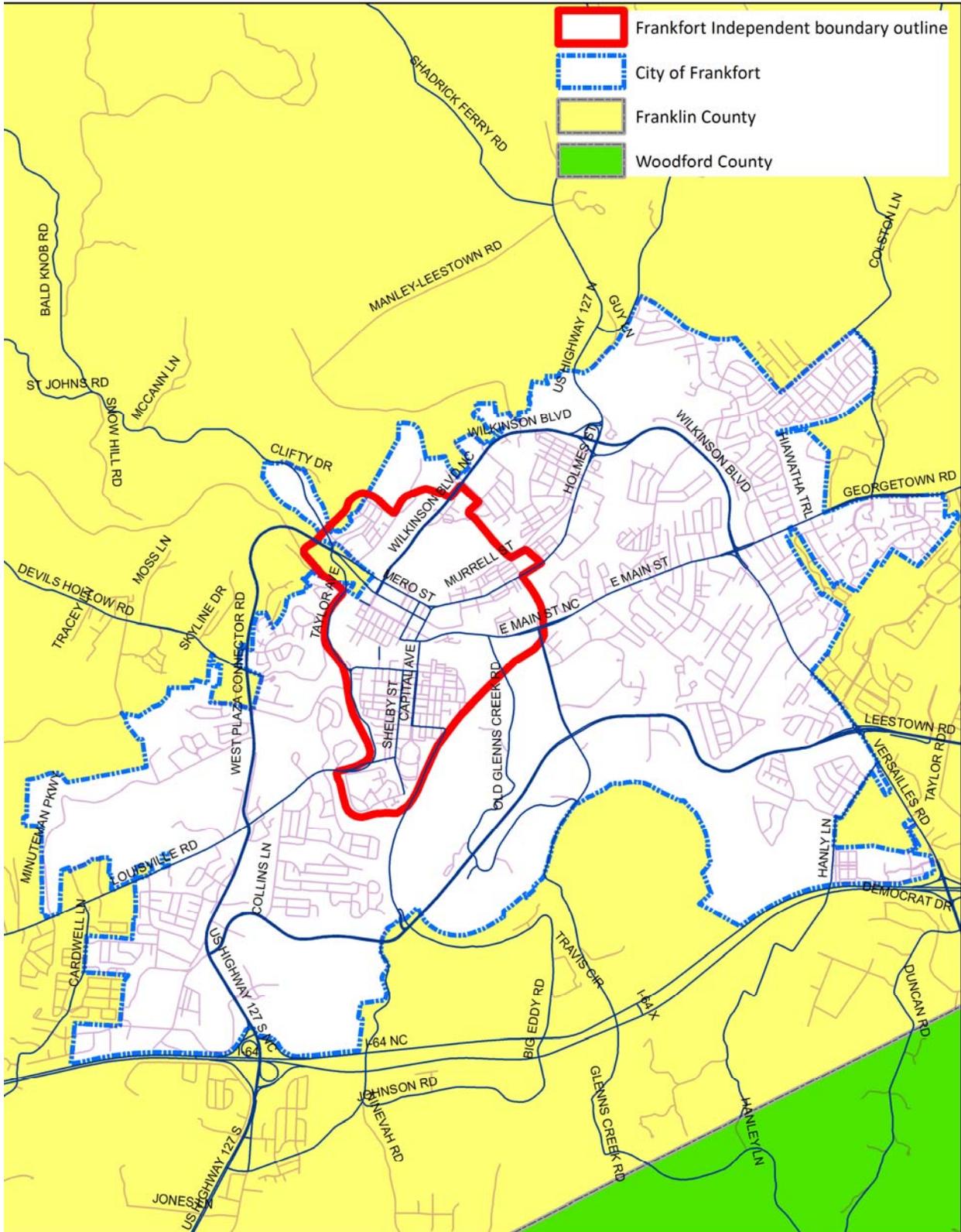
### Fairview ISD



### Fort Thomas ISD

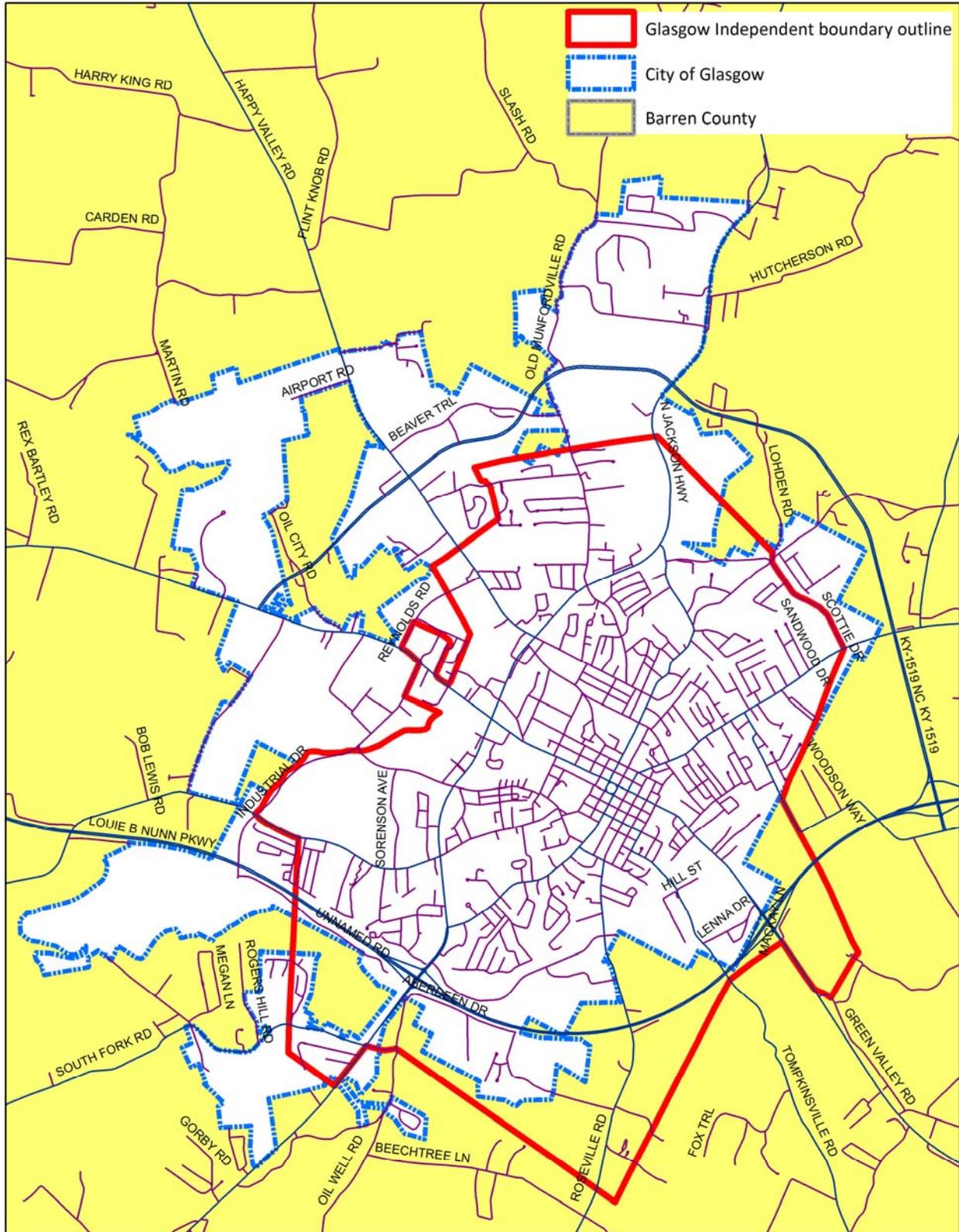


### Frankfort ISD

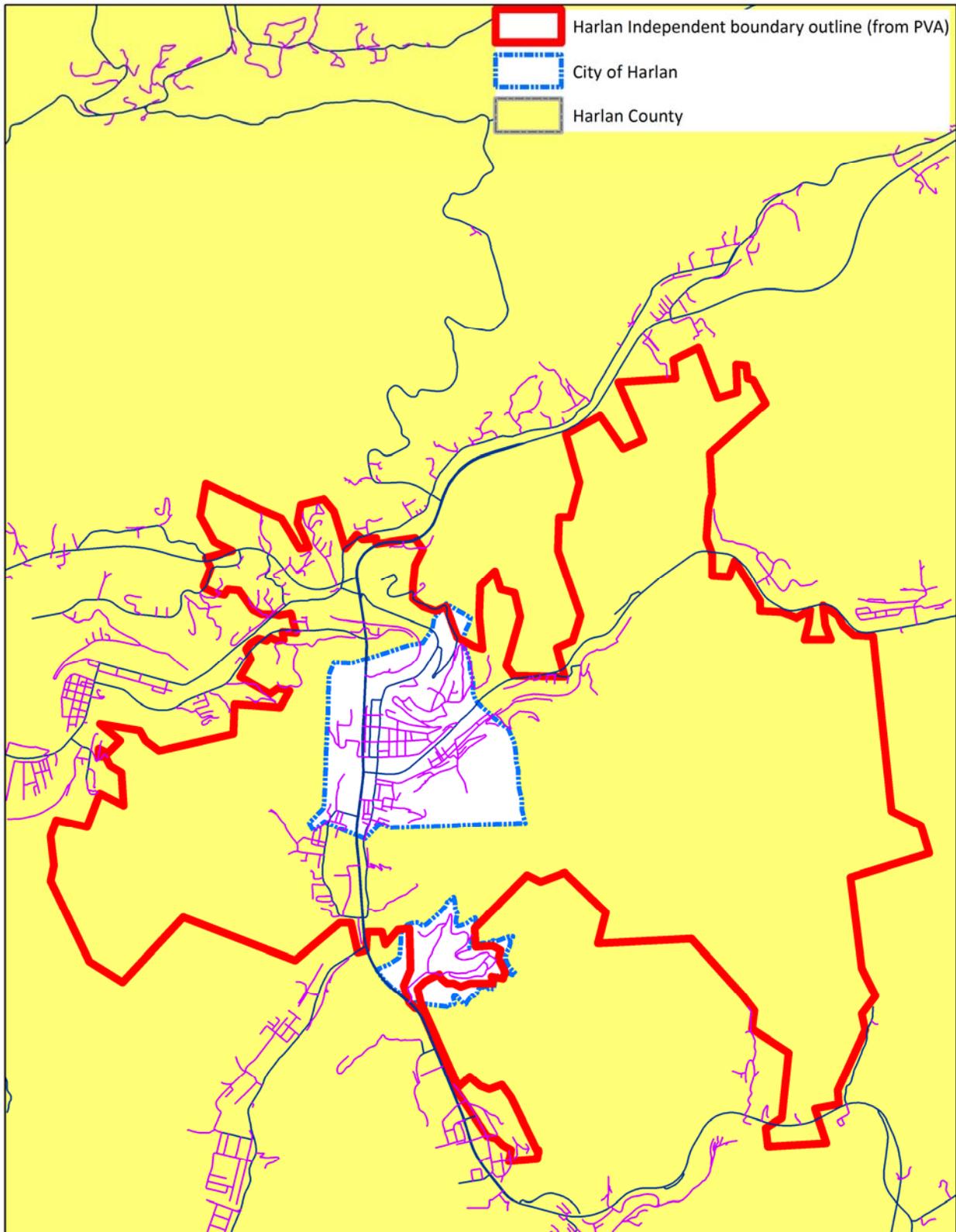




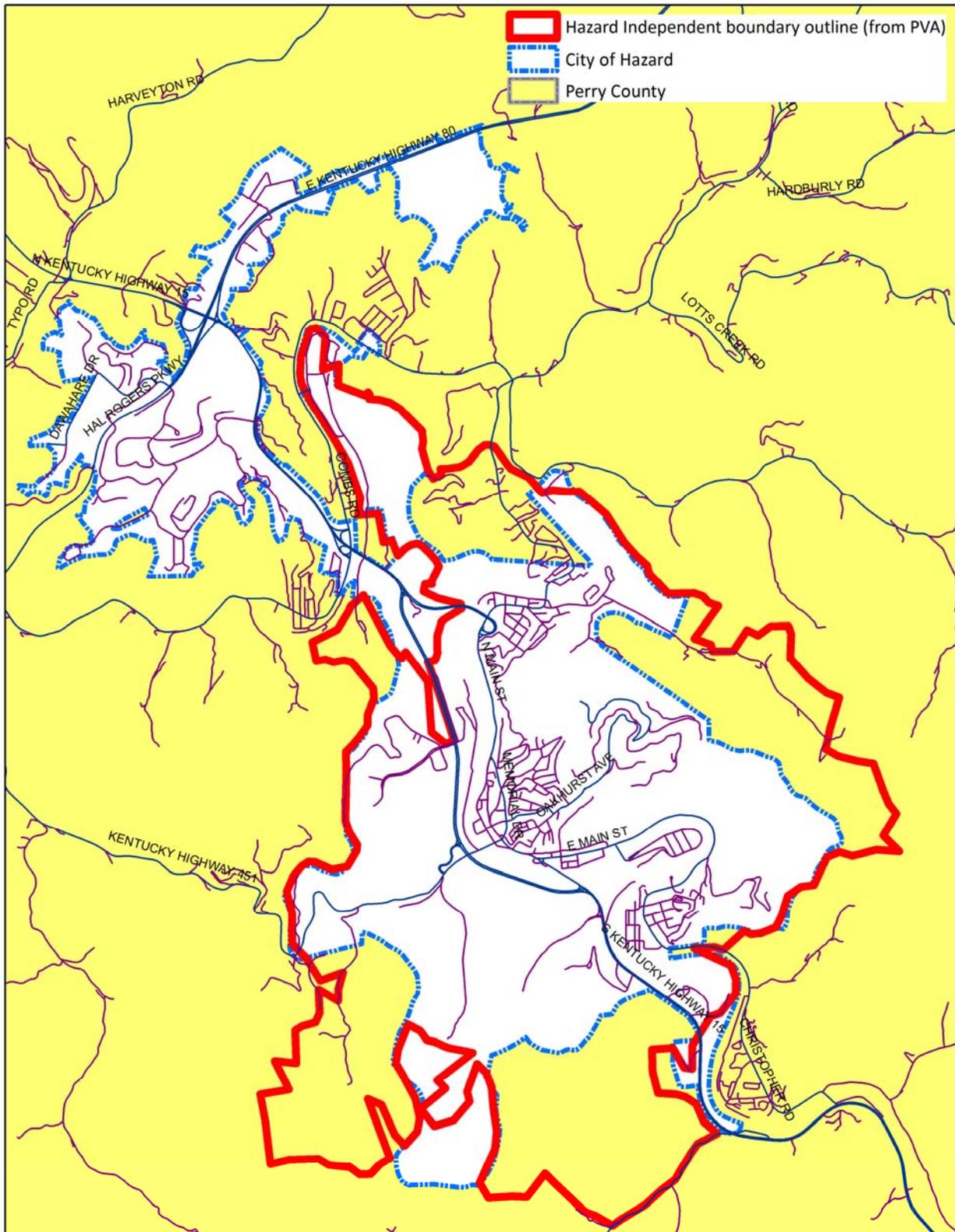
