An Overview Of Facilities Needs And Funding In Kentucky

Project Staff

Sabrina J. Cummins
Chris Riley
Deborah Nelson, PhD
Albert Alexander
Allison Stevens
Bart Liguori, PhD

Bart Liguori, PhD
Research Division Manager

Research Report No. ___

Legislative Research Commission
Frankfort, Kentucky
legislature.ky.gov

Presented November 12, 2020, to the
Education Assessment and Accountability Review Subcommittee

Paid for with state funds. Available in alternative format by request.

Foreword

In November 2019, the Education Assessment and Accountability Review Subcommittee approved a research agenda for the Office of Education Accountability (OEA) that included a study of school facilities.

This publication includes an examination of the process for completing facilities upgrades in Kentucky's public schools. The publication describes how school district's facilities upgrade projects are prioritized and funded and includes an in-depth examination of districts' approved facilities plans.

Jay D. Hartz
Director

Legislative Research Commission
Frankfort, Kentucky
November 2020

Contents

Tables

Figures

Summary

The condition of school facilities can directly impact student behavior, health, and test scores. Newer school facilities have been found to increase test scores by 10 percent of a standard deviation in math and by 5 percent of a standard deviation in language arts. Cleaner air has also been associated with higher student achievement.

Kentucky school districts pay for school facilities projects using mostly state and local funds with a smaller percentage coming from federal funds. The percentage paid from each source of funds has changed since 2006. The amount from state funds used for school facilities projects decreased from 58 percent in 2006 to 49 percent in 2020. In addition, since 2013, districts have moved $347 million earmarked for facilities into their general funds to spend on operating expenses. During that same time frame, districts' general fund balances have increased by approximately the same amount ($352 million).

Districts complete a facilities planning process every 4 years (up to 8 with a waiver) that prioritizes the districts' facilities needs and determines the cost of completing those projects. Priorities are set by a specially formed local planning committee (LPC) with broad representation in the school community. The LPC must take into consideration documented conditions in all school buildings and input from a series of open, well-advertised public meetings.

To better understand the condition of school facilities and districts' facilities needs, the Kentucky General Assembly passed legislation in 2010 (SB 132) and again in 2016 (HB 303) to get a better understanding of what each district critical needs are. HB 303 (2016) provided funding for an electronic facility tracking system that would include all buildings. The Kentucky Facilities Inventory and Classification System (KFICS), is the mechanism to track this information, along with an inventory feature to help districts in planning facilities upgrades. The facilities tracking system would include the inventory and infrastructure information for each district. As of 2019, not all districts have entered all of their facilities information into KFICS.

Major Conclusions

The District Facilities Planning Process And Prioritization

The district facility planning (DFP) process requires public input and transparent processes in establishing district construction priorities; regulation requires LPCs to prioritize critical needs, life safety, and compliance with the Americans with Disabilities Act of 1990 (ADA); however, other projects not related to critical needs, life safety, or ADA compliance can be addressed first. The Kentucky School Facility Planning Manual describes how districts must prioritize their facilities projects. The planning manual lists five priorities (priorities 1, 2, 3, 4, and 5) that schools must use to categorize their facilities projects. Selection of projects are local board of education decisions. Priority 1 projects are to be addressed in the budget biennium in which the DFP was approved. Priority 2, 3, 4, and 5 projects can be addressed in any subsequent biennium. Priorities 1 and 2 are further subdivided into subpriorities a through f.

Unless using School Facilities Construction Commission (SFCC) offers of assistance, which is less than 20 percent of all facility revenue, districts are not required to strictly observe priorities established by DFPs or to address critical needs, life safety, or ADA issues first.

With Kentucky Department of Education (KDE) approval, districts can address priorities 1 through 4 in any order.

Districts financing projects with general fund dollars are encouraged, but not required, to follow DFP-established priorities.

Districts are highly accountable to the public in establishing priority projects but relatively less accountable in

- Prioritizing projects within a priority and
- Ensuring that critical needs, life safety, and ADA compliance are addressed before initiating less critical projects.

Districts' Facilities Needs

District facilities needs are based on DFPs and are used to inform the General Assembly and to determine SFCC offers of assistance.

- Districts' facilities needs have increased by $3.5 billion (72 percent) over the last 10 years.[a]
- There is large variation among districts in reported per-pupil need; districts with greatest reported per-pupil need are all smaller districts.

Reliability And Validity Of Districts' Facilities Needs Data Generated By District Facilities Plans

Because SFCC offers of assistance are dependent on districts' need calculated on DFPs, it is important that facilities need data be comparable over time and among districts.

Several factors may influence the nature and urgency of need as reported from year to year or among districts:

- Districts can include 15-year old major systems in priority 1c (major renovations to occur in the budget biennium in which the DFP was approved) or 2c (major renovations to occur after the budget biennium in which the DFP was approved), regardless of whether assessments indicate that they need to be replaced. Variation among districts in the degree to which they itemize all 15-year old system in priorities1c or 2c will affect their relative need.
- The majority of projects listed by districts in priority 4 in 2010 remained on plans in 2020; management support buildings such as bus garages or central office buildings greatly increase per-pupil need in smaller districts.

[a] This figure is not adjusted for inflation.

Kentucky Facilities Inventory Classification System

Intended to provide objective, reliable, up-to date data for all school buildings; these data would be helpful given likely variation in the projects individual districts choose to put on DFPs.

In a KDE report to the Legislative Research Commission, KDE stated that a majority of schools would be included in KFICS by 2019; while entries increased substantially in the last year, as of September 2020, the KFICS included less than half of school buildings.
KRS 157.420(1) requires KBE to create a regulation for KFICS; no regulation exists, and KDE has not established a target date for that regulation.

The facilities planning manual has not been updated since 2008 and does not incorporate KFICS; the DFP process and KFICS are currently parallel processes.

The average total budgeted costs for replacement and repair for the 641 schools in the KFICS 2020 was about $4.8 million. Of the total budgeted costs for all schools, 17 percent were considered urgent.

Average condition score for school buildings in KFICS is 76 out of 100 in 2020.

Total Facilities Funding

Facility funding from local and state sources increased by 1.4 percent from 2008 to 2019 when adjusted for inflation; this is driven primarily by additional nickel taxes levied by districts, in particular the recallable nickel tax.

- Local funding when adjusted for inflation increased 5 percent.
- State funding when adjusted for inflation decreased by 2 percent

Between 2011 and 2019, general funds restricted by districts for future construction increased from $324 million to $581 million (79 percent).

While facilities revenue has increased slightly when adjusted for inflation, expenditures have decreased:

- When adjusted for inflation, reported expenditures for school construction in Kentucky decreased by 22 percent from 2008 to 2017.
- When adjusted for inflation, reported expenditures for land and existing structures in Kentucky decreased by 52 percent from 2008 to 2017.

Capital Funds Requests And Fund Balances

Between 2013 and 2019, 164 districts were allowed by statute and budget language to transfer a total of $346.7 million earmarked for facilities projects to pay for operating expenses to their general funds.

From 2013 to 2019 overall general fund balances have increased by approximately $352 million (46 percent). Between 2013 and 2019.

- The fund balances of districts that transferred funds earmarked for facilities projects increased by a total of $338 million.

- The fund balances of districts that did not transfer funds earmarked for facilities projects increased by $14 million.

Facilities Funding Inequality

The per-pupil funding gap between the top 5 percent and the bottom 5 percent of districts has increased from 2008 to 2019.

In 2019, the top 5 percent of districts received approximately 1.9 times more funding per pupil than the bottom 5 percent of districts.

Local revenue from additional nickel taxes levied by districts is the primary driver of unequal per-pupil revenue. On average, districts that collect additional nickel taxes make more capital funds requests per pupil than do other districts.

On average, smaller and less wealthy districts receive more SFCC offers of assistance per pupil than larger, wealthier, districts.

The state's six wealthiest districts, including Jefferson and Fayette counties, are not eligible for state equalization on nickel taxes because of their high per-pupil property assessments; these six districts do not levy additional nickel taxes that could be equalized and therefore receive less facility-specific revenue than do most other districts. They may finance facility projects, in part, through general fund dollars levied from other local taxes.

Data Integrity and Compliance

In the course of reviewing data, OEA staff observed a number of issues associated with data integrity or compliance with regulations.

KDE approved facilities projects that were not included in district facility plans. Some approved projects used restricted funds that may not have been permissible.

In approving 2020 DFPs, KDE miscalculated some districts' need. In total KDE miscalculated the total facilities need by $25 million less.

- One district's calculated need was understated by $7.7 million.
- One district's calculated need was overstated by $13.6 million.

In reporting total unmet need to SFCC, KDE factored in district bonding potential that was unable to be transferred to other districts. This led to the total unmet need for the state being overstated by $66 million.

- District completion of BG-5 forms are not timely.
- Because of coding errors, KDE misreported some expenses to the National Center for Education Statistics.

Recommendations

The report makes 10 recommendations.

Recommendation 1.1

If it is the intent of the General Assembly that the Kentucky Inventory and Classification System (KFICS) include complete and up-to-date data on the condition of Kentucky school buildings, then the General Assembly should consider establishing a deadline by which districts must complete KFICS data for all school buildings.