### Glasgow ISD



### Harlan ISD



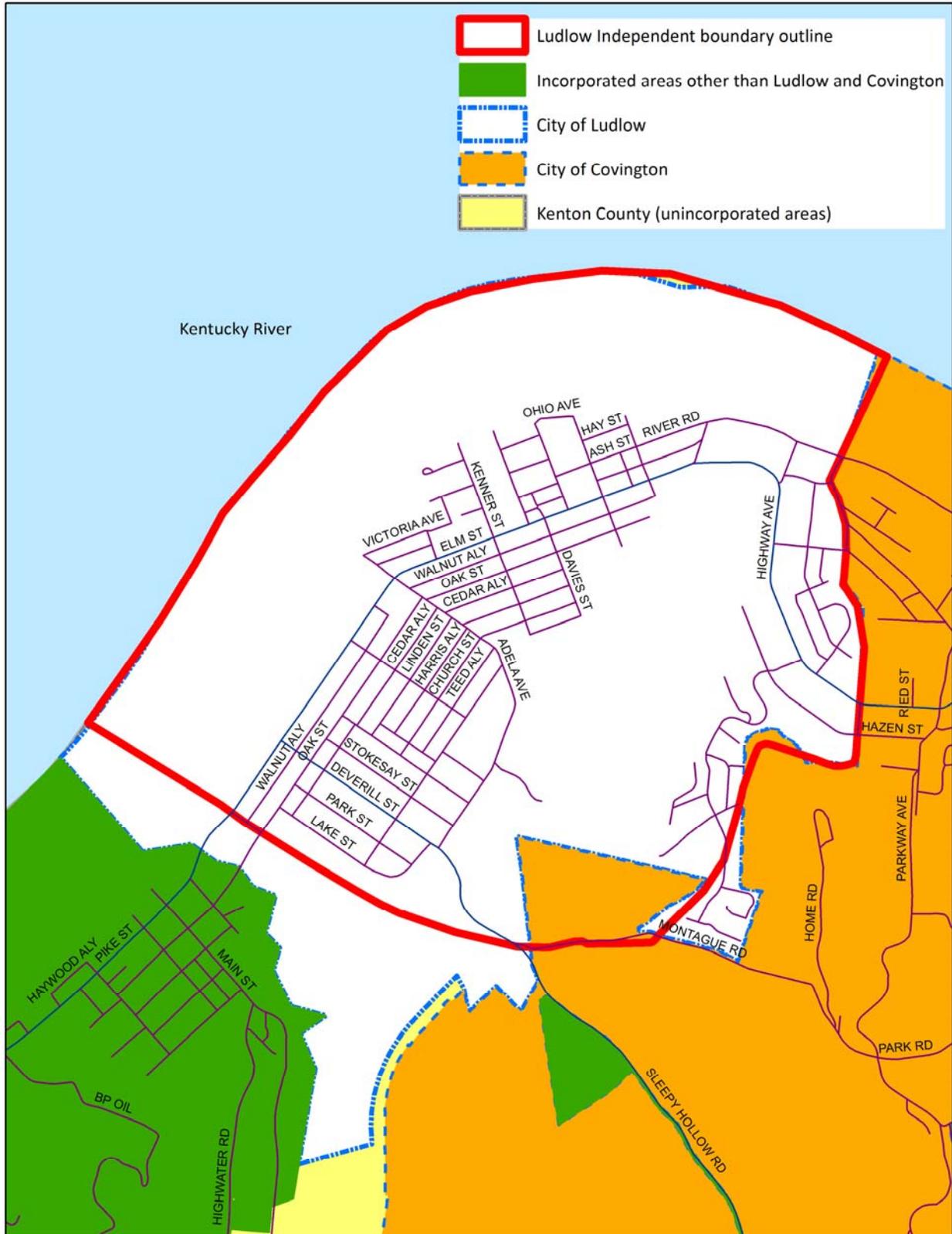
### Hazard ISD



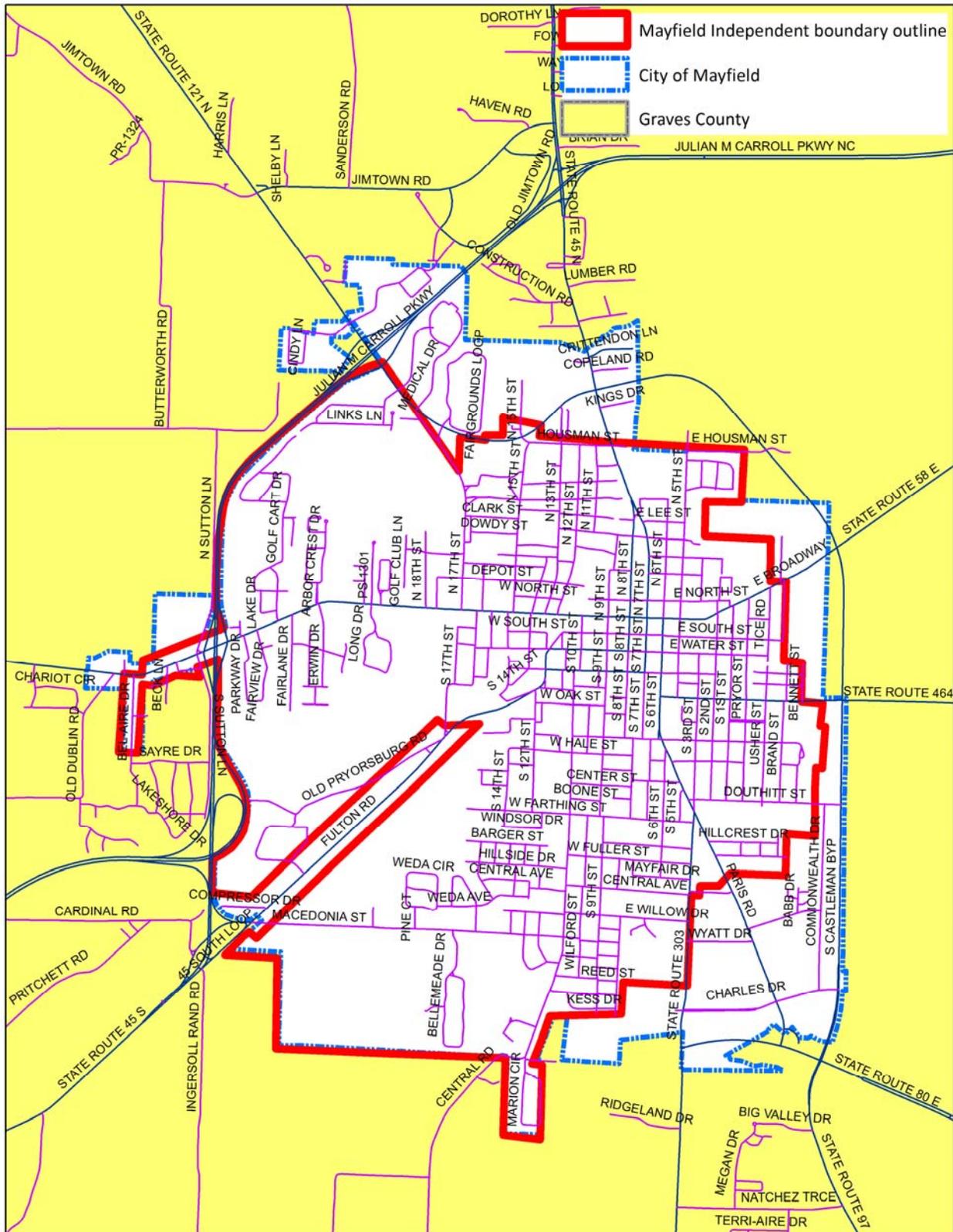




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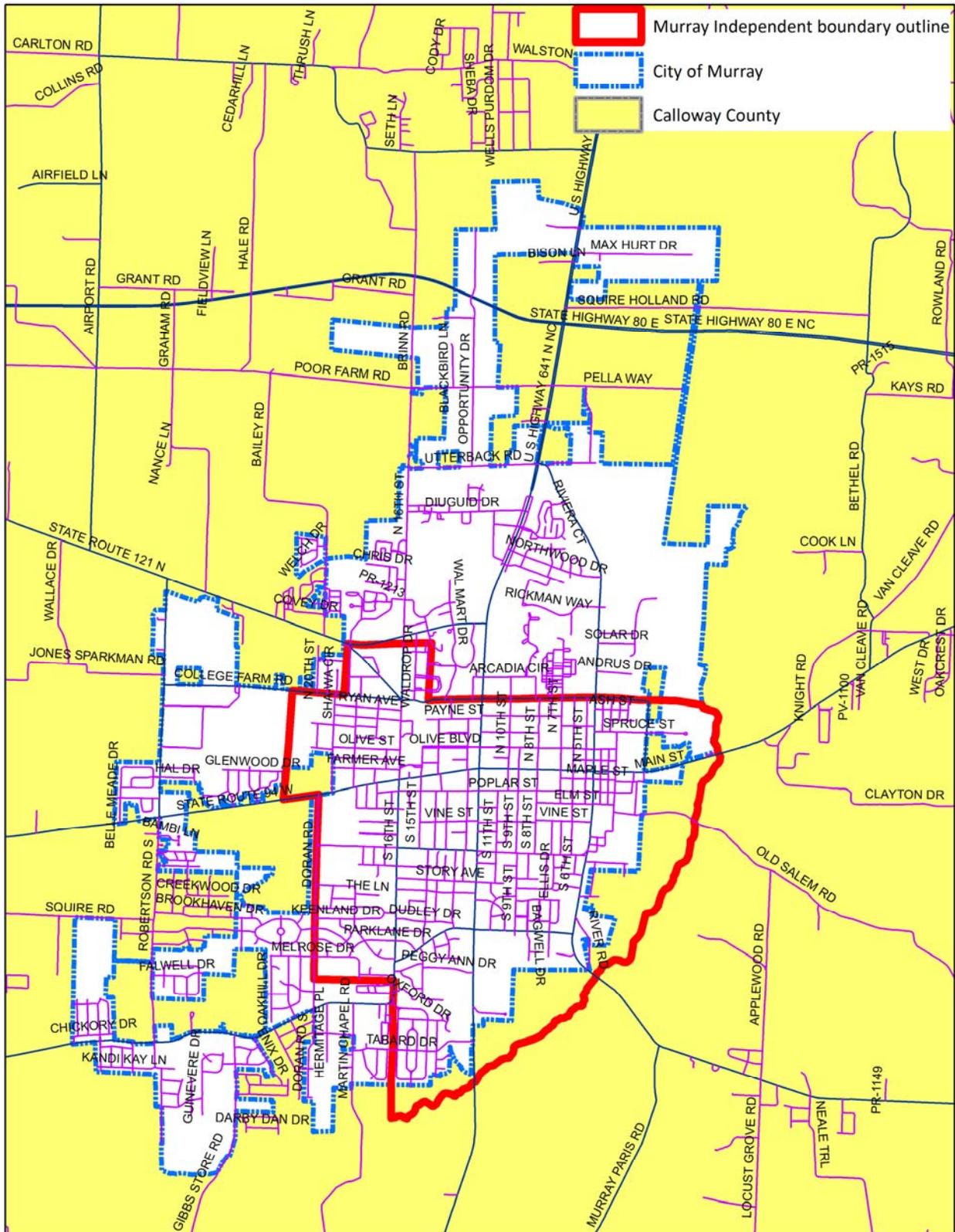


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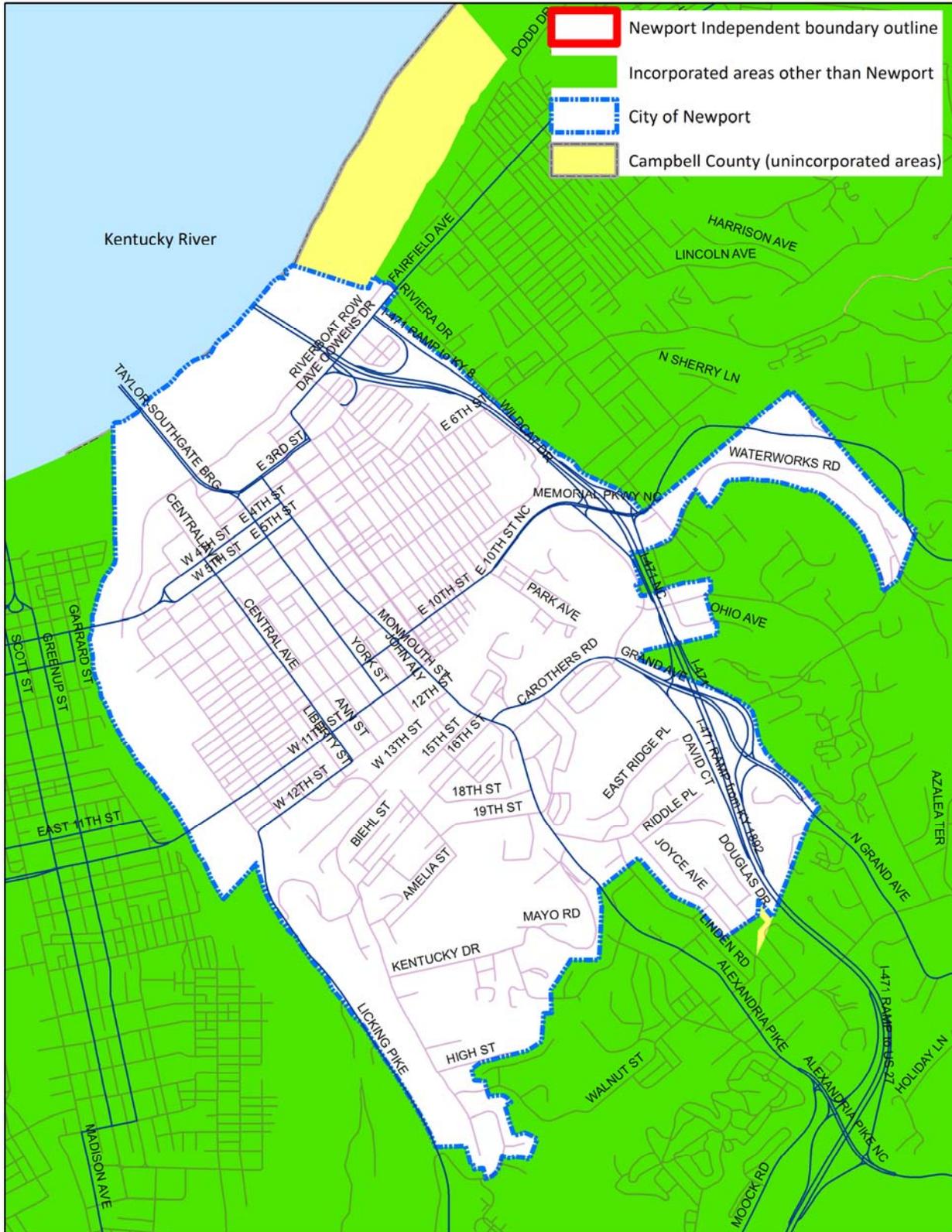