Recommendation 1.2

The Kentucky Board of Education should promulgate an administrative regulation to implement the standardized process for evaluating the overall quality and condition of all school buildings across the state as required by KRS 157.420.

Recommendation 2.1

The Kentucky Department of Education should examine building systems data to determine whether building systems need to be replaced every 15 years.
Recommendation 2.2

The Kentucky Board of Education should consider reviewing which priorities are included for unmet need and allowed to be used for School Facilities Construction Commission (SFCC) offers of assistance. Since districts rarely use SFCC funding on priority 4 projects, one consideration could be only using priority 1, priority 2 and priority 3 projects in the calculation of unmet need and SFCC offers of assistance can only be used on these same priorities.

Recommendation 2.3

The Kentucky Department of Education should ensure that district facilities plans accurately reflect the total costs of districts' facilities needs.

Recommendation 2.4

The Kentucky Department of Education should not include local bonding potential in excess of local facilities needs in calculating the total state unmet need.

Recommendation 2.5

In approving BG-1s, the Kentucky Department of Education should ensure that districts are using restricted funds only on projects listed on the districts' facilities plans and qualify for restricted funding use.

Recommendation 2.6

The Kentucky Board of Education should consider adding a requirement to 702 KAR 4:160 to have all BG-5s completed within 60 days of completing the BG-4 document.

Recommendation 3.1

The General Assembly may want to refine the parameters of eligibility for capital funds requests or suspend these requests due to the increase in and the total amount of facilities needs in Kentucky.

Recommendation 3.2

The Kentucky Department of Education (KDE) should work with the National Center for Education Statistics to start including the negative amounts on annual financial reports (AFRs) when calculating expenses from AFRs. In addition, KDE should work with districts to correct accounts that are set up incorrectly according to the KDE Chart of Accounts.

Chapter 1

Introduction And Overview

Introduction

The design and quality of school buildings can affect student learning, health, behavior, and academic achievement and it is important that schools are designed to ensure students can learn in a safe environment with adequate space, lighting, and air quality.

For the 2020 school year, there were 648,369 students attending Kentucky public schools. Those students are served in 1,466 public school buildings in 172 districts.[a] It is important that these buildings are designed to ensure students can learn in a safe environment that has adequate classroom space, lighting, and air quality. The condition of school facilities can directly impact student behavior, health, and test scores.[1] Newer school facilities have been found to increase test scores by 10 percent of a standard deviation in math and by 5 percent of a standard deviation in language arts.[2] Cleaner air has also been associated with higher student achievement.[3]

School facilities projects are primarily funded through state and local funds. The percentage of state funding has decreased in recent years. Since 2013, districts have moved $347 million away from facilities and into the general fund for operating expenses.

Kentucky school districts pay for school facilities projects using mostly state and local funds with a smaller percentage coming from federal funds. The percentage paid from each source of funds has changed since 2006. The amount from state funds used for school facilities projects decreased from 58 percent in 2006 to 49 percent in 2020. In addition, since 2013, districts have moved $347 million earmarked for facilities into their general funds to spend on operating expenses. During that same time frame, districts' general fund balances have increased by approximately the same amount ($352 million).

A local planning committee (LPC) sets districts' facilities needs and project costs every four to eight years.

Districts complete a facilities planning process every 4 years (up to 8 with a waiver) that prioritizes the districts' facilities needs and determines the cost of completing these projects. Priorities are set by a specially formed local planning committee (LPC) with broad representation in the school community. The LPC must take into consideration documented conditions in all school buildings and input from a series of open, well-advertised public meetings.

To better understand the condition of school facilities and districts' facilities needs, the Kentucky General Assembly passed legislation in 2010 (SB 132) and again in 2016 (HB 303) to get a better understanding of what each district critical needs are. HB 303 (2016) provided funding for an electronic facility tracking system

[a] This does not include dependent districts Fort Campbell and Fort Knox, alternative programs, or the Kentucky School for the Deaf and Kentucky School for the Blind.

The Kentucky Facilities Inventory and Classification System (KFICS) tracks districts' critical facility needs and includes an inventory feature and infrastructure information to help district plan upgrades. As of 2019, some districts have not fully utilized KFICS.

that would include all buildings. The Kentucky Facilities Inventory and Classification System (KFICS), is the mechanism to track this information, along with an inventory feature to help districts in planning facilities upgrades. The facilities tracking system would include the inventory and infrastructure information for each district.[b] As of 2019, not all districts have entered all of their facilities information into KFICS.

Description Of This Study

In November 2019, the Education Assessment and Accountability Subcommittee directed the Office of Education Accountability to examine the process for completing facilities upgrades in Kentucky's public schools.

In November 2019, the Education Assessment and Accountability Subcommittee directed the Office of Education Accountability (OEA) to examine the process for completing facilities upgrades in Kentucky's public schools. It requested in particular, that OEA examine how facilities upgrade projects are prioritized and funded. The subcommittee further requested that OEA report how money is allocated for facilities upgrades and whether the process is effective.

Data Used For The Report

In conducting the study, OEA staff interviewed relevant staff at the School Facilities Construction Commission (SFCC) and the Kentucky Department of Education (KDE) District Facilities Branch who are responsible for implementation of the facility funding programs in Kentucky. KDE staff were interviewed to discuss the processes used to determine the building classification according to the condition of each school facility, funding that is provided in KDE's biennial budget for school construction, how facility funding needs are calculated for each district, and the

[b] KFICS includes all school buildings within a district, school buildings that included in KFICS include A1, A2, A3, A4, A5, A6, C2, and D1 school facilities. A1 schools are led by principal and Site-Based Decision Making Counsel. A2 schools are district-operated, totally vocational-technical programs; locally operated Career and Technical Centers (CTC). A3 schools are district-operated, totally special education programs. A4 schools are district-operated, totally preschool programs (e.g., Head-Start, state-funded preschool or Parent and Child Education [PACE] program). A5 schools are alternative programs that are district-operated and district-controlled facilities with no definable attendance boundaries that are designed to provide services to at-risk populations with unique needs. A6 schools are district-operated instructional program in non-district-operated institutions or schools; A6 alternative programs are also referred to as programs for state agency children that are operated by the Kentucky Education Collaborative for State Agency Children; these students may also be involved with the Department of Juvenile Justice, foster care, or behavioral health agencies. C2 schools are state operated area technology centers. D1 schools are state department of education operated (Kentucky School For the Blind and Kentucky School for the Deaf).

Data sources for this report included the School Facilities Construction Committee (SFCC), the Kentucky Department of Education (KDE) Division of Facilities Management (DFM), and local district facilities information.

process by which districts submit request to KDE to update or construct facilities. Staff also reviewed local district facility plans, BG-5 forms, annual financial reports, KFICS data, and statutes and regulations related to the process of school facility funding. This report references district facilities plans (DFPs) from 2020. Those DFPs were in effect as of April 1, 2020; however, some of them were approved by the Kentucky Board of Education (KBE) at an earlier date. This report also references DFPs from 2010. Those DFPs were in effect as of December 31, 2010; however, some were approved by KBE at an earlier date.

This report refers to school years by the year in which they end. For example, the 2018-2019 school year is called the 2019 school year.

Unless otherwise stated, per-pupil figures are calculated per adjusted average daily attendance (AADA).

Organization Of The Report

Chapter 1 describes the process districts use to develop district facility plans (DFPs) and provides an overview of KFICS and KDE software that tracks school facilities projects.

Chapter 1 describes the process districts must follow to develop district facility plans. DFPs guide spending of restricted building funds and determine the district facility needs used to calculate SFCC funding distributions. The chapter also provides an overview of the KFICS inventory and classification system and of the software used by KDE to track school facilities projects.

Chapter 2 compares recent and past DFPs, reviews BG-5 construction closure forms, compares district need to wealth, reviews KFICS, and reviews the 2020 Impact Kentucky Survey.

Chapter 2 will compare districts' most recent DFPs with DFPs that were in effect in 2010 and the priority needs that were indicated on the DFPs. In addition, the chapter will review BG-5 construction closure forms and compare district need to district wealth and review KFICS. This Chapter will also provide the results of the 2020 Impact Kentucky Survey, which captures teachers' feedback on teaching and learning conditions, which includes school facilities.

Chapter 3 reviews and analyzes state and local funding for school facility construction, including equity and state comparisons.

Chapter 3 provides a description and analyses of state and local funding for school facility construction and will examine equity in Kentucky's different facilities funding programs and report the amount districts spent on school facilities. The chapter will also compare how Kentucky and its neighboring states allocate facilities funds. This chapter will also report the amount of general fund dollars districts have put aside on their balance sheets for construction needs that are not part of the regular facility funding.

Major Conclusions

The District Facilities Planning Process And Prioritization

The DFP process requires public input and transparent processes in establishing district construction priorities; regulation requires LPCs to prioritize critical needs, life safety, and compliance with the Americans with Disabilities Act of 1990 (ADA); however, other projects not related to critical needs, life safety, or ADA compliance can be addressed first. Selection of projects are local board of education decisions. The planning manual lists five priorities (priorities 1, 2, 3, 4, and 5) that schools must use to categorize their facilities projects. Priority 1 projects are to be addressed in the budget biennium in which the DFP was approved. Priority 2, 3, 4, and 5 projects can be addressed in any subsequent biennium after the DFP was approved. Priorities 1 and 2 are further subdivided into subpriorities a through f.