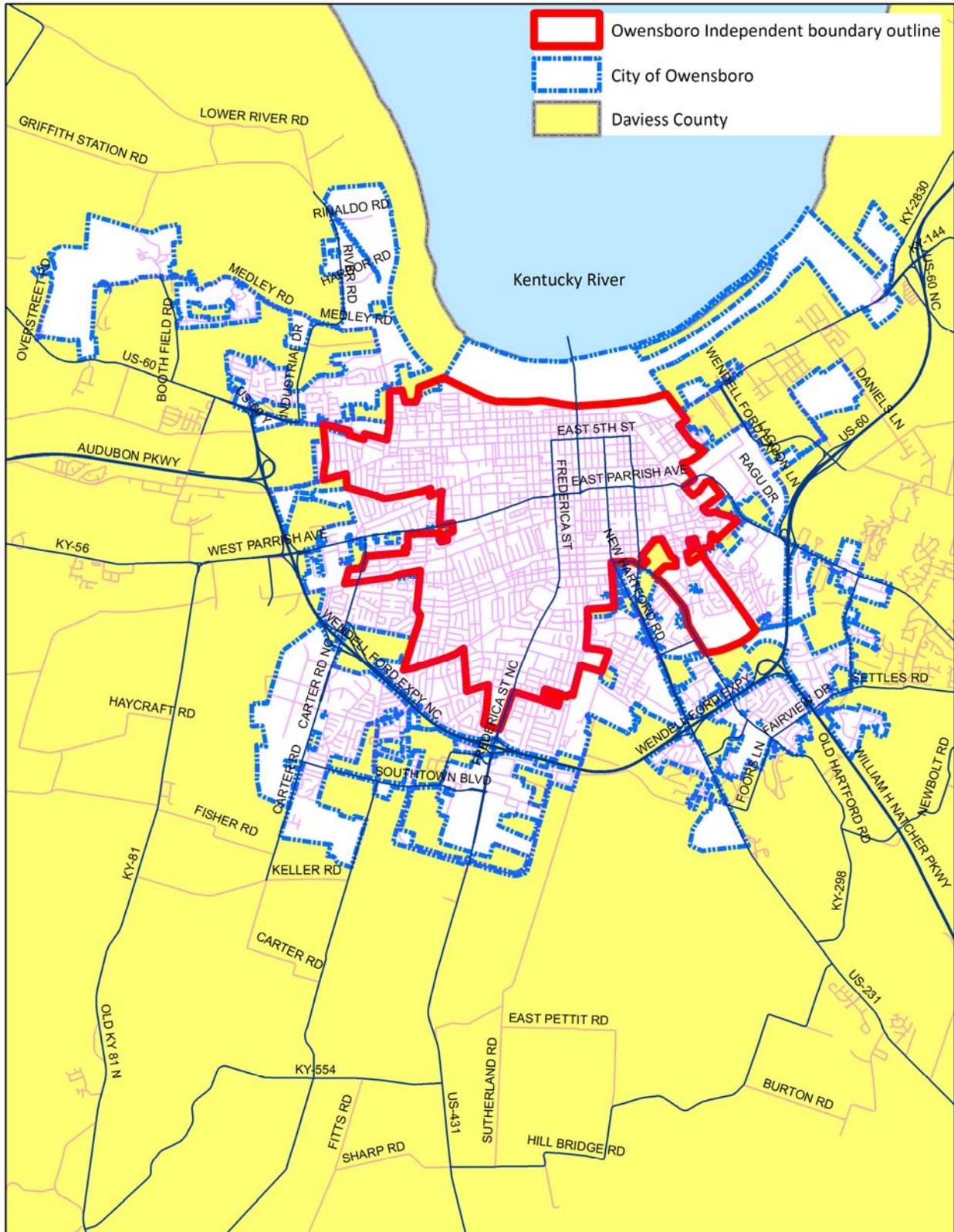
### Murray ISD



### Newport ISD



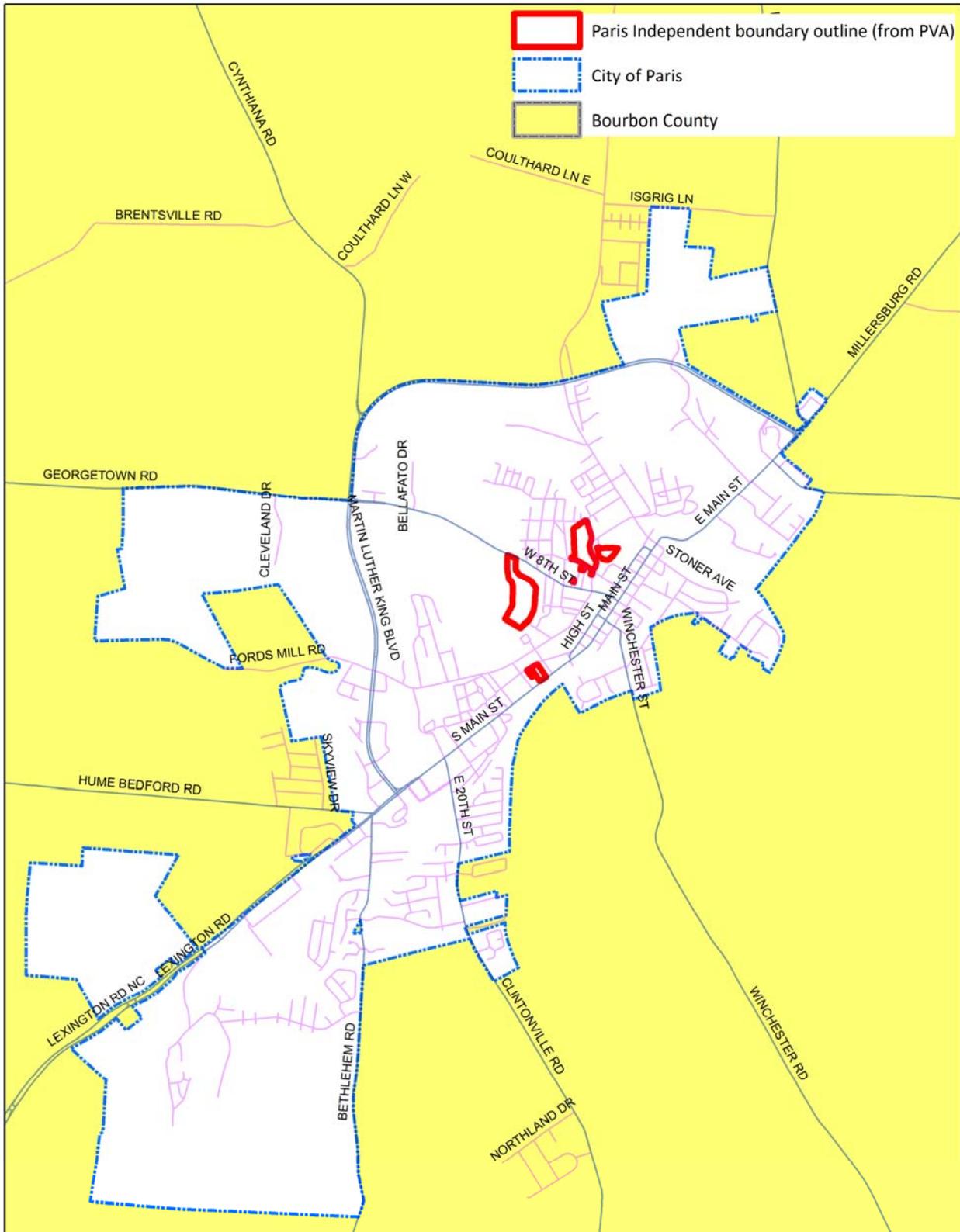
### Owensboro ISD



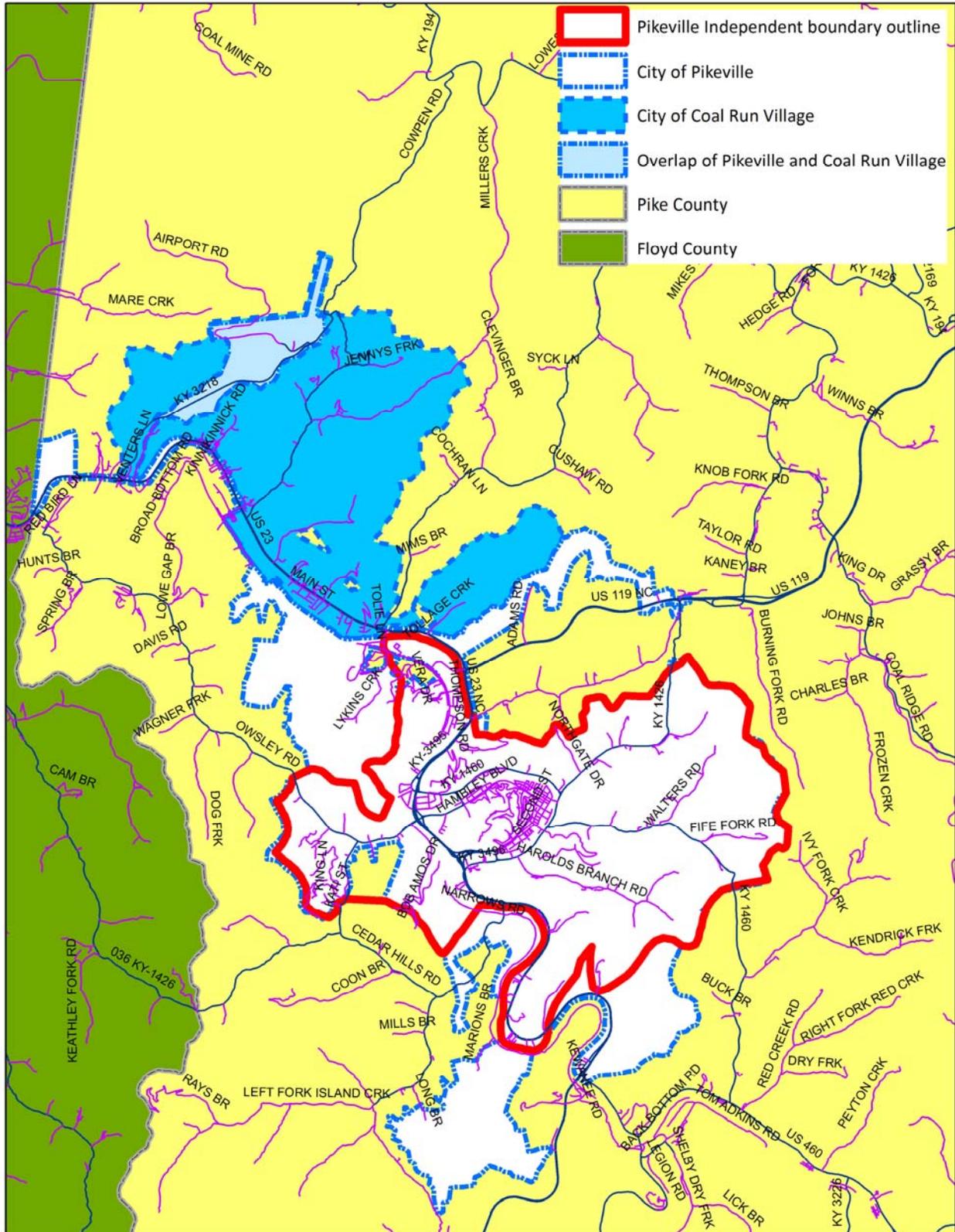




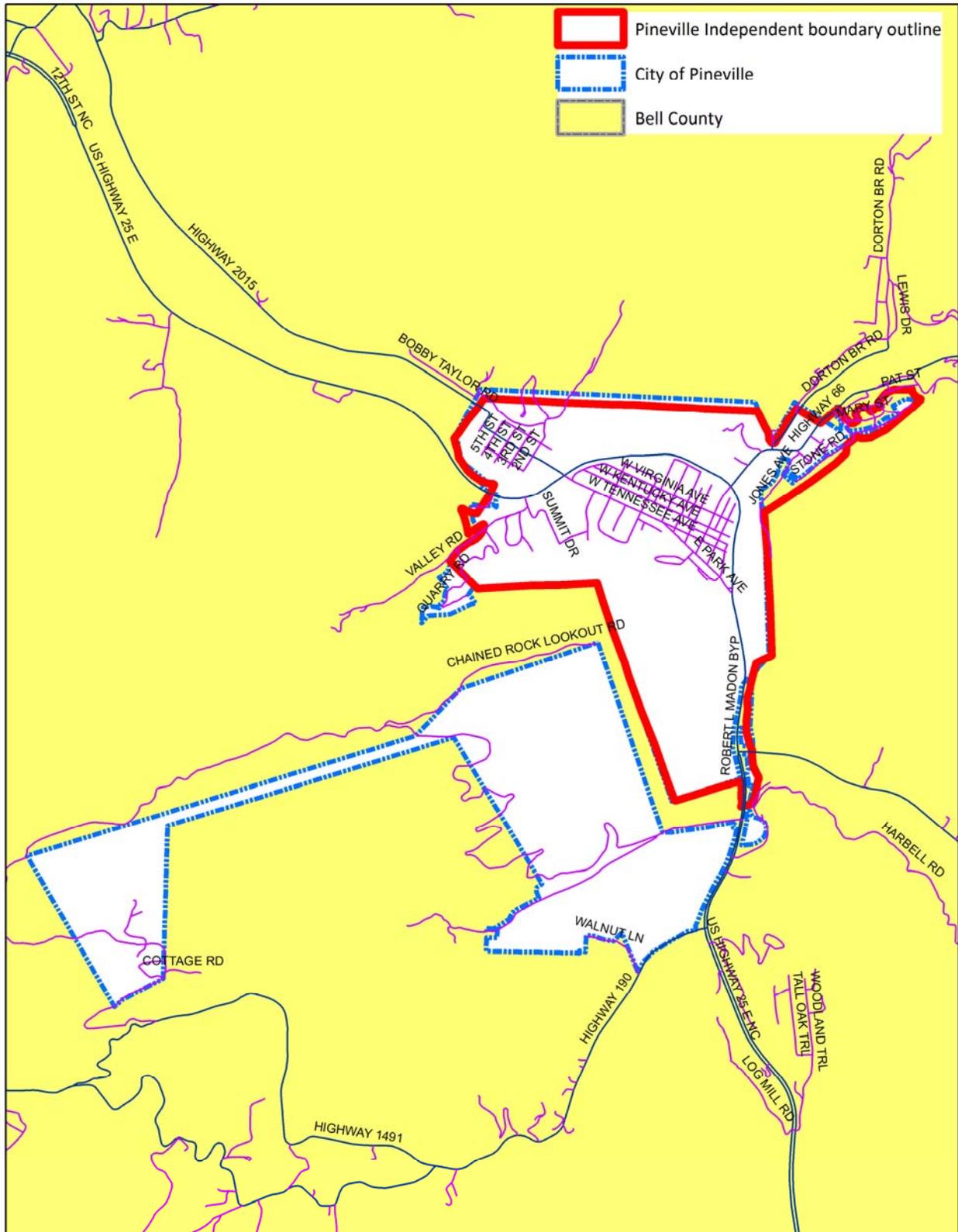
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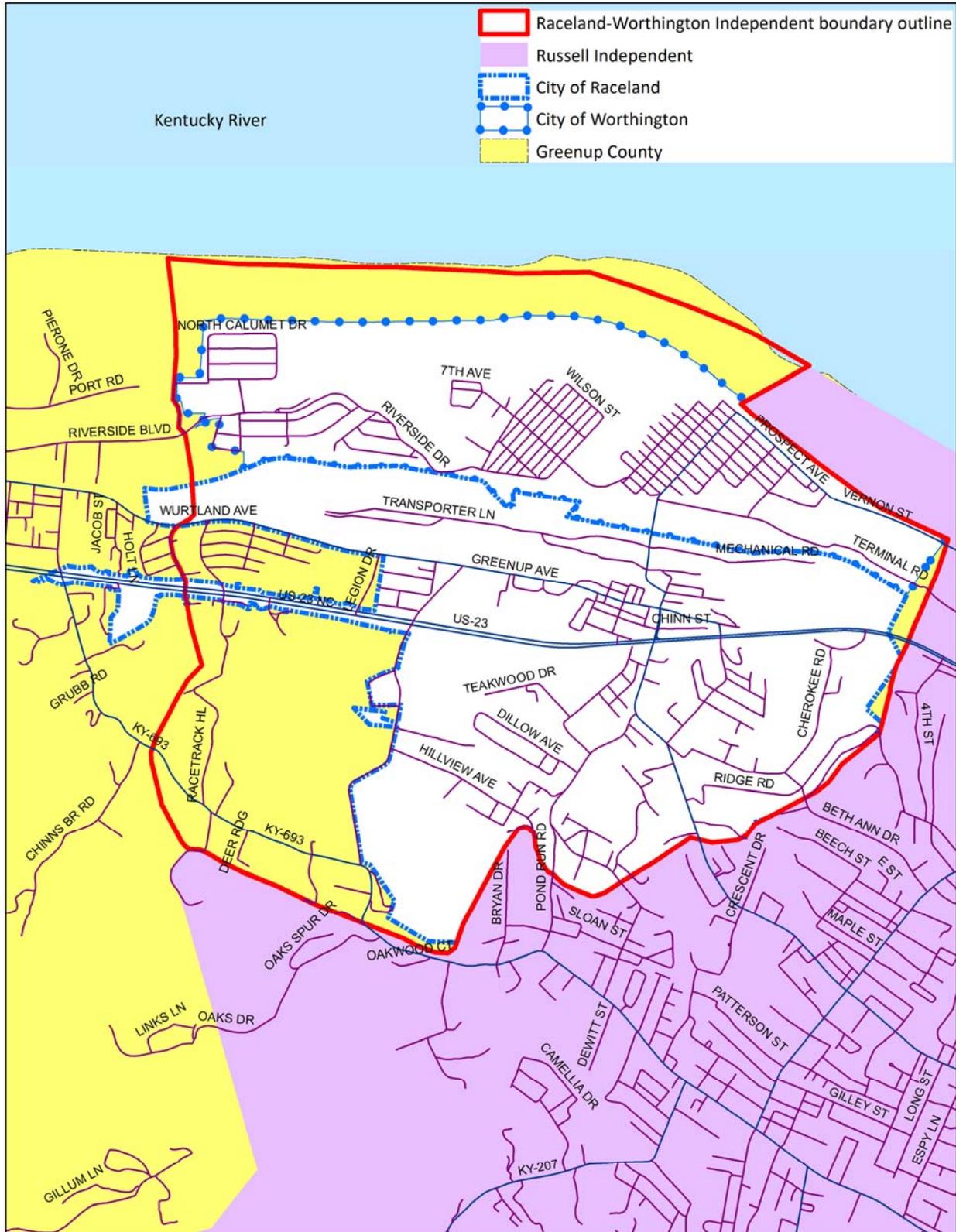
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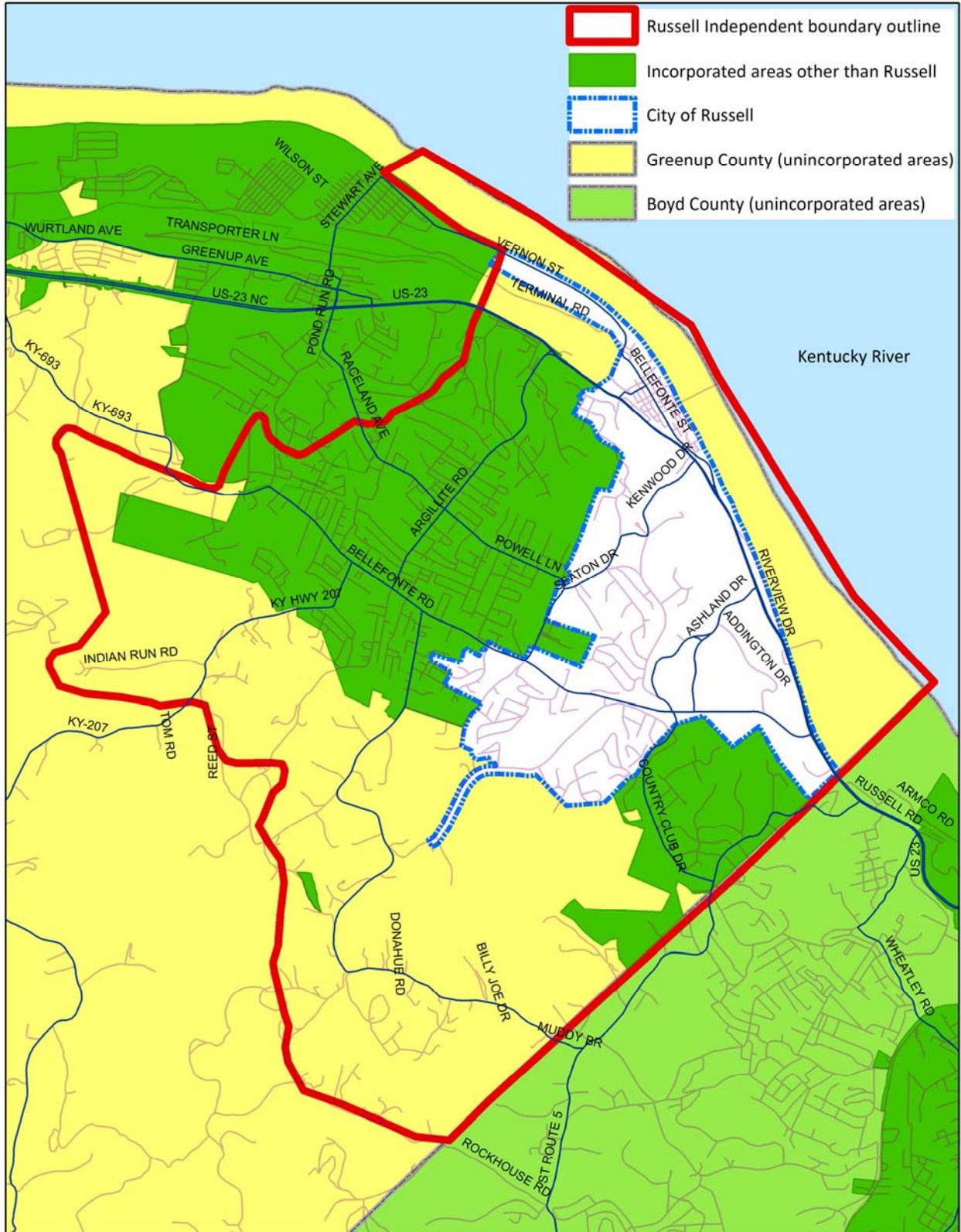
### Pineville ISD