Unless using SFCC offers of assistance, which is less than 20 percent of all facility revenue, districts are not required to strictly observe priorities established by DFPs or to address critical needs, life safety, or ADA issues first.

- With KDE approval, districts can address priorities 1 through 4 in any order.
- Districts financing projects with general fund dollars are encouraged, but not required, to follow DFP-established priorities.

Districts are highly accountable to the public in establishing priority projects but relatively less accountable in

- Prioritizing projects within a priority and
- Ensuring that critical needs, life safety, and ADA compliance are addressed before initiating less critical projects.

Districts' Facilities Needs

District facilities needs are currently based on DFPs and are used to inform the General Assembly and to determine SFCC offers of assistance.

- Districts' facilities needs have increased by $3.5 billion (72 percent) over the last 10 years.[c]

[c] This figure is not adjusted for inflation.

- There is large variation among districts in reported per-pupil need; districts with greatest reported per-pupil need are all smaller districts.

Reliability And Validity Of Districts' Facilities Needs Data Generated By District Facilities Plans

Because SFCC offers of assistance are dependent on districts' need calculated on DFPs, it is important that facilities need data be comparable over time and among districts.

Several factors may influence the nature and urgency of need as reported from year to year or among districts:

- Districts can include 15-year old major systems in priority 2c, regardless of whether assessments indicate that they need to be replaced. Variation among districts in the degree to which they itemize all 15-year old system in priorities1c or 2c will affect their relative need.
- The majority of projects listed by districts in priority 4 in 2010 remained on plans in 2020; management support buildings such as bus garages or central office buildings greatly increase per-pupil need in smaller districts.

Kentucky Facilities Inventory Classification System

Intended to provide objective, reliable, up-to date data for all school buildings; these data would be helpful given likely variation in the projects individual districts choose to put on DFPs.

In a KDE report to the Legislative Research Commission, KDE stated that a majority of schools would be included in KFICS by 2019; while entries increased substantially in the last year, as of September 2020, the KFICS included less than half of school buildings.[4]

KRS 157.420(1) requires KBE to create a regulation for KFICS; no regulation exists, and KDE has not established a target date for that regulation.

The facilities planning manual has not been updated since 2008 and does not incorporate KFICS; the DFP process and KFICS are currently parallel processes.

The average total budgeted costs for replacement and repair for the 641 schools in the KFICS 2020 was about $4.8 million. Of the total budgeted costs for all schools, 17 percent were considered urgent.

Average condition score for school buildings in KFICS is 76 out of 100 in 2020.

Total Facilities Funding

Facility funding from local and state sources increased by 1.4 percent from 2008 to 2019 when adjusted for inflation; this is driven primarily by additional nickel taxes levied by districts, in particular the recallable nickel tax.

- Local funding when adjusted for inflation increased 5 percent.
- State funding when adjusted for inflation decreased by 2 percent.

Between 2013 and 2019, general funds restricted by districts for future construction increased from $324 million to $581 million (79 percent).

While facilities revenue has increased slightly when adjusted for inflation, expenditures have decreased.

- When adjusted for inflation, reported expenditures for school construction in Kentucky decreased by 22 percent from 2008 to 2017.
- When adjusted for inflation, reported expenditures for land and existing structures in Kentucky decreased by 52 percent from 2008 to 2017.

Capital Funds Requests And Fund Balances

Between 2013 and 2019, 164 districts were allowed by statute and budget language to transfer a total of $346.7 million earmarked for facilities projects to pay for operating expenses to their general funds.

From 2013 to 2019 overall general fund balances have increased by approximately $352 million (46 percent). Between 2013 and 2019.

- The fund balances of districts that transferred funds earmarked for facilities projects increased by a total of $338 million.
- The fund balances of districts that did not transfer funds earmarked for facilities projects increased by $14 million.

Facilities Funding Inequality

The per-pupil funding gap between the top 5 percent and the bottom 5 percent of districts has increased from 2008 to 2019.

In 2019, the top 5 percent of districts received approximately 1.9 times more funding per pupil than the bottom 5 percent of districts.

Local revenue from additional nickel taxes levied by districts is the primary driver of unequal per-pupil revenue. On average, districts that collect additional nickel taxes make more capital funds requests per pupil than do other districts.

On average, smaller and less wealthy districts receive more SFCC offers of assistance per pupil than larger, wealthier, districts.

The state's six wealthiest districts, including Jefferson and Fayette counties, are not eligible for state equalization on nickel taxes because of their high per-pupil property assessments; these six districts do not levy additional nickel taxes that could be equalized and therefore receive less facility-specific revenue than do most other districts. They may finance facility projects, in part, through general fund dollars levied from other local taxes.

Data Integrity And Compliance

In the course of reviewing data, OEA staff observed a number of issues associated with data integrity or compliance with regulations.

KDE approved facilities projects that were not included in district facility plans. Some approved projects used restricted funds that may not have been permissible.

- In approving 2020 DFPs, KDE miscalculated some districts' need. In total KDE miscalculated the total facilities need by $25 million less.
- One district's calculated need was understated by $7.7 million.
- One district's calculated need was overstated by $13.6 million.

In reporting total unmet need to SFCC, KDE factored in district bonding potential that was unable to be transferred to other districts. This led to the total unmet need for the state being overstated by $66 million.

District completion of BG-5 forms are not timely.

Because of coding errors, KDE misreported some expenses to the National Center for Education Statistics.

Kentucky Department Of Education Roles And Duties

KDE assists school districts with developing DFPs. The Kentucky Board of Education (KBE) approves DFPs. KDE assigns a project manager to each district for assistance and support.

KDE provides assistance to school districts in developing their DFPs, which includes any new construction, renovations, or upgrades to their facilities. While KDE supports districts with their DFPs, it is the responsibility of the Kentucky Board of Education

(KBE) to approve districts' DFPs. Each district is assigned a project manager by KDE. All project managers are licensed architects. KDE staff review and approve electronic construction project requests, the unmet needs calculation for SFCC offers of assistance; and provide support on the laws districts must follow when completing a construction project or DFP.

School Facility Construction Commission Roles And Duties

The School Facility Construction Commission (SFCC) is part of the Finance and Administration Cabinet with the goal of equitably distributing bonding potential for school construction and renovation projects based on unmet facilities need.

The School Facility Construction Commission (SFCC) is part of the Finance and Administration Cabinet. SFCC was established in 1985 comprises of eight members appointed by the governor. SFCC employs a director and one staff member. The purpose of SFCC is to equitably distribute bonding potential for school construction and renovation projects to each of the 172 school districts based on their unmet facilities needs. SFCC offers bonds over a 20-year period and sells these bonds in districts' names and enters into lease agreements with local boards of education to finance the construction projects listed on DFPs. SFCC makes offers to sell these bonds for districts during even number years based on the amount the General Assembly approves in the biennial budget.

Fund Definitions And Allowable Construction Project Usage

When districts pay for construction expenses, they can use money from a variety of different funds. Districts can use money from the district's general fund, capital outlay funds, building funds, construction funds, and debt service funds. Some of the money in these funds is restricted by statute for specific purposes. Restricted funds for facility purposes includes money from the capital outlay fund, building fund and SFCC offers of assistance.

General Fund

The general fund (Fund 1) is the operating fund of a district and can be used for any construction project. Revenue is mostly from local and state Support Education Excellence in Kentucky (SEEK) funding.

The general fund (also known as Fund 1) is the operating fund of a district. Districts can use these revenues to pay for any type of construction project. The revenue from this fund comes mostly from local and state Support Education Excellence in Kentucky (SEEK) funding.

Capital Outlay Fund

Capital outlay funds (Fund 310) accounts for the SEEK capital outlay allotment of $100 per pupil. These funds are used for projects approved by the commission of education and can be used for construction costs, debt service on bonds, lease-rental agreements where the board will eventually own a school plant, retirement of deficit resulting from over expenditure for capital construction, and reserve funds. Other expenditures are allowable under certain circumstances.

Capital outlay funds (also known as Fund 310) accounts for the SEEK capital outlay allotment of $100 per pupil. KRS 157.420 requires capital outlay funds to be kept in a separate account and be used for projects approved by the commissioner of education. Allowable expenditures include

- direct payment of construction costs,
- debt service on bonds,
- lease-rental agreements under which the board will eventually acquire ownership of a school plant,
- retirement of deficit resulting from over expenditure for capital construction, and
- reserve funds for these purposes to be carried forward in subsequent fiscal years.

Under certain circumstances capital outlay funds can also be used for

- purchasing land for a new school,
- modifying an existing school,
- operating a new school for the first 2 years,
- maintenance expenditures,
- purchasing property insurance,
- energy conservation measures,
- current expenses,
- replacement of equipment,
- purchase of buses, and
- purchase of modern technology equipment.

Building Funds Fund

KRS 157.440(b) requires school districts to levy an equivalent tax rate of five cents per $100 of assessed property to participate in the Facilities Support Program of Kentucky (FSPK) (Fund 320). Proceeds are placed in a separate buildings fund and can be used for debt service, new facilities, major renovations, approved land purchases, and energy conservation measures. These funds are equalized by the state up to 150 of the statewide average per-pupil assessment. Districts over 150 percent are not equalized by the state but may participate in SFCC.

KRS 157.440(b) requires school districts to levy an equivalent tax rate of 5 cents per $100 of assessed property to participate in the Facilities Support Program of Kentucky (FSPK).[d] FSPK proceeds must be placed in a separate buildings fund (known as Fund 320) and can be used for

- debt service,
- new facilities,
- major renovations of existing school facilities,
- purchase of land if approved by the commissioner of education, and
- energy conservation measures.

[d] For the purpose of this report, an equivalent tax rate of 5 cents per $100 of assessed property will be termed a "nickel tax."

The funds that are raised by districts' tax levies are equalized by the state. The state equalizes the local tax levies up to 150 percent of the statewide average per-pupil assessment.[e] [5] Districts that have more than 150 percent of the statewide per-pupil assessment do not get equalized by the state, but are allowed to participate in SFCC.[f]

KRS 157.621 allows districts meeting certain criteria to levy additional nickel equivalent taxes.

KRS 157.621 allowed districts meeting certain criteria to levy additional nickel equivalent taxes based on a school district's growth, having a Category 5 school, potentially having more students due to changes in the mission of Fort Knox, and having a levy subject to recall.[g] These nickel taxes are subject to state equalization up to 150 percent of the statewide average per-pupil assessment. Proceeds from these nickel taxes can only be used for the same purposes as the FSPK nickel tax.

Construction Fund

The construction fund (Fund 360) can be used for multi-year construction, renovation, or remodeling and requires a project number and a BG-1 Project Application Form.

The construction fund (also known as Fund 360) can be used for the costs arising out of the construction, renovation, or remodeling of any school facilities. The construction fund requires that revenues and expenditures be accounted for using a project number since it is a multi-year fund where the budgeted amounts may be received and expended over a period extending beyond one fiscal year. A project number is required to be assigned to any activity requiring a Project Application Form (BG-1). Districts will sell bonds or transfer funds from capital outlay, the building fund, the general fund, or special revenue funds into this account to pay for construction expenses.

Debt Service Fund

The debt service fund (Fund 400) can be used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The debt service fund (also known as Fund 400) can be used for the accumulation of resources for and the payment of general long-term debt principal and interest. Districts will transfer money from

[e] In 2019, 150 percent of the average per-pupil assessment statewide was $834,000; therefore, the state equalized facilities funding for districts with less than $834,000 in per-pupil assessments. Districts with per-pupil assessments less than $834,000 received a total of $417 per pupil from local and state sources from the FSPK tax levy.

[f] Anchorage Independent, Campbell County, Fayette County, Jefferson County, Livingston County, and Lyon County had per-pupil assessments greater than $834,000; therefore did not receive state equalization of Facilities Support Program Of Kentucky (FSPK) funds, but were allowed to receive School Facilities Construction Commission offers of assistance.

[g] A Category 5 school was a school that had a functional age older than 40 years, deteriorated to the point of replacement, needed immediate attention, or had required systems that were nonexistent and needed to be provided.

the other funds into this account to pay debt payments. In addition, any bond payments made on behalf of SFCC will be recorded here.

Facilities Planning Process

DFPs govern expenditures of all state and local funds restricted for school construction or renovation and are used to calculate SFCC unmet need and offers of assistance. DFPs have set priorities and project costs are guided by regulation. The Kentucky School Facilities Planning Manual guides the DFP process, which includes representative stakeholders and public input. DFPs are reviewed by KDE and approved by local boards and KBE.

DFPs govern expenditures of all state and local funds restricted for school construction or renovation. They are also used in the calculation of SFCC unmet need to determine how much funding districts will receive in offers of assistance.

The Kentucky School Facilities Planning Manual, which is incorporated by reference in 702 KAR 4:180, specifies the process by which local school districts develop DFPs. As described below, DFPs are developed with broad-based representation of district stakeholders and with substantial opportunities for public input. Before they are finalized, DFPs require review by KDE and approval by local boards and KBE.

DFPs must prioritize highest need projects taking into account critical life safety and handicapped accessibility, the general condition of school facilities, the educational needs of the district; demographic trends, and concerns about equitable and adequate facilities for the district's students. DFPs must include building assessments, inventories, pricing and construction prioritization. Project costs listed on DFPs are guided by 702 KAR 4:180. [h] Appendix A lists all relevant statutes and regulations related to school facility processes and funding.

Local Planning Committee

The first step in the DFP process is forming a local planning committee (LPC). Depending on the number of schools in a district, superintendents choose between 10 and 20 members that demographically represent the district and live in the district, unless a waiver is received for a nonresident. KDE supports the LPC but is not involved in developing DFPs.

The first step in the DFP process is forming a local planning committee (LPC). The superintendent is charged with selecting 10 to 20 members to the LPC. The number of members depends on the number of schools in the district. Table 1.1 below lists the number of LPC members a district is required to have by the number of schools in a district. The superintendent must ensure that each LPC represents the composition of the district demographically. Members of the committee must reside in the local school district unless the superintendent submits a waiver to the commissioner of education for a nonresident replacement.

[h] The costs used for new construction are the ¾ costs noted in the national price guide published by the R. S. Means Company. The costs include the materials, labor, and the contractor's overhead and profit. It does not include "soft costs" such as fees for architects, construction managers, equipment or the 10 percent contingency funds required.

Table 1.1
Local Planning Committee Members

Required Committee Members	Number Of Schools In District			
	One	Two	Three	Four Or More
Superintendent	1	1	1	1
Parents	2	2	3	4
Teacher(s)	1	2	3	4
Building Administrator(s)	1	2	3	4
District Facility Director	1	1	1	1
Central office staff	1	1	1	1
Community leader(s)	1	1	2	3
Local Board Member	1	1	1	1
Local Building/Zoning official	1	1	1	1
Total	10	12	16	20

Source: Kentucky Department of Education.

Roles Of Local Planning Committee Members. Once an LPC is formed, the superintendent is the chair of the LPC until a chairperson and vice chair are elected. Throughout the facility planning process, the superintendent or superintendent's designee is a non-voting member. An architect and engineer are hired to provide data and evaluations of all buildings in the district. KDE plays a supporting role in supplying the LPC with guidance, demographic information, building inventory, and planning information, but is not actively involved in developing DFPs.

LPCs must hold at least three public meetings subject to open meeting laws.

Meeting Requirements. LPCs must hold at least three public meetings with the first two meetings used to present and discuss information related to developing the DFP. At least one of the required LPC meetings is held for the LPC to approve the draft DFP once KDE has reviewed it. All meetings are subject to open meetings laws, which means they must be advertised 24 hours in advance and a quorum must be present to take any actions with a simple majority determining all actions by the LPC.

DFPs are completed by LPCs and approved by local and state boards of education. DFPs are in effect for four years and can be amended and extended for an additional four years.

Facility Plan Valid For Four Years Unless Modified. Once the LPC completes the DFP and the local and state boards of education approve the DFP, the DFP is in effect for four years. During that time period, DFPs can be amended.[i] Districts can also obtain waivers to extend the DFP for up to 4 additional years. Districts

[i] Amendments require that districts follow many of the same processes, described below, required for DFP development. The process of adjusting the DFP is somewhat expedited as a "finding" when change affects only one facility and does not substantially district need.

can conduct a "Finding" to make minor modifications to their DFPs

Priority Classification For District Facilities Plans

Facility projects are prioritized based on purpose and urgency. Regulation requires prioritizing life safety, ADA compliance, and critical needs. Over 90 percent of district facilities needs are in priorities 1 and 2, which relate to educational facilities.

LPCs must categorize facility projects according to purpose and urgency. Priorities 1 through 4 form the basis of SFCC funding and guide the use of SFCC and other restricted funds, while priority 5 are discretionary projects. In setting priorities, districts are instructed by regulation that, "life safety, handicapped accessibility, and the most critical building needs of the district shall be given the highest priority."[6]

As will be shown in Chapter 2, over 90 percent of district facilities need are in priorities 1 and 2, which relate to educational facilities. Priority 1 projects must be initiated in the first budget biennium following approval of the plan, whereas priority 2 projects can be initiated subsequently.

District Facilities Plan Project Priorities

Priority 1 projects include any educational projects that will start construction in the budget biennium in which the DFP was approved. These projects can include new construction to meet student capacity or replace inadequate spaces and major renovations.

Priority 1. Priority 1 projects include any educational projects that will start construction in the budget biennium in which the DFP was approved. These projects can include new construction to meet student capacity or replace inadequate spaces and major renovations.

Priority 1a. Priority 1a is new construction to meet student capacity, further implementation of established programs, or complete approved projects constructed in phases.

Priority 1b. Priority 1b is new construction to replace inadequate spaces, expand existing or new buildings for educational purposes, consolidate schools; or replace deteriorated facilities.

Priority 1c. Priority 1c is major renovation/additions of educational facilities, including expansions, kitchens, cafeterias, libraries, administrative areas, auditoriums, and gymnasiums.