### Raceland-Worthington ISD

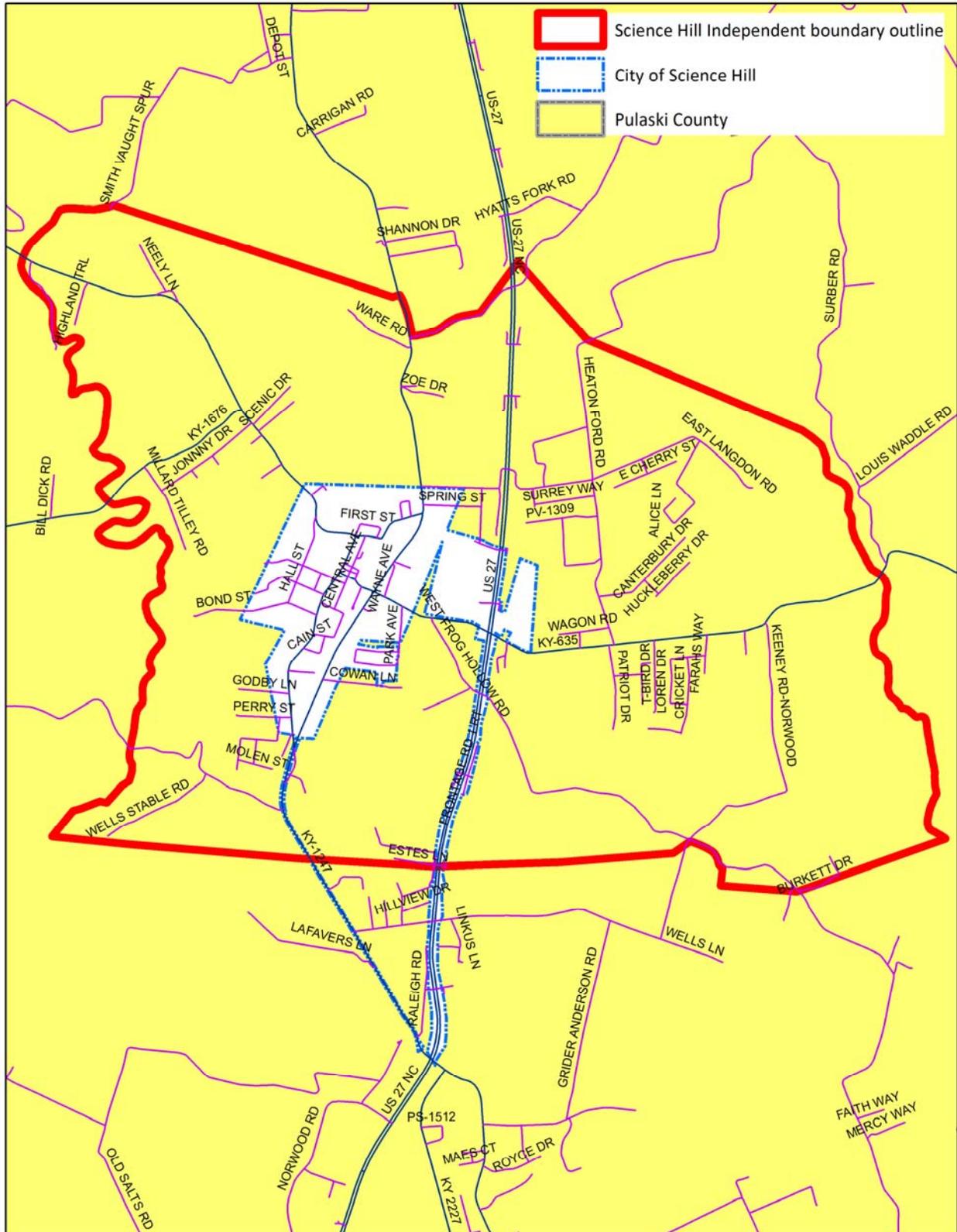


### Russell ISD

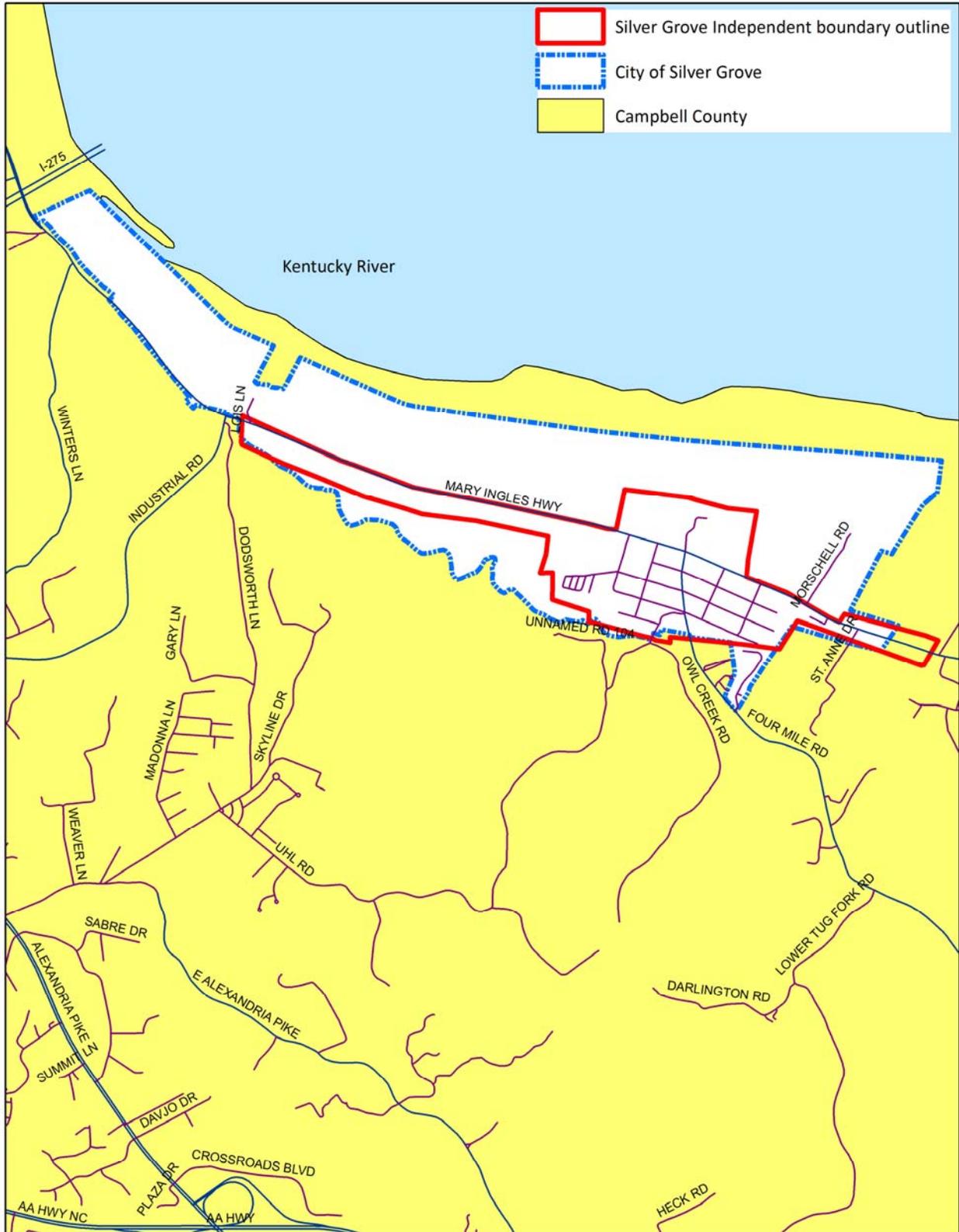




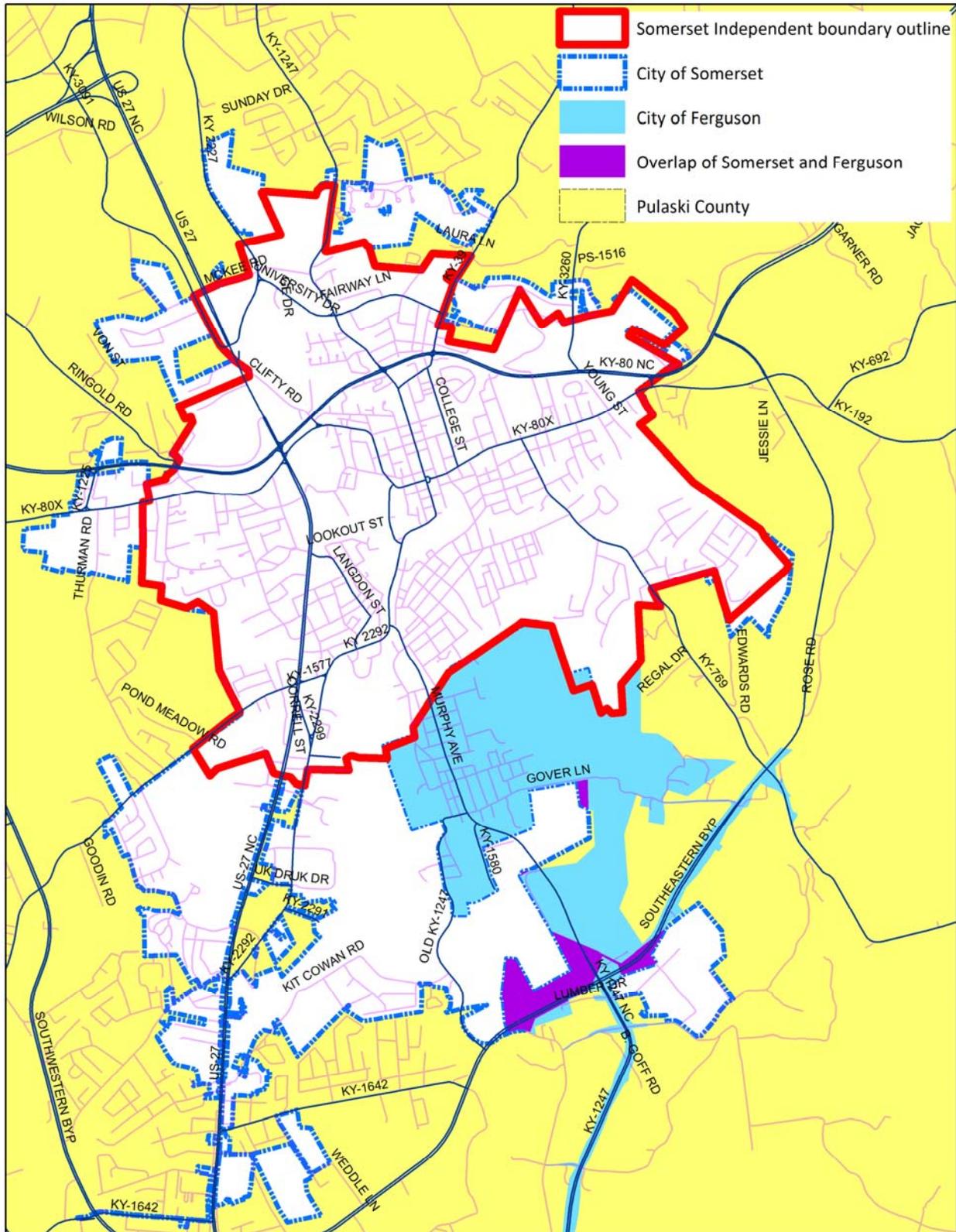
### Science Hill ISD



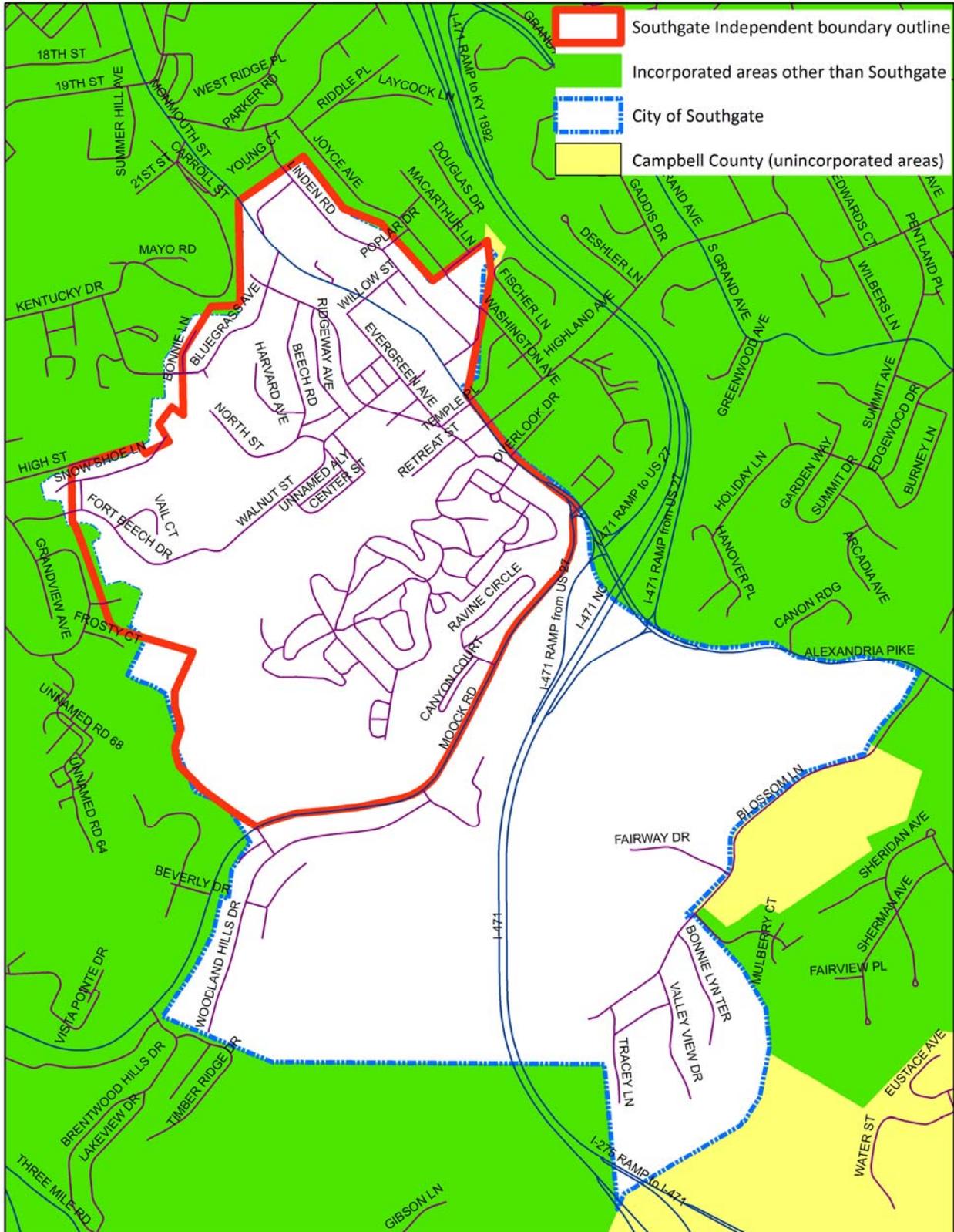
### Silver Grove ISD



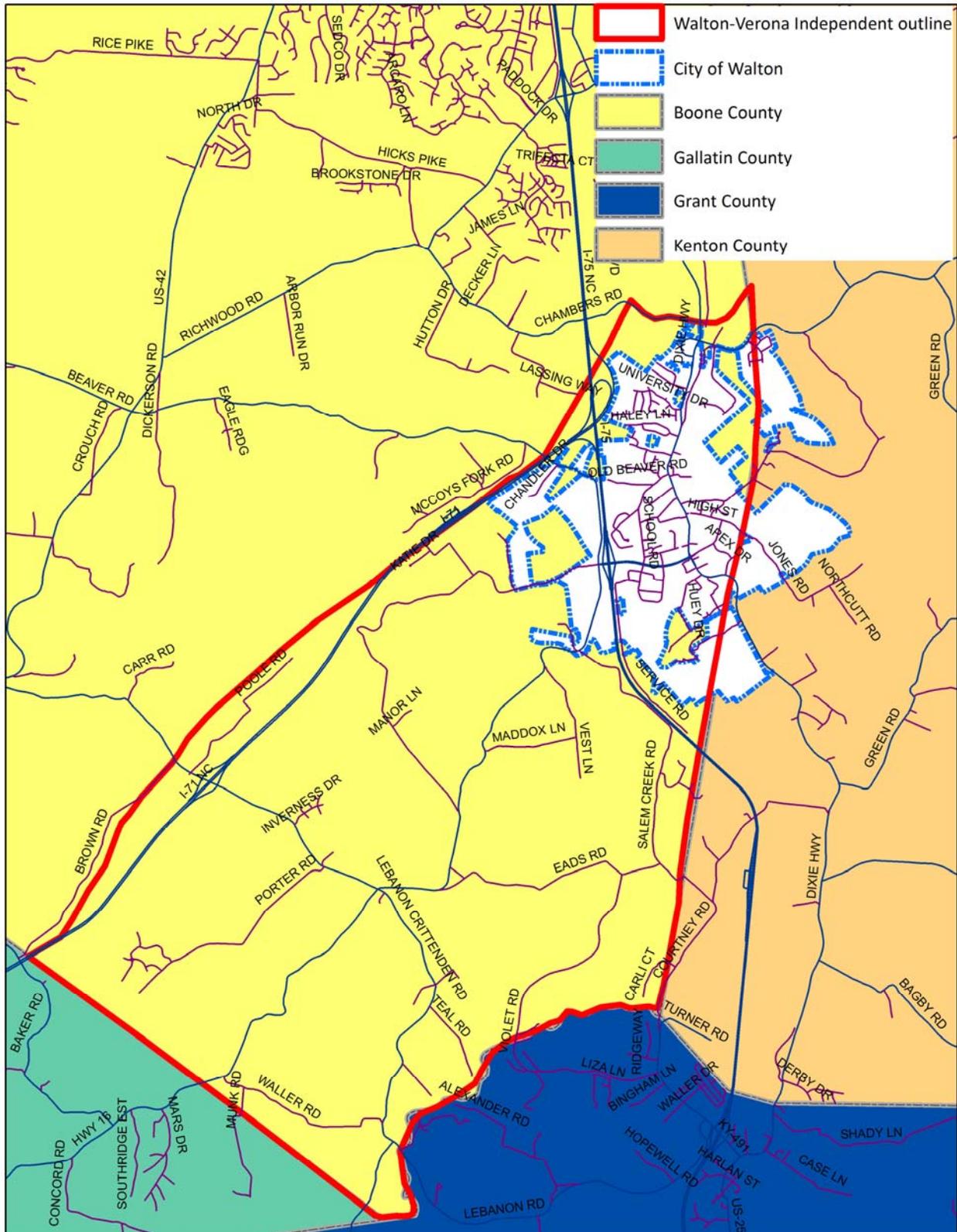
### Somerset ISD



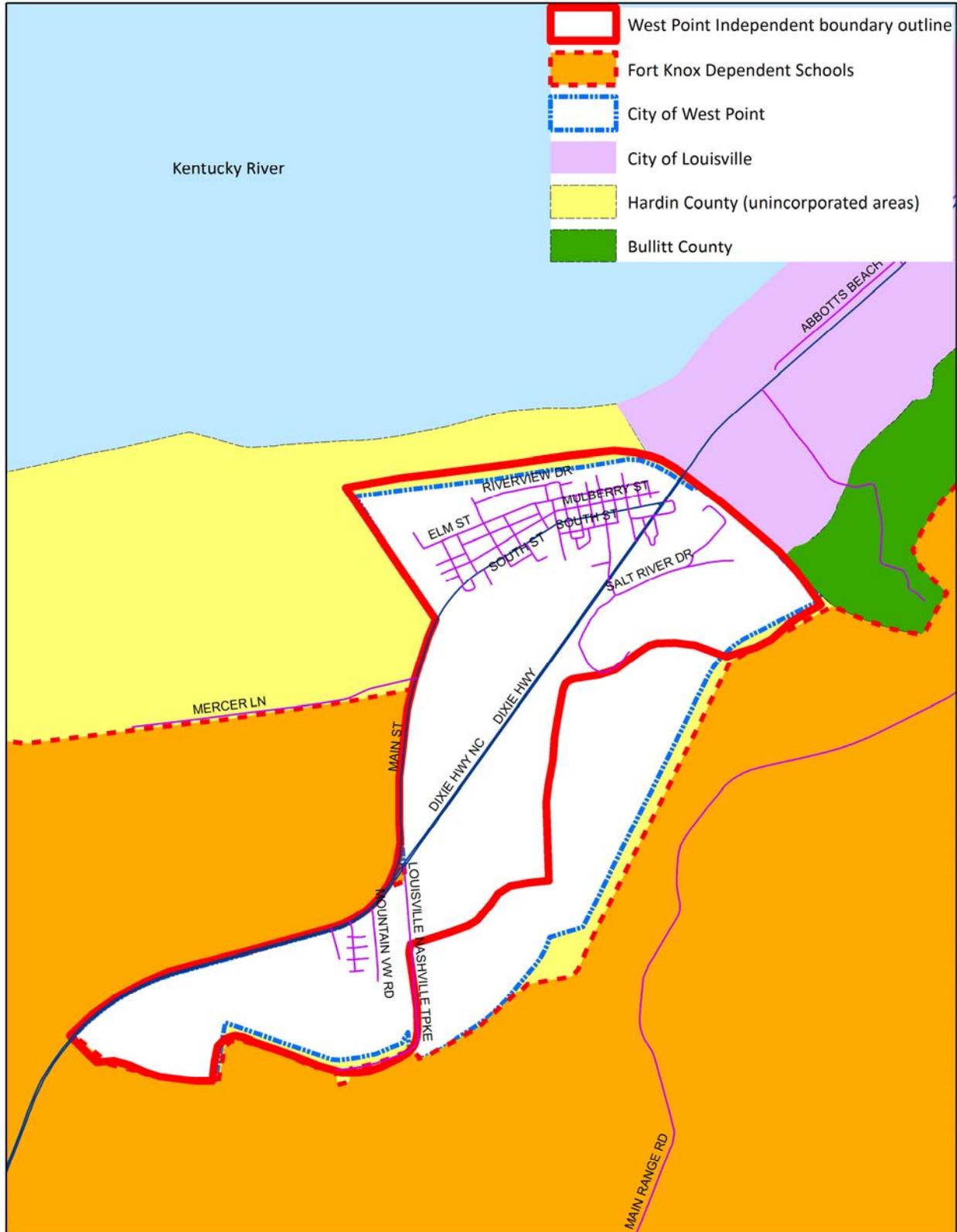
### Southgate ISD



### Walton-Verona ISD



### West Point ISD







## Appendix C

### Student Membership

This table shows membership by independent school district in 2011 and 2014, and membership change in 2012-2014 in number of students and as a percentage of 2011 membership.

District	Membership		Membership Change 2011-2014	
	2011	2014	Number	Percent
Anchorage	359	370	11	3
Ashland	3,107	3,037	-70	-2
Augusta	308	288	-20	-6
Barbourville	668	658	-10	-1
Bardstown	2,387	2,548	161	7
Beechwood	1,151	1,241	90	8
Bellevue	742	711	-31	-4
Berea	1,079	1,115	36	3
Bowling Green	3839	3946	107	3
Burgin	444	459	15	3
Campbellsville	1,083	1,101	18	2
Caverna	731	730	-1	0
Cloverport	344	405	61	18
Corbin	2,760	2,883	123	4
Covington	3,564	3,828	264	7
Danville	1,760	1,794	34	2
Dawson Springs	675	617	-58	-9
Dayton	862	849	-13	-2
East Bernstadt	494	459	-35	-7
Elizabethtown	2,370	2,497	127	5
Eminence	605	745	140	23
Erlanger-Elsmere	2,199	2,172	-27	-1
Fairview	825	864	39	5
Fort Thomas	2,618	2,925	307	12
Frankfort	734	802	68	9
Fulton	389	363	-26	-7
Glasgow	1,889	2,017	128	7
Harlan	789	741	-48	-6
Hazard	912	936	24	3
Jackson	400	375	-25	-6
Jenkins	544	505	-39	-7
Ludlow	868	832	-36	-4

District	Membership		Membership Change 2011-2014	
	2011	2014	Number	Percent
Mayfield	1,432	1,589	157	11
Middlesboro	1,408	1,294	-114	-8
Murray	1,380	1,497	117	8
Newport	1,728	1,720	-8	0
Owensboro	4,019	4,582	563	14
Paducah	2,656	2,848	192	7
Paintsville	826	778	-48	-6
Paris	717	703	-14	-2
Pikeville	1,147	1,206	59	5
Pineville	530	507	-23	-4
Raceland-Worthington	1,035	1,040	5	0
Russell	2,184	2,134	-50	-2
Russellville	1,025	1,017	-8	-1
Science Hill	486	476	-10	-2
Silver Grove	211	187	-24	-11
Somerset	1,464	1,614	150	10
Southgate	206	170	-36	-17
Walton-Verona	1,519	1,522	3	0
West Point	117	120	3	3
Williamsburg	745	802	57	8
Williamstown	885	854	-31	-4

## Appendix D

### Relevant Statutes, Regulations, Case Law, And Attorney General Opinions

Statute	Overview	History	Regulations, Case Law, And OAGs
		<b>Composition</b>	
160.010: County school district, what constitutes	Each county constitutes a county school district. Where there are independent districts, county constitutes remainder outside independent district's boundaries.	Eff. 1990	<ul style="list-style-type: none"> <li>• <i>Thomas v. Spragens</i>, 213 S.W.2d 452 (Ky App. 1948)</li> <li>• <i>Bd. of Educ. of City of Corbin v. City of Corbin</i>, 192 S.W.2d 951 (Ky. App. 1946)</li> <li>• <i>City of Louisville v. Bd. of Educ. of Louisville</i>, 195 S.W.2d 291 (Ky. App. 1946)</li> </ul>