Major renovation projects must include three or more building systems and an estimated cost of 20 percent of the current replacement of cost the building. The building must be at least 30 years old or 30 years since the last major renovation. Certain building systems may be included within 15 years of their original installation or if required by a change in regulation or code.

Major renovation projects must include three or more building systems that need to be updated and an estimated cost of 20 percent of the current replacement cost of the buildings. To be considered a major renovation, the building has to be at least 30

years old or 30 years must have passed since the last major renovation. [j]

As described later in this chapter certain building systems, such as roofs or heating systems, may be included on DFPs as major renovations within 15 years of their original installation or if required by a change in regulation or code.

Priority 1d. Priority 1d addresses facilities needs associated with strands of the Kentucky Education Reform Act (KERA). These could include preschools, site-based decision-making (SBDM) offices, or Family Resource and Youth Services Centers (FRYSC) ,and fixed technology systems.

Priority 1e. Priority 1e includes renovations to upgrade existing facilities to meet the most current life safety requirements of the Kentucky Building Code.

Priority 1f. Priority 1f includes renovations to upgrade existing facilities to meet the most current handicapped accessibility requirements of the Americans with Disabilities Act (ADA).

Priority 2 projects are projects that are not scheduled in the same budget biennium in which the DFP was approved.

Priority 2. Priority 2 projects are projects that are not scheduled within the same budget biennium the DFP was approved. Priority 2 projects are also broken into priorities 2a-2f similar to 1a-1f, described above.

Priority 3 projects include non-educational additions that are not part of major construction and cannot be completed in the four year span of the DFP.

Priority 3. Priority 3 projects include non-educational additions such as cafeterias, gymnasiums, and administrative spaces that are not associated with major construction. Priority 3 projects are projects that cannot be completed in the 4-year span that the DFP encompasses.

Priority 4 projects include central offices, bus garages, and other central stores.

Priority 4. Priority 4 projects include facility needs for central offices, bus garages and other central stores.

Priority 5 projects are districts' discretionary construction projects.

Priority 5. Priority 5 projects are districts' discretionary construction projects. Discretionary projects include adding any additional space above the required amount allotted for each type of school; items that do not meet the major renovation definition; and facilities upgrades or new construction for extracurricular activities. Examples of priority 5 projects include sports facilities, stadiums, and outside storage buildings.

[j] Any open-space school, regardless of age or last major renovation, may be converted into conventional classrooms and be classified as major renovation.

Priority Areas And Funding

DFPs itemizes project costs based on KDE guidelines and the total cost of priorities 1 through 4 determines facility needs.

District Facilities Needs Assessment Calculation. DFPs itemize costs for every project listed based on KDE guidelines associated with each type of upgrade or renovation. The total cost of all facilities listed in priorities 1 through 4 determine each district's facility needs. Priority 5 projects are not included in the needs assessment calculation.

SFCC funds must be spent on projects in priority order, but can be spent on any project within a priority. Non-SFCC funds can deviate from priority order with KDE approval. Restricted funds may not support priority 5 projects unless all priority 1 through 4 projects are completed.

Allowable Expenditures Of Restricted Funds. Priorities established in DFPs govern expenditures of restricted funds.

SFCC funds must be spent on projects in priority order. For example, districts may not pay for a priority 2 project if any priority 1 projects are not completed. Districts can select any project within a priority, without regard to order. The overwhelming majority of SFCC funds support priority 1 or 2 projects. [7]

Facility projects funded with restricted funds must be described on DFP priorities 1 through 4. With KDE approval, districts can deviate from priority order with non-SFCC funds. Restricted funds may not support priority 5 projects unless all priority 1-4 projects are completed.

Loose Requirements To Spend Building Funds On Most Urgent Projects

Priority 2c projects are major renovations to occur after the biennium and comprise the largest category of facility need.

Lack of Guidance On Ordering Within Priorities. As will be shown in Chapter 2, projects listed under 2c—major renovation to occur after the biennium—comprise the largest category of district facility needs. District needs in this category have increased by $2 billion in the last decade.

DFPs may list multiple projects within individual priorities, often in alphabetical order, with no indication of urgency or critical need. It may be helpful for board members to know which projects are considered urgent by LPCs. Regulations do not require LPCs to indicate urgency within priorities.

DFPs often list multiple projects within individual priorities. Priority 2c may include well over a dozen projects. These projects are often listed in alphabetical order. Given the detailed building assessments that inform DFPs, it is likely that some renovations are known to include more critical elements than others. While regulations permit districts, with KDE's approval, to select projects within a certain priority without regard to order or urgency, it may be helpful for board members to know which projects are considered urgent by LPCs. Regulations do not require LPCs to indicate urgency within priorities.

Districts may include certain individual building systems as major renovations when they reach 15 years. 702 KAR 4:180 does not require evidence that systems actually need replacement. Renovations typically have life expectancies of 30 to 40 years. It is unclear why 15-year-old systems may be considered major renovations without evident deterioration.

Inclusion Of 15 Year-Old Building Systems As Major Renovations. Although major renovations are generally eligible only for buildings that are 30 years old, KDE permits districts to include certain individual building systems as major renovations when they reach 15 years. These systems can include heating ventilation and air conditioning (HVAC) and controls; systems to provide full use of a facility by the physically handicapped and to bring a facility into compliance with the Americans with Disabilities Act; life safety and security systems; and roofing systems, flashings, and accessories. 702 KAR 4:180 does not require evidence that the systems actually need replacement.

Kentucky's facilities manual reflects national guidelines in setting expectations that renovations have life expectancies of 30 to 40 years. [k] [8] Given this expectation, it is unclear why 15-year old systems are automatically eligible to be counted as major renovations. It is especially unclear why, in the absence of evident deterioration, these systems would be given equal weight as other projects that might address life safety or ADA compliance.

702 KAR 4:180 requires districts to prioritize life safety, ADA compliance, and critical needs. It is likely that many life safety and ADA compliance needs are incorporated into major renovation projects and are not itemized individually. Without data on these needs, local boards may have difficulty complying with required prioritization.

Life Safety And ADA Compliance. 702 KAR 4:180 requires districts to prioritize life safety, handicapped accessibility, and other critical building needs. As will be shown in Chapter 2, the funds designed specifically for life safety (1e, 2e) and ADA compliance (1f, 2f) were, combined, less than 2 percent of total facilities need in school year 2020. It is likely that many of the life safety and ADA compliance needs are incorporated in major renovation projects.

In the absence of complete data on current critical, life safety, and handicapped accessibility needs, it may be difficult for local boards to comply with the requirement to prioritize life safety and handicapped accessibility in approving facility projects. As explained above, local boards are permitted to initiate projects in priorities 1 through 4 without regard to urgency as indicated on DFPs.

KFICS should provide life safety, ADA, and critical need facility data but is incomplete in most districts.

KFICS should, in theory, provide districts with up-to-date data on any life safety, ADA, or other critical needs in district facilities. This system is not completely populated in most districts.

[k] The National Center for Education Statistics suggests that "Between 30 and 40 years old, the original equipment should have been replaced, including the roof and electrical equipment."

Districts are not required to adhere to DFPs when using unrestricted funds for facility projects, which allows districts to potentially invest in projects that have not been recommended by the LPC or received public vetting. About one fifth of projects initiated by districts in 2018 were not described on DFPs.

Facility Projects Not On DFP. KDE recommends but does not require that districts adhere to DFPs for facility projects paid for with unrestricted funds. As will be shown in Chapter 2, about one-fifth of projects initiated by districts in 2018 were not described on DFPs. This practice is permitted when districts are not using restricted funds, but it allows districts to potentially invest substantial funds in a project that has not been recommended by the LPC or received public vetting. As will be explained in Chapter 3, many of the state's wealthiest districts fund facility projects largely with unrestricted funds.

Facilities Inventory And Classification

In 2016, KDE began implementing KFICS, which allows districts to enter facilities conditions into a central database and allows KDE immediate access to all facilities conditions that have been inventoried.

In 2010 KDE completed a one-time inventory and classification of school facilities. In 2016, KDE began implementation of the Kentucky Facilities Inventory and Classification System. KFICS allows districts to enter facilities conditions into a central database. The database allows KDE and school districts immediate access to all facilities conditions that have been inventoried.

Senate Bill 132 (2010)

KDE previously categorized school facilities into five distinct rankings based on their conditions.

KDE previously categorized school facilities into five distinct rankings based on their conditions.[9] Table 1.2 shows the conditions of the school facilities in each category. SB 132 (2010) required KDE to obtain an independent third-party evaluation of Category 3 and Category 4 school facilities which amounted to 485 public schools. This evaluation examined the physical condition of the buildings as well as how equipped the facility was to support the programs it housed. KDE selected the Parsons Commercial Technology Group to assess the physical condition of the buildings and MGT of America to provide the suitability portion of the report. The condition of the building was worth 75 percent, followed by educational suitability, which was worth 20 percent, and technology readiness, which was worth 5 percent of the total score. This report was presented to the General Assembly in November 2011. While this report provided valuable information, the information in the report represented a specific point in time for only a select group of school facilities and was not meant to be updated or used as an ongoing tool.

Table 1.2
School Condition Category Ranking Criteria

Category Ranking	Description	Criteria
1	Excellent	Functional age of 1-10 years. No apparent deterioration; basically new.
2	Good	Functional age of 10-20 years. Minor deterioration; no improvements needed.
3	Average	Functional age of 20-30 years. Some deterioration; no improvements needed within the next 5 years.
4	Fair	Functional age of 30-40 years. Deteriorated; needs improvement or possible replacement.
5	Poor	Functional age older than 40 years. Deteriorated to the point of replacement; needs immediate attention. Required systems are nonexistent and need to be provided.

Source: Kentucky. Legislative Research Commission. A Review of the School Facilities Construction Commission. Research Report No. 332. Frankfort: LRC, 2006.

Statutory Requirements

KRS 157.420(9) requires KDE to standardize evaluation of school building conditions with consistent categorization based on measurable, objective criteria including weighted numerical scoring. Since 2016, the General Assembly has appropriated $2 million per year to KDE to develop a system to evaluate facilities and need. KDE contracted with Ameresco Inc. in 2017 for the Kentucky Facilities Inventory and Classification System (KFICS).

KRS 157.420(9) requires KDE to standardize the process for evaluating the condition of school buildings statewide and produce a "consistent categorization of buildings for local planning purposes and for the distribution of state general fund moneys designated for capital construction." The evaluation process must be based on measurable, objective criteria that include numerical scoring. The scoring must include weights that recognize a variety of indicators from current conditions to the feasibility of new construction.[1]

In 2016, the General Assembly appropriated $2 million for KDE to develop "a maintainable and updateable process to assess the physical quality and condition of K-12 public school buildings and to provide the Legislative Research Commission with a list of school buildings evaluated by the process."[10] In subsequent budgets the General Assembly has appropriated $600,000 per year.

KDE contracted with Ameresco, Inc. in 2017 to develop and help implement the Kentucky Facilities Inventory and Classification System. The contract included development of software and assessment tools for the system, training of district staff and local

[1] KRS 157.420(9)(c) specifies that the numerical scoring should include components that address life safety issues; compliance with state and federal codes; compliance with requirements under the Americans with Disabilities Act; community spaces; instructional areas; mechanical, electrical, plumbing, and other technology systems; site and exterior building conditions; age of the buildings; feasibility of building additions or major renovations; the districts' facility capacities; current use of temporary facilities; and projected enrollment growth.

architects in the use of the system, and development of a quality assurance/quality control (QA/QC) process.[m] Due to procurement issues, training of both DFB staff and districts did not begin until late June 2017. KFICS data are entered locally by school districts and reviewed by KDE and Ameresco.

KFICS scores buildings based on conditions (75 percent) and educational suitability (25 percent). KFICS includes costs, building age, square footage, and additions. Once populated and validated, KFICS will allow tracking of existing school building conditions over time, revenue estimations for prioritized building needs, and district comparisons. Currently, KFICS does not include new construction costs.

KFICS assigns each school building an overall score from 0 to100 that comprises separate assessments of condition (75 percent of the overall score) and educational suitability (25 percent of the overall score).[n] Costs to replace systems or elements in existing facilities are calculated and indicated as urgent, high, or medium.[o] In addition, KFICS includes building age, square footage, and number of additions. KFICS inventories A1 school facilities and non-A1 school facilities.[p]

The KFICS system, once populated and validated, would allow tracking of the condition of existing school buildings over time, estimations of revenue needed to address building needs of various

[m] Ameresco's software tool suite, AssetPlanner, supports inventory and classification of school buildings and can also be used to budget for construction and maintenance expenditures.

[n] The Condition Assessment is based on a ratio of the identified replacement cost in the next 4 years to the estimated replacement value of the building. The Educational Suitability Assessment of a school building, measures how well the building supports the delivery of educational programs against standards being offered. It includes a space survey (standard criteria for rooms), site survey (exterior criteria), and a crime prevention through environmental design survey. The Educational Suitability Score, for purposes of establishing a KFICS score, addresses the facilities suitability to accommodate the student instructional programs according to the standards as set forth in the Kentucky School Facilities Planning Manual and Facility Programming and Construction Criteria Planning Guide (regulations), to determine that the facility and site can suitably accommodate the students and their educational programs. Regulations define the minimum standards and requirements used to compare against the facility spaces.

[o] *Urgent* mean the estimated capital costs to replace systems or elements in the school building where the action cannot be deferred and is necessary to get element functioning again or avoid imminent failure.
High means the estimated capital costs to replace systems or elements in the school building where the action cannot be deferred and will be necessary to ensure continued element functionality for the next 1-3 years.
Medium means the estimated capital costs to replace systems or elements in the school building where the action can be deferred and will be necessary to ensure continued element functionality for the next 3-5 years. For the purpose of the Kentucky School score, the replacement cost will be limited to 3-4 years.

[p] A1 schools are under the administrative control of a principal and eligible to establish a school-based decision-making council. A1 schools are those not operated by or as part of another school. Examples of schools that are not A1 schools include alternative schools, career and technical schools, schools serving state agency children, the Kentucky School for the Blind, and the School for the Deaf.

priorities, and comparisons of building condition and needs among and within districts. The current design of the system does not, however, provide data that captures all facility-related costs because it does not include costs associated with new construction.

Implementation Schedule

In 2017, KDE reported the agreement with Ameresco described a two-phase system of implementation for KFICS with the goal of a complete inventory of all school buildings with updated condition information as projects are completed to provide near real-time statewide building condition information. KDE has never established a date for complete implementation of the system.

As reported to LRC in 2017, KDE's agreement with Ameresco described a two-phase system of implementation. Phase I included system development, training of local staff, and initial data entry of one school per district. Phase II was to have the majority of Kentucky's approximately 1,700 school buildings entered into the system by 2019.[q] KDE reported that the ultimate goal was for KFICS to include a complete inventory of all school buildings with annually refreshed data and integration of the KFICS and DFP processes. This would result in a dynamic database that updates condition information as new construction, renovation and repair projects are completed. The system will make near real-time statewide building condition information available.[11]

KDE has not established a date for complete implementation of the system. The completion of needed system enhancements by the vendor is an ongoing process. Training efforts continue as major enhancements occur.

Status

As of September 2, 2020, KFICS included 641 schools from 101 districts. This is a substantial increase from previous years but falls short of KDE's Phase II goal of completing the majority of school buildings by 2019. The number of districts participating has declined.

Consistent with Phase I goals, the 2017 KFICS report included one building from most (169) districts. The 2019 KFICS report included 258 school buildings. As of September 2, 2020, KFICS included 641 schools from 101 districts. The 2020 KFICS inventory is a substantial increase from previous years but, at less than half of all school buildings, it falls short of KDE's Phase II goal of completing the majority of school buildings by 2019. Further, while the number of schools entered into KFICS has increased, the number of districts participating has declined.

Table 1.3 shows the number of districts that entered various percentages of their school buildings into KFICS in 2020. While 30 districts had entered between 90 and 100 percent of their schools, 67 entered none. Appendix B shows the districts in each range.

[q] KDE's 2017 report to the LRC set a goal of including the majority of buildings in KFICS within two years.

Table 1.3
Number Of Districts Entering Schools In KFICS
By Percentage Of Schools Entered, 2020

Percent Of District's Schools Entered Into KFICS	Number Of Districts
0%	67
1% to 24%	10
25% to 49%	19
50% to 69%	22
70% to 89%	24
90% to 100%	30

Note: KFICS = Kentucky Facilities Inventory And Classification System.
Source: Staff analysis of data from the Kentucky Department of Education.

Without complete data, KFICS will be of limited utility in guiding state-level capital construction funding decisions.

In the absence of complete data on the condition of school buildings in all Kentucky districts, KFICS will be of limited utility in guiding state-level decisions about funds for capital construction because it is unclear whether the data available for participating schools and districts is representative of capital construction needs of nonparticipating schools and districts.

Recommendation 1.1

Recommendation 1.1

If it is the intent of the General Assembly that the Kentucky Inventory and Classification System (KFICS) include complete and up-to-date data on the condition of Kentucky school buildings, then the General Assembly should consider establishing a deadline by which districts must complete KFICS data for all school buildings.

Integration Of KFICS And DFP Process

KRS 157.420(10) requires that KBE develop a regulation governing KFICS but this has not occurred. KDE has stated its intention to incorporate KFICS into the Kentucky School Facilities Planning Manual once it is populated. There is no deadline to populate KFICS and it is unclear when the DFP and KFICS will be aligned and the regulation will be promulgated.

As explained by KDE in its 2017 report to LRC, KFICS is intended to support and eventually be integrated with the DFP process.[12] While KFICS data can support the facility planning process—especially in those districts that have complete data on all school buildings—it is currently operating in parallel rather than being integrated with the process.

As an "off-the-shelf" product, the AssetPlanner platform is not currently capable of recording all of the various configurations of school centers that operate in school districts, most notably individual buildings which contain multiple uses. As such, customization of the program is required in order to be able to input all scenarios. Therefore, KDE has been unable to implement utilization of the software to incorporate changes to existing conditions of school facilities for future needs.

The Kentucky School Facilities Planning Manual (702 KAR 4:180) that governs the DFP process has not been updated since the introduction of KFICS in 2017. KRS 157.420 (10) requires that KBE develop a regulation that governs the KFICS but this has not occurred. KDE has stated its intention to incorporate KFICS into the Kentucky School Facilities Planning Manual, 702 KAR 4:280, once KFICS is populated. In the absence of a deadline to populate KFICS, it is unclear when the DFP and KFICS will be aligned and the regulation will be promulgated.