160.020: Composition of independent school districts	All districts embracing designated cities together with territory within their limits including any territory added for school purposes outside city limits. No independent school district shall continue to operate with fewer than 200 pupils unless Kentucky Board of Education determines that district can maintain more efficient program by operating as independent district.	Amended: 2014; 1996; 1990; 1978; 1974; 1942; KS 4399-3	<ul style="list-style-type: none"> <li>• <i>Thomas v. Spragens</i>, 213 S.W.2d 452 (Ky App. 1948)</li> <li>• <i>Bd. of Educ. of City of Corbin v. City of Corbin</i>, 192 S.W.2d 951 (Ky. App. 1946)</li> <li>• <i>E.P. Sawyer v. Jefferson Co. Fiscal Ct.</i>, 392 S.W.2d 83 (Ky. App. 1965)</li> <li>• <i>Board of Educ. of Southgate Indep. School Dist. v. Board of Educ. of Campbell Co. School Dist.</i>, 293 S.W.2d 568 (Ky. App. 1956)</li> <li>• <i>City of Louisville v. Bd. of Educ. of Louisville</i>, 195 S.W.2d 291 (Ky. App. 1946)</li> </ul>

Statute	Overview	History	Regulations, Case Law, And OAGs
<b>Annexation And Merger</b>			
160.040: Merger of districts	Permissive merger between two contiguous districts by concurrent action. Resulting district must take assets and legal liabilities of dissolving district. Members of merging boards of education may serve out elected terms. Tax levies for payment of interest or retirement of bonds continue until obligations are retired.	Eff. 1990	<ul style="list-style-type: none"> <li>• <i>Bd. of Educ. of Caverna Indep. Sch. Dist. v. Butler</i>, 256 S.W.2d 516 (Ky. App. 1953)</li> <li>• <i>Bd. of Educ. of Campbell Co. v. Bd. of Educ. of Newport</i>, 146 S.W.2d 30 (Ky. App. 1940)</li> <li>• <i>Martin v. Bd. of Educ. of Bath Co.</i>, 146 S.W.2d 12 (Ky. App. 1940)</li> <li>• <i>Bd. of Educ. of Lexington v. Harville</i>, 416 S.W.2d 730 (Ky. App. 1967)</li> <li>• <i>LaFollette v. Ovesen</i>, 236 S.W.2d 457 (Ky. App. 1951)</li> <li>• <i>Gibson v. Wilson</i>, 42 S.W.2d 710 (Ky. App. 1931)</li> <li>• <i>Bd. of Educ. of Wurtland Indep. School Dist. v. Stevens</i>, 88 S.W.2d 3 (Ky. App. 1935)</li> <li>• OAG 67-315</li> <li>• OAG 71-380</li> <li>• OAG 72-252</li> <li>• OAG 74-765</li> <li>• OAG 77-777</li> <li>• OAG 83-325</li> </ul>
160.041: Merger of independent district with county district	Mandatory merger between independent district and county district where either county board accepts or majority of qualified voters pass the proposition. Merging boards must determine terms of merger; if they cannot within 60 days, commissioner develops terms. If independent district cannot meet operating expenses and if both boards cannot agree as to merger, Kentucky Board of Education determines whether to merge and the terms of merger.	Amended: 1996; 1990; 1978; 1976; 1948	<ul style="list-style-type: none"> <li>• <i>LaFollette v. Ovesen</i>, 236 S.W.2d 457 (Ky. App. 1951)</li> <li>• <i>Gibson v. Wilson</i>, 42 S.W.2d 710 (Ky. App. 1931)</li> <li>• <i>Bd. of Educ. of Wurtland Indep. School Dist. v. Stevens</i>, 88 S.W.2d 3 (Ky. App. 1935)</li> <li>• <i>Bell Co. Bd. of Educ. v. Wilson</i>, 92 S.W.2d 821 (Ky. App. 1936)</li> <li>• <i>Hopkins Co. Bd. of Educ. v. Hopkins Co.</i>, 242 S.W.2d 742 (Ky. App. 1951)</li> <li>• OAG 60-963</li> <li>• OAG 76-341</li> </ul>

Statute	Overview	History	Regulations, Case Law, And OAGs
160.042: Election of members – Present terms to continue, exception	Independent districts in city of first class elect board members pursuant to KRS 160.200 and KRS 160.210. When districts merge, board members of the merged districts may hold office until expiration of term.	Eff. 1990	<ul style="list-style-type: none"> <li>• <i>Bd. of Educ. of Louisville v. Bd. of Educ. of Jefferson Co.</i>, 522 S.W.2d 854 (Ky. App. 1975)</li> <li>• <i>Wesley v. Bd. of Educ. of Nicholas Co.</i>, 403 S.W.2d 28 (Ky. App. 1966)</li> <li>• <i>McClellan v. Darnell</i>, 351 S.W.2d 191 (Ky. App. 1961)</li> <li>• OAG 65-566</li> <li>• OAG 60-963</li> </ul>
160.045: Transfer of adjacent territory to school district other than that in which it is located	Annexation of adjacent land by concurrent board action or where 75 percent of registered voters or property owners in area adjacent to either county or independent district petition respective boards for transfer of area to school district other than that in which it is located. If no agreement on terms of transfer within 90 days, either board may petition commissioner, who conducts investigation and presents findings based on Kentucky Board of Education policies. If still unable to reach agreement within 120 days, either board may petition commissioner to present issue to state board, which holds hearing as described under 702 KAR 1:080 and considers commissioner’s recommendation. Commissioner may recommend modified plan from that presented by districts and will determine equitable plan for surplus property resulting from transfer.	Amended: 1996; 1990; 1982; 1980; 1978; 1974; 1956; 1948; 1946	<ul style="list-style-type: none"> <li>• 702 KAR 1:080 Transfer of annexed property; hearing</li> <li>• <i>Thomas v. Spragens</i>, 213 S.W.2d 452 (Ky App. 1948)</li> <li>• <i>Howell v. Collier</i>, 282 S.W.2d 327 (Ky. App. 1955)</li> <li>• <i>Bd. of Educ. of Southgate Indep. School Dist. v. Board of Educ. of Campbell Co. School Dist.</i>, 293 S.W.2d 568 (Ky. App. 1956)</li> <li>• <i>Bd. of Educ. of Kenton Co. v. Mescher</i>, 220 S.W.2d 1016 (Ky App. 1949)</li> <li>• <i>Campbell Co. Bd. of Educ. v. Boulevard Enterprises, Inc.</i>, 360 S.W.2d 744 (Ky. App. 1962)</li> <li>• OAG 62-54</li> <li>• OAG 67-429</li> <li>• OAG 80-621</li> <li>• See also KRS 160.050 (repealed 1956); KRS 160.060 (repealed 1956); KRS 160.047 (repealed 1990); and KRS 160.049 (repealed 1978); OAG 60-1251</li> </ul>
	In developing recommendation,		

Statute	Overview	History	Regulations, Case Law, And OAGs
	<p>commissioner shall give due consideration to: ratio of wealth of territory involved in relation to total wealth of district from which territory will be annexed; effect of proposed territorial loss or gain on educational programs of respective districts; extent of and effect on physical plant, facilities, and equipment available in affected districts; indebtedness and bonded or rental obligations of respective districts; contemplated indebtedness or obligation arising from proposed transfer; other factors that may bear on determination of desirability of proposed annexation from vantage point of all interested persons.</p>		
<p>160.048: Transfer of area containing school outside district</p>	<p>Mandatory annexation of property containing school outside district territory where 75 percent of registered voters or property owners in area petition respective school boards. Effective date of transfer is 60 days after petition is filed with both districts. Creation of terms and conditions of transfer mirror KRS 160.045. Commissioner, state board, and courts have no power to disapprove transfer. Receiving district assumes portion of debt as provided in KRS 160.065.</p>	<p>Amended: 1996; 1990; 1978; 1972</p>	<p>N/A</p>

<b>Statute</b>	<b>Overview</b>	<b>History</b>	<b>Regulations, Case Law, And OAGs</b>
160.065: Liability for indebtedness in case of annexation	When property is annexed or transferred to another district, recipient district assumes portion of debt incurred by losing district for buildings and grounds.	Eff. 1990	<i>Bd. of Educ. of Fayette Co. v. Bd. of Educ. of Lexington Indep. Sch. Dist.</i> , 250 S.W.2d 1017 (Ky. App. 1952)
162.020: Transfer of property from one district to another – Title not affected – District may own school in another district	Title to school property in territory transferred from one school district to another is not affected by transfer. Independent district other than one containing city of first class may purchase, establish, and maintain school sites outside limits of independent district.	Amended: 2014; 1990	<i>Bd. of Educ. of Campbell County v. Bd. of Educ. of Newport</i> , 146 S.W.2d 30 (Ky. App. 1940)

Statute	Overview	History	Regulations, Case Law, And OAGs
<b>Taxes</b>			
132.280: County tax levy to be based on state assessment – Exception for special taxing district	Creates exception allowing independent school districts to use city tax assessment rather than required county assessment that county districts use.	Eff. 1990	<ul style="list-style-type: none"> <li>• OAG 77-184</li> <li>• OAG 77-497</li> </ul>
134.119: Sheriff is collector of taxes – Means of payment – Penalties – Sale of personal property – Compensation of sheriff	Sheriff shall be tax collector for county districts but may contract with independent school districts to collect their taxes. Lays out process for sheriff to collect taxes. Sheriff compensated in accordance with KRS 160.500.	Amended: 2010; 2009	N/A
160.455: Definition of tax-levying authority	“Tax-levying authority” means boards of education of county school districts and independent school districts.	Amended: 1990; 1976	N/A
160.460: Levy of school taxes – Procedures	Ad valorem tax is within limits of KRS 160.470. Annual school levy must be made by July 1 after approval by state board. School taxes must be levied on all property subject to local taxation in that jurisdiction. Independent districts may use city assessment of their embraced designated city.	Amended: 2014; 2005; 1996; 1990; 1978; 1976; 1950; 1949; 1942; KS 4399-40	<ul style="list-style-type: none"> <li>• <i>White v. Bd. of Educ., City of Maysville</i>, 91 S.W.2d 539 (Ky. App. 1936)</li> <li>• <i>Howard v. Bd. of Educ. of Harlan Indep. School Dist.</i>, 223 S.W.2d 721 (Ky. App. 1949)</li> <li>• OAG 61-414</li> <li>• OAG 67-1</li> <li>• OAG 68-594</li> <li>• OAG 69-2</li> <li>• OAG 77-497</li> </ul>

<b>Statute</b>	<b>Overview</b>	<b>History</b>	<b>Regulations, Case Law, And OAGs</b>
160.500: Collector of school taxes – Allowances to – Special collector – Tax bills	Sheriff must collect school taxes for county districts. Independent district may select special tax collector to collect school taxes.	Amended: 2009; 1990	<ul style="list-style-type: none"> <li>• OAG 67-95</li> <li>• OAG 67-288</li> <li>• OAG 69-283</li> <li>• OAG 73-630</li> <li>• See also KRS 134.119</li> </ul>
160.505: Certain taxes to be collected by person appointed by board of education	Board may appoint person to collect tax authorized by KRS 160.593-160.597, KRS 160.601-160.633, and KRS 160.635-160.	Eff. 1990	N/A

Statute	Overview	History	Regulations, Case Law, And OAGs
<b>Nonresident Students</b>			
157.350: Eligibility of districts for participation in fund to support education excellence in Kentucky	<p>Generally, nonresidents excluded from SEEK calculations (702 KAR 3:270) except nonresident CDEs or those recorded in reciprocal agreement between district of residence and attending district. If districts cannot reach agreement, either board may appeal to commissioner, who has 30 days to resolve. Either board may appeal to state board, which, with commissioner, considers factors affecting both districts. State board has 60 days to approve or amend commissioner's decision. Tuition may be waived for CDE.</p> <p>Reciprocal agreements (702 KAR 7:125) must be executed by district of residence and attending district's boards, then filed with both by February 1 of year prior to school year when it will apply. It will include terms to which districts have agreed and list of students covered by agreement, filed by November 1 of school year. Changes to agreement may be made until end of year but no later than June 30. Separate list of CDE and nonresident noncontract students must be submitted by November 1.</p>	Amended: 2014; 2013; 2007; 2005; 1998; 1996; 1992; 1990; 1978; 1976	<ul style="list-style-type: none"> <li>• 702 KAR 3:270 SEEK Funding Formula</li> <li>• 702 KAR 7:125 Pupil Attendance</li> <li>• <i>White v. Bd. of Educ., City of Maysville</i>, 91 S.W.2d 539 (Ky. App. 1936)</li> <li>• <i>Wheat v. Adair Co. Bd. of Educ.</i>, 460 S.W.2d 806 (Ky. App. 1970).</li> <li>• OAG 77-736</li> <li>• OAG 78-265</li> <li>• OAG 79-327</li> <li>• OAG 80-47</li> <li>• OAG 91-75</li> </ul>

Statute	Overview	History	Regulations, Case Law, And OAGs
157.370: Allotment of transportation units	Districts receive transportation funding for transporting students who live 1 mile from their school. Students with disabilities may be included if they live less than a mile away.	Amended: 1996; 1994; 1990; 1978; 1976	<ul style="list-style-type: none"> <li>• <i>Japs v. Bd. of Educ. of Jefferson Cnty.</i>, 291 S.W.2d 825 (Ky. App. 1956)</li> <li>• 702 KAR 3:270</li> <li>• 702 KAR 5:010</li> </ul>
	<p>“[I]f one (1) district authorizes another district to provide transportation services for a part of its area, this area shall be deducted from the area served by the authorizing district and added to the area served by the district actually providing the transportation.” This adjusts funding where one district assumes responsibility for transporting students in another district.</p>		
158.120: Nonresident pupils – Tuition	Board may charge reasonable tuition for nonresident student. Where there is controversy as to fee, state board makes final determination. District of residence must pay fee except where district of residence makes provision for child’s education in that district. Where local board determines it is convenient for student to attend school in another district, board may enter tuition contract with other district.	Amended: 1996; 1990; 1978; 1942; KS 4399-51	<ul style="list-style-type: none"> <li>• <i>Garrard Co. Bd. of Educ. v. Bowling</i>, 298 S.W. 1095 (Ky. 1927).</li> <li>• <i>Eastham v. Greenup Co. Bd. of Educ.</i>, 247 Ky. 16, 56 S.W.2d 550 (Ky. 1933).</li> <li>• <i>Jenkins Indep. School Dist. v. Hunt</i>, 237 S.W.2d 65 (Ky. App. 1951).</li> <li>• <i>Wheat v. Adair Co. Bd. of Educ.</i>, 460 S.W.2d 806 (Ky. App. 1970).</li> <li>• OAG 66-550</li> <li>• OAG 67-48</li> <li>• OAG 69-140</li> <li>• OAG 72-271</li> <li>• OAG 77-736</li> <li>• OAG 78-64</li> <li>• OAG 78-265</li> <li>• OAG 79-327</li> <li>• OAG 80-47</li> <li>• OAG 91-75</li> </ul>

<b>Statute</b>	<b>Overview</b>	<b>History</b>	<b>Regulations, Case Law, And OAGs</b>
158.135: Reimbursement for school services for state agency children in state institution or day treatment center or in custody of Department of Juvenile Justice	<p>“State agency children” generally means children of school age committed to Cabinet for Health and Family Services, in home and community-based services as alternative to intermediate care for intellectually disabled, and children committed to or in custody of Department of Juvenile Justice.</p> <p>Any district that provides educational services to state agency children is reimbursed by contract with Kentucky Educational Collaborative for State Agency Children. Services shall be equal to those furnished to other school children in district.</p>	Amended: 2010; 2005; 1998; 1996; 1994; 1992; 1990; 1984; 1978; 1976; 1958; 1952	<ul style="list-style-type: none"> <li>• 702 KAR 3:270</li> <li>• OAG 74-630</li> <li>• OAG 83-107</li> </ul>
159.010: Compulsory attendance	<p>Parent, guardian, or person having custody of child in state must send child to school if child is age 6 to 16 except as provided in KRS Chapter 159. Effective with 2015-2016 school year, age range is raised to 18. School districts must contact students who voluntarily withdraw within 3 months of date of withdrawal to encourage enrollment in a regular program, alternative program, or GED program. If not successful, school district must make at least one more attempt before beginning of following school year.</p>	Amended: 2013; 2000; 1998; 1990; 1985; 1984; 1978; 1942; KS 4434-1, 4434-18	702 KAR 7:125

<b>Statute</b>	<b>Overview</b>	<b>History</b>	<b>Regulations, Case Law, And OAGs</b>
159.030: Exemptions from compulsory attendance	Boards must exempt student from compulsory attendance requirement if child: is graduate from accredited or approved 4-year high school; is enrolled in private, parochial, or church regular day school; is less than 7 and in private kindergarten-nursery school; has physical or mental condition that prevents attendance at school or renders it inadvisable; is enrolled and in regular attendance in private, parochial, or church school programs for exceptional children; or is enrolled and in regular attendance in state-supported program for exceptional children. Certain evidence required before exemption is granted.	Amended: 2010; 2004; 2000; 1998; 1996; 1990; 1984; 1980; 1978; 1974; 1948; 1942; KS 4434-3	702 KAR 7:125



## Appendix E

### FY 2014 Lost Revenue Opportunity From Not Taking The 4 Percent Tax Increase

<b>ISD</b>	<b>Compensating Revenue On Real Estate And Personal Property</b>	<b>4 Percent Revenue Real Estate And Personal Property</b>	<b>Total Revenue Forgone By Taking Compensating Or Other Tax Rate</b>
Anchorage*	\$4,078,101	\$4,236,940	\$119,129
Ashland	5,328,324	5,540,719	212,394
Augusta	300,641	312,088	11,447
Barbourville	452,582	469,769	-
Bardstown	7,218,851	7,495,086	-
Beechwood	4,222,686	4,390,511	-
Bellevue	2,744,750	2,852,899	-
Berea	1,763,029	1,833,057	-
Bowling Green	8,928,815	9,279,295	-
Burgin	1,291,941	1,342,050	-
Campbellsville	1,875,952	1,949,375	-
Caverna	2,013,261	2,091,739	-
Cloverport	200,268	208,070	7,803
Corbin	2,631,999	2,734,735	-
Covington	16,295,535	16,934,297	638,762
Danville	6,419,387	6,674,567	-
Dawson Springs	388,974	404,441	15,467
Dayton	1,663,699	1,729,504	-
East Bernstadt	188,733	195,937	-
Elizabethtown	4,349,245	4,517,520	-
Eminence	940,842	978,303	-
Erlanger-Elsmere	6,812,873	7,081,574	-
Fairview	972,405	1,010,182	37,777
Fort Thomas	10,674,550	11,090,339	-
Frankfort	1,724,391	1,791,943	67,552
Fulton	740,883	770,116	29,232
Glasgow	5,205,060	5,411,969	206,909
Harlan	446,354	463,092	-
Hazard	1,082,636	1,123,201	40,565
Jackson	157,444	163,386	5,941
Jenkins	635,959	660,923	24,964
Ludlow	1,641,248	1,706,550	-
Mayfield	1,977,730	2,056,027	78,297
Middlesboro	1,981,523	2,058,831	-
Murray	2,564,324	2,663,125	-
Newport	7,179,731	7,460,132	280,401
Owensboro	9,946,132	10,337,616	293,613
Paducah	7,398,170	7,689,674	-
Paintsville	2,090,874	2,172,470	-
Paris	1,269,728	1,319,440	-