Recommendation 1.2

Recommendation 1.2

The Kentucky Board of Education should promulgate an administrative regulation to implement the standardized process for evaluating the overall quality and condition of all school buildings across the state as required by KRS 157.420.

Facilities Planning And Construction Application

Starting in July 2015, KDE has used a construction documentation system, FACDocs, for districts and third-party users to upload and submit construction project documents to KDE. Districts must use the online documents to request construction projects, including submitting the initial BG-1 form.

Starting in July 2015, KDE has used a construction documentation system known as FACDocs for districts and third-party users to upload and submit construction project documents to KDE. [r] Beginning July 2017, KDE has used a Microsoft SharePoint planning application for facilities planning and construction (FACPAC) to manage the online completion and submission of school construction and school facility planning documents at this time, only construction documents are submitted in FACPAC that were previously submitted on paper. Each user has user rights within the FACPAC application. Some users can only view documents, while others have rights to submit and edit documents. In addition, users can see when a document has been approved by KDE or if it was rejected. Users can also see why a document was rejected. Districts must use the online documents in requesting any construction projects. To initiate a construction project the district must submit the initial BG-1 form.

The BG-1 process includes the initial form with construction information about the project and its priority. KDE must act on the BG-1 form within 30 calendar days.

BG-1 Form. The BG-1 form includes the physical site of the construction project, whether the project is a new construction project, an addition to a building, or a major renovation. The BG-1 form also lists what priority the project was assigned on the district's DFP and a narrative of the project along with the cost and which funds will be used to pay for it. KDE must act on the BG-1 form within 30 calendar days of receipt.

[r] Third party users include architects, engineers, general contractors, and construction managers.

The BG-2 form is used to identify materials and systems for compliance with 702 KAR 4:170 and for reporting purposes related to Efficient School Design required by KRS 157.455(7).

BG-2 Form. The BG-2 is titled "Outline Specifications" it is a required part of the "Design Development" submittal and used to identify materials and systems for compliance with 702 KAR 4:170 and for reporting purposes related to Efficient School Design required by KRS 157.455(7).

The BG-3 form includes the statement of probable cost.

BG-3 Form. The BG-3 form includes the statement of probable cost. The construction contract closeout process with the applicable design professional, CM, or qualified provider shall furnish the board a completed BG-4 contract closeout form.

The BG-4 document includes each contract and a reconciliation of the summary of all purchase orders.

BG-4 Form. The BG-4 contract closeout form includes each contract, including change orders, and a reconciliation of the summary of all purchase orders, if utilized, including change orders, for each contract. If the board agrees the construction contract is complete and all accounts are reconciled, it shall approve the BG-4 form and forward it to the department for review and approval.

The board approves BG-5 Project Closeout forms when the project is complete, pending review and approval by the department.

BG-5 Form. When all construction contracts are complete, if the board agrees the project is complete, it shall approve the BG-5 project closeout form and forward it to the department for review and approval.

In addition, the FACPAC application includes architects' contracts, purchase orders, change orders and several other forms that are required to complete a construction project The FACPAC application is currently Phase I which basically includes the accounting functions needed by KDE. It provides a "Document Library" as a repository for correspondence, drawings, project manuals, addenda, owner/architect contracts, owner/contractor contracts, owner/construction manager contracts and other associated documents.

[1] John A. Bailey. *A Synthesis of Studies Pertaining to Building Condition, Student Achievement, Student Behavior, and Student Attitude.* Virginia Polytechnic Institute and State University. November 2, 2009. Web. Accessed Noveber 2, 2020.
[2] Julien Lafortune and David Schönholzer. *Does New School Construction Impact Student Test Scores and Attendance?* California Policy Lab. Web Accessed November 2, 2020.
[3] Michael Gilraine. *Air Filters, Pollution and Student Achievement.* Annenberg Institute at Brown University, Jan. 2020. Web Accessed April 28, 2020.
[4] Commonwealth of Kentucky. Department of Education. Kentucky Facilities Inventory and Classification System (KFICS) Phase I Report. Nov 13, 2017.
[5] Kentucky. Kentucky Department of Education. *Nickel Facts*. Frankfort: KDE 2019. Web. Accessed Oct 5, 2020.
[6] Kentucky. Kentucky Department of Education. *The Kentucky School Facilities Planning Manual*. Frankfort: KDE 2008. Web. Accessed November, 2020.
[7] Kristi Russell, Program Administrator, School Facilities Construction Commission. E-mail to Sabrina Cummins, September 16, 2020.
[8] United States Department of Education. National Center for Education *Statistics. How Old Are America's Public Schools?* Jan 1999. Issue Brief. Web Accessed November 2, 2020.
[9] Kentucky. Legislative Research Commission. A Review of the School Facilities Construction Commission. Research Report No. 332. Frankfort: LRC, 2006.
[10] Commonwealth of Kentucky. Department of Education. Kentucky Facilities Inventory and Classification System (KFICS) Phase I Report. Nov 13, 2017.
[11] Ibid.
[12] Ibid.

Chapter 2

Facility Needs

Introduction

This chapter analyzes facility needs reported on DFPs, which have increased from $4.9 billion in 2010 to $8.4 billion in 2020.

This chapter analyzes data on districts' facility needs reported on their DFPs as they have changed over time and vary among districts. Facility needs have increased substantially in the last decade from approximately $4.9 billion in 2010 to $8.4 billion in 2020. The increase has been driven largely by major renovation projects to be completed in the future, and not the biennium immediately following the DFP.

This chapter describes several factors that may influence variation among districts in facility need.

Current facility needs vary widely among districts from less than $5,000 per pupil in eight districts to over $50,000 per pupil in three small districts. Given that DFP data are used to determine SFCC funding and distributions to individual districts, it is important that facility needs data indicate valid trends over time and reliable differences among districts. The chapter describes several factors, in addition to the condition of facilities, which may influence variation among districts in reported facility need.

KFICS was intended, in part, to address DFP data limitations. However,, KFICS is only partially populated and does not capture all facility needs. This chapter provides preliminary conclusions from KFICS data.

As described in Chapter 1, the KFICS data system was intended, in part, to address the limitations in DFP data. This chapter provides some preliminary conclusions from KFICS data, including the relatively small percentage of facility needs that are classified as urgent modest differences in building needs among schools located in districts with different characteristics, and the general comparability of estimated repairs and replacement costs per building in KFICS and reported in DFPs. Because this system is only partially populated and is not designed to capture all facility needs, KFICS data also provide an incomplete picture of total facility needs.

This chapter describes reporting errors on and ways in which some districts are not complying with regulations related to documenting or funding construction.

The chapter also describes errors identified by OEA in both districts' and KDE's reporting of facility needs on DFPs and ways in which some districts are not complying with regulations related to documenting or funding construction.

Facility Needs Reported On District Facility Plans

District unmet need is calculated by subtracting local available revenues from districts' need in unmet years. SFCC generates offers of assistance based on unmet need.

KDE calculates districts' facilities needs based on their DFPs in odd-numbered years. Local available revenues are subtracted from districts' need to calculate districts' unmet need. These unmet need calculations are used by SFCC to generate offers of assistance to school districts for facilities. Local boards have the option to accept the offer of assistance or decline it.

DFP Data Used for this Chapter

KDE calculates total facility need from DFPs. Priority areas or the nature of facility needs are not indicated. Individual DFPs can be viewed on KDE's website but there is no statewide data on projects comprising total need.

In its reports to SFCC, KDE provides total facility needs as calculated from DFPs each odd-numbered year. These data do not indicate facility need by priority area or otherwise reveal the nature of district-reported facility needs. While the specific projects that make up the need in each district can be viewed on KDE's website within individual DFPs, no statewide data summarizes the projects that comprise total need.

The data presented in this chapter required OEA staff to individually enter district-level DFP data into a database for analysis. The cost estimates entered into the database were cost estimates reported by districts on KBE-approved DFPs. The data that follow analyze state trends by priority area. As described later in this chapter, however, additional analysis would be required to identify the nature or urgency of facility needs within these priority areas. KFICS data reported later in this chapter provide preliminary, additional, data.

State Facility Needs 2020

DFPs itemize costs associated with five priority areas that relate to different project types. In 2020, total DFP-reported need in priorities 1 through 4 totaled almost $8.4 billion and LPCs identified an additional $1 billion in priority 5 needs.

As explained in Chapter 1, DFPs itemize costs associated with each of five priority areas. Priorities 1 and 2 relate to educational projects and are divided into categories a through f that describe specific purposes. Priority 1 projects differ from priority 2 projects only in timing: priority 1 projects are to be completed in the first biennium following the approval of the DFP, whereas priority 2 projects can be completed after the biennium. Priority 3 projects relate to non-educational additions such as gymnasiums and cafeterias, whereas priority 4 items are management support areas such as central offices or bus garages. Priority 5 are discretionary projects, such as sports facilities, and are not included in calculations for total district need used for SFCC funding distributions.