<b>ISD</b>	<b>Compensating Revenue On Real Estate And Personal Property</b>	<b>4 Percent Revenue Real Estate And Personal Property</b>	<b>Total Revenue Forgone By Taking Compensating Or Other Tax Rate</b>
Pikeville	3,612,686	3,754,463	-
Pineville	321,738	334,092	-
Raceland	1,380,023	1,435,224	-
Russell	5,043,811	5,239,687	-
Russellville*	1,956,185	2,034,131	58,459
Science Hill	502,167	521,930	-
Silver Grove	1,085,313	1,128,220	42,908
Somerset	4,306,257	4,471,882	-
Southgate	945,225	982,352	-
Walton-Verona	5,117,248	5,320,515	-
West Point	314,388	326,849	-
Williamsburg	633,873	658,371	24,498
Williamstown*	1,356,393	1,410,349	28,694
<b>Total</b>	<b>\$164,374,939</b>	<b>\$170,819,555</b>	<b>\$2,224,812</b>

Source: Staff analysis of data from the Kentucky Department of Education

Note: Districts with an asterisk levied an "other" tax rate, which is higher than the compensating rate but lower than the 4 percent rate. Jenkins levied under HB 940, and Owensboro levied the subsection (1) tax rate, which increases revenues above the 4 percent.

## Appendix F

### Kentucky Department Of Education's Response To This Report



Steven L. Beshear  
Governor

Terry Holliday, Ph.D.  
Commissioner of Education

EDUCATION AND WORKFORCE DEVELOPMENT CABINET  
DEPARTMENT OF EDUCATION

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July 31, 2015

Ms. Karen Timmel, Acting Director  
Office of Education Accountability  
475 Coffee Tree Road  
Frankfort, Kentucky 40601

RE: Office of Education Accountability (OEA) Draft Report: *Kentucky's Independent School Districts: A Primer*

Dear Ms. Timmel:

On behalf of the Kentucky Department of Education (KDE), please accept this letter in response to the *draft* report: *Kentucky's Independent School Districts: A Primer*. We appreciate the opportunity to provide feedback regarding the recommendations associated with the report, as well as the additional information contained within.

The following are responses to the report's recommendations:

**Recommendation 2.1:** KDE should review KRS 160.020(1) to determine if the term "independent graded common school district" is applicable to the current school district system in the Commonwealth or if the statute should be amended. Its review should consider the classification of East Bernstadt and Science Hill as independent school districts under KRS 160.020 (1).

**KDE Response:** KRS 160.020(1) states: "All school districts embracing designated cities together with the territory within their limits, including any territory added for school purposes outside of the city limits, and all independent graded common school districts having a school census enumeration of two hundred (200) or more children, constitute independent school districts, except those which have merged with a county school district since June 14, 1934. No independent district other than a designated city shall continue to operate when its school census enumeration of children falls below two hundred (200) pupils unless it appears to the Kentucky Board of Education that the district can maintain a more efficient program of school service by operating as an independent district."

Currently, East Bernstadt and Science Hill meet the enrollment figures prescribed in KRS 160.020(1).

**Recommendation 3.1:** Local boards of education should ensure that district policies and procedures related to admission of and tuition for nonresident students are clear and transparent. District policies and procedures should address, at a minimum, the criteria that the district uses in making admissions decisions for nonresident students and the tuition that applies to students covered by reciprocal agreements, those not covered by reciprocal agreements, and children of district employees.

**KDE Response:** This recommendation refers to the authority and powers of local boards of education to set policy and procedures and reflects what may include best practices for local districts. KDE supports local district efforts to implement best practices.

**Recommendation 3.2:** The Kentucky Department of Education should work with all districts to ensure that data in Infinite Campus (IC) reflects the appropriate designation of students coming from districts without high schools, as well as merged districts.

**KDE Response:** An emphasis on data quality and maintenance of records is of importance to KDE and local districts. Districts are required to use specific Start Status codes by regulation. A student beginning on the first day of school is enrolled and entered into IC regardless of whether they are returning to school from the same district or entering from another district. Students enrolling during the year are enrolled with a code that reflects where they have been attending school during the current school year – another public school district, a private school, out-of-state school, etc. The only way a district would indicate the specifics of where the student is coming from would be in the notes section of the enrollment record. Districts are not required to enter this information in the notes section. Even so, the student's historical records would indicate prior enrollments within the state.

**Recommendation 3.3:** The Kentucky Department of Education should review reciprocal agreements to identify which districts are authorized to receive SEEK transportation credits to be calculated in accordance with KRS 157.370, as well as ensuring that district areas are adjusted accordingly pursuant to KRS 157.370 (4).

**KDE Response:** Reciprocal agreements are under the purview of local districts. Local districts in turn must complete transportation web based funding forms each year and submit those to KDE to assist with determining funding for pupil transportation. The Support Education Excellence in Kentucky (SEEK) funding formula includes funds for pupil transportation to and from school. The annual tentative transportation calculation uses prior year district transportation costs and pupil density figures to determine average costs for districts of similar pupil density. This methodology rewards efficiency and provides superintendents and transportation directors with a measure to judge their transportation programs.

Even after KDE makes adjustments per the statute, the price of gas, the cost of purchasing buses, and maintenance of fleets have risen. Unfortunately, the current appropriation for this fiscal biennium is approximately 50 percent of actual costs.

- KRS 157.370 states: *“(1) In determining the cost of transportation for each district, the chief state school officer 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 administrative regulations of the Kentucky Board of 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. Children with disabilities 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 Kentucky Board of 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 in accordance with administrative regulations of the Kentucky Board of Education. However, if one (1) district authorizes another district to provide transportation services for a part of its area, this area shall be deducted from the area served by the authorizing 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 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 density groups required by 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. Costs shall be determined separately for county school districts and independent school districts. 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 and these costs shall be recalculated each biennium.*
- (7) The scale of transportation costs included in the fund to support education excellence in Kentucky 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.*
- (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 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 Kentucky Board of 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 Kentucky Board of Education shall determine the type of pupil with a disability 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."*

Thank you for this opportunity to review the report. I encourage you to also request feedback from the independent districts surveyed in your report.

Please do not hesitate to contact me at 502-564-4474 or [Kevin.Brown@education.ky.gov](mailto:Kevin.Brown@education.ky.gov) if any additional clarification is needed.

Sincerely,



Kevin C. Brown  
Associate Commissioner and General Counsel

cc: Tracy Goff Herman, KDE  
Hiren Desai, KDE

## Endnotes

- <sup>1</sup>United States. Dept. of Commerce. Census Bureau. 2014 US Gazetteer Files. Web. March 21, 2016.
- <sup>2</sup> See, for example, Allegheny County in Pennsylvania's list of school districts by county: Pennsylvania. Dept. of Revenue. *PA School Districts & Codes By County*. Web. July 23, 2015.
- <sup>3</sup> California. Department of Education. Largest & Smallest Public School Districts – CalEdFacts. Web. July 23, 2015.
- <sup>4</sup> Duncombe, William, and John Yinger. *Does School District Consolidation Cut Costs?* Syracuse: Maxwell School, 2005.
- <sup>5</sup> Ibid.
- <sup>6</sup> Bonchak, Jean. "Passage of Ohio House Bill 216 opens door for Ledgemont consolidation." *The News-Herald* (Willoughby, Ohio). June 25, 2014. Web. Feb. 9, 2015.
- <sup>7</sup> Ibid. As of 2004, about one third of states did so; California. Legislative Analyst's Office. *How Small Is Too Small? An Analysis of School District Consolidation*. Sacramento: Legislative Analyst's Office, May 2, 2011. Web. Feb. 9, 2015; Huang, 2004, as cited in Duncombe and Yinger, indicated that one-third of states compensate districts for small scale or sparse populations in their operating aid formulas.
- <sup>8</sup> California. Legislative Analyst's Office. *How Small Is Too Small? An Analysis of School District Consolidation*. Sacramento: Legislative Analyst's Office, May 2, 2011. Web. Feb. 9, 2015.
- <sup>9</sup> Greene, James S. III. *History of the Harlan City Schools: 1911-1964*. Harlan: The Harlan Independent Board of Education. n.d. Document submitted to OEA.
- <sup>10</sup> Ellis, William E. *A History of Education in Kentucky*. Lexington: Univ. Press of Kentucky, 2011. P. 176. Ellis does not make it clear that this requirement for graded school students was in law.
- <sup>11</sup> Kennedy, Rachel, and Cynthia Johnson. *Kentucky Historic Schools Survey*. Frankfort: The Kentucky Heritage Council, 2002, P. 23.
- <sup>12</sup> Kleber, John. *The Kentucky Encyclopedia*. Lexington: The University of Kentucky, 1992. P. 801.
- <sup>13</sup> Ellis, William E. *A History of Education in Kentucky*. Lexington: Univ. Press of Kentucky, 2011. Pp. 315-316.
- <sup>14</sup> "Wayne County Outlook." *Clinton County News*, April 24, 2013.
- <sup>15</sup> Greene, James S. III. *History of the Harlan City Schools: 1911-1964*. Harlan: The Harlan Independent Board of Education. n.d. Document submitted to OEA.
- <sup>16</sup> Thomas, Samuel W. *The Village of Anchorage*. Anchorage: The Anchorage Civics Club, 2004. Pp. 210-211.
- <sup>17</sup> Document submitted by Paducah Independent schools in connection with this study and referenced as *History and Families, McCracken County, Kentucky 1824-1989*. Turner Publishing Co.
- <sup>18</sup> Carpenter, Katie. "Murray Independent Schools: An Early History." *Murray Ledger & Times*, March 1990.
- <sup>19</sup> Document dated April 17, 1935, and submitted to OEA in connection with this study.
- <sup>20</sup> Tacket, Mike, Branch Manager, Cartography/GIS Branch, Kentucky Department of Revenue. Telephone interview with Gerald Hoppmann and Brenda Landy. April 7, 2015.
- <sup>21</sup> *Thomas v. Spragens*, 213 S.W.2d 452, 453 (Ky App 1948).
- <sup>22</sup> *Board of Education of City of Corbin v. City of Corbin*, 192 S.W.2d 951, 952 (Ky. App. 1946).
- <sup>23</sup> *Board of Education of Corbin v. City of Corbin*, 192 S.W.2d 951, 952 (Ky. App. 1946); Ky. Const. Section 179.
- <sup>24</sup> *E.P. Sawyer v. Jefferson County Fiscal Court*, 392 S.W.2d 83, 84-85 (Ky. App. 1965).
- <sup>25</sup> *Thomas v. Spragens*, 213 S.W.2d 452, 453-454 (Ky. App. 1948); 1920 Ky. Acts 14, Section 3587a-1.
- <sup>26</sup> 1934 Ky. Acts 65; *Thomas v. Spragens*, 213 S.W.2d 452 (Ky. App. 1948).
- <sup>27</sup> 1934 Ky. Acts 65.
- <sup>28</sup> 1940 Ky. Acts 70 Section 4399-4b; see also KRS 160.050 (repealed 1956) and KRS 160.060 (repealed 1956).
- <sup>29</sup> *Thomas v. Spragens*, 213 S.W.2d 452, 455 (Ky. App. 1948).
- <sup>30</sup> *Board of Education of Campbell County v. Board of Education of Newport*, 146 S.W.2d 30, 31-32 (Ky. App. 1940).
- <sup>31</sup> *Martin v. Board of Education of Bath County*, 146 S.W.2d 12, 14-15 (Ky. App. 1940).
- <sup>32</sup> *Board of Education of Lexington v. Harville*, 416 S.W.2d 730, 733 (Ky. App. 1967).
- <sup>33</sup> Ibid.
- <sup>34</sup> *LaFollette v. Ovesen*, 236 S.W.2d 457, 459 (Ky. App. 1951).
- <sup>35</sup> Ibid.
- <sup>36</sup> *Gibson v. Wilson*, 42 S.W.2d 710 (Ky. App. 1931).
- <sup>37</sup> *Board of Education of Wurtland Independent School District v. Stevens*, 88 S.W.2d 3, 7 (Ky. App. 1935).

<sup>38</sup> *White v. Board of Education, City of Maysville*, 91 S.W.2d 539, 543 (Ky. App. 1936).

<sup>39</sup> OAG 77-736.

<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

<sup>42</sup> *White v. Board of Education, City of Maysville*, 91 S.W.2d 539 (Ky. App. 1936).

<sup>43</sup> *Wheat v. Adair County Board of Education*, 460 S.W.2d 806, 808 (Ky. App. 1970).

<sup>44</sup> *Ibid.*

<sup>45</sup> Kentucky. Dept. of Educ. Foreign Exchange Program: Foreign Exchange Program Information. Frankfort: KDE. Web. March 22, 2016.

<sup>46</sup> Kentucky. Dept. of Educ. Pupil Attendance Manual. Frankfort: KDE, 2015. Web. March 22, 2016.

<sup>47</sup> Kentucky. Legislative Research Commission. Office of Education Accountability. *Understanding How Tax Provisions Interact With The SEEK Formula*. Research Report No. 154. Frankfort: LRC, 2007.