In 2020, the total DFP-reported need for priorities 1 through 4 was almost $8.4 billion. While not included in funding calculations,

LPCs identified an additional $1 billion in priority 5 needs associated mostly with upgrades to sports facilities.[a] With priority 5 projects, the total 2020 need identified by local planning committees was therefore more than $9.4 billion.

Table 2.1 shows the costs associated with priorities 1 through 4 in 2010 and 2020, along with the proportion of total need represented by each priority.

Priorities 1 And 2: Educational Project Priorities

In 2020, about two-thirds of DFP-reported need was associated with major renovations and one fifth was associated with new construction.

As shown in Table 2.1, about two-thirds of DFP-reported need in 2020 was associated with major renovations, especially projects to occur after the biennium (44 percent of need.) New construction (priorities 1a, 1b, 2a, and 2b combined) comprised 21 percent of need. Costs associated with construction projects scheduled for the immediate biennium (11 percent of need) were similar to those scheduled for after the biennium (10 percent of need).

Half of priority 3 costs were for technology upgrades. Districts receive separate technology funding from the state based on calculation of technology unmet need.

Less than 1 percent of reported need was associated with KERA strands (1d and 2d).[b] Half of the related costs were for technology upgrades. Districts receive separate technology funding from the state based on calculation of technology unmet need.

Only 1.5 percent of need was associated with life safety projects as required by building codes (1e and 2e combined) and less than 1 percent of need was associated with handicapped accessibility (1f and 2f combined). As noted in Chapter 1, however, much of the cost associated with life safety and handicapped accessibility is likely contained within new construction or major renovation projects.

Other Priorities

Priority 3 projects comprised only 1.7 percent of need, whereas priority 4 projects comprised 6.8 percent of need. As will be explained later in this chapter, many districts have included priority 4 projects on their DFPs for at least a decade and have not completed the projects.

DFP-reported needs in priority areas 1 through 4 increased from $4.9 billion in 2010 to $8.4 billion in 2020. When adjusted for inflation, DFP-reported needs increased by 44 percent.

[a] Facility needs in priority 5 are likely understated as some districts elect not to include these on their DFPs. For example, Jefferson County, the state's largest school district, included no priority 5 projects on its DFP.

[b] The Kentucky School Facilities Planning Manual defines KERA strands as new additions to preschools, school-based decision-making meeting areas, family resource centers, and fixed technology systems.

Change In DFP Costs By Priority Area 2010 To 2020

Table 2.1 shows that total DFP-reported needs in priority areas 1 through 4 increased from about $4.9 billion in 2010 to about $8.4 billion in 2020. Adjusted for inflation, this is an increase of 44 percent. Appendix C through N provides additional detail on projects included under each priority in 2010 and 2020.

Table 2.1
Total District Facilities Need by Priority
School Years 2010 And 2020

Priority	Cost On DFPs Effective 2010	Percent of Total 2010 Need	Costs On DFPs Effective 2020	Percent of Total 2020 Need
1a	$488,748,494	10.1%	$446,203,815	5.3%
1b	446,562,308	9.2	526,349,812	6.3
1c	1,027,475,462	21.1	1,976,091,001	23.6
1d	35,810,483	0.7	12,161,711	0.1
1e	272,853	0.0	62,642,573	0.7
1f	1,531,083	0.0	4,478,467	0.1
2a	426,101,049	8.8	394859091	4.7
2b	206,628,544	4.3	396206982	4.7
2c	1,738,978,191	35.8	3,697,148,203	44.2
2d	68,719,154	1.4	48,261,681	0.6
2e	667,000	0.0	66,958,774	0.8
2f	926,550	0.0	19,164,110	0.2
3	89,351,289	1.8	142,959,203	1.7
4	329,642,231	6.8	569,972,905	6.8
Total	4,861,414,691	100.0	8,363,458,328	100.0

Note: These data are based on DFPs as approved by local boards and the Kentucky Board of Education. Individual DFPs included in 2010 or 2020 data may have been approved several years earlier than the reported year.
Source: Staff analysis of data from the Kentucky Dept. of Education.

As a percentage of total need, the data shows a shift away from new construction and towards major renovations scheduled after the biennium from 2010 to 2020. Costs associated with new construction changed very little and decreased as a percentage of total need.

Change In Districts Facilities Priorities 2010 To 2020. As a percentage of total need, the data show a shift away from new construction and toward major renovations scheduled after the biennium. From 2010 to 2020, the greatest increase in total costs as well as percent of total need was in priority 2c—major renovations scheduled for after the biennium. Costs increased by about $2 billion, from $1.7 billion in 2010 to $3.7 billion in 2020. As a percentage of total need, these future-scheduled major renovations increased from 36 percent to 44 percent. Costs associated with major renovations in the biennium (1c) also increased by almost $1 billion, bringing the total increased costs of major renovations to $3 billion.

Costs Associated With New Construction. Costs associated with new construction (priorities 1a, 1b,1c, and 1d combined), changed very little, thus decreasing as a percentage of total needs. Whereas new construction comprised about 33 percent of total need in 2010, it was 21 percent in 2020.

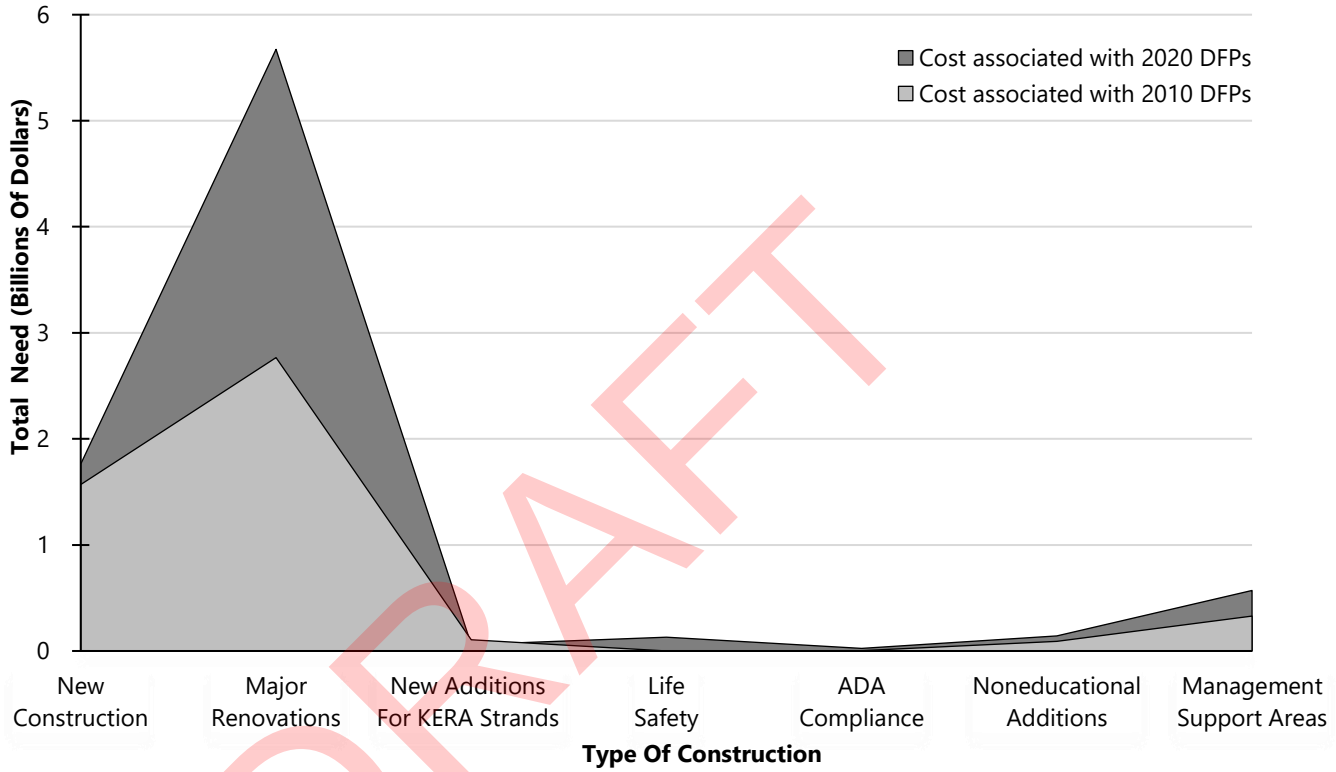
The majority of cost increases between 2010 and 2020 were associated with major renovations. Costs associated with non-education additions and management support areas remained proportionally steady, while ADA compliance and new additions for KERA strands decreased. Life safety costs increased dramatically.

Costs Associated With Noneducational Additions. Priority 3, non-educational additions, and priority 4, management support areas, increased proportionally, comprising about the same percentage in 2020 as in 2010. ADA compliance (1d and 2d) and new additions for KERA strands decreased.

Costs Associated With Life Safety. While contributing relatively little to the overall increase in need, life safety costs increased dramatically between 2010 and 2020, from less than $300,000 in 2010 to over $62 million in 2020.

Majority Of Cost Increases Found In Major Renovations. Figure 2.A combines priorities 1a, 1b, 2a, and 2b into a single "new construction" priority and combining the remaining categories in priority 1 and 2 with each other. The chart shows that the overwhelming majority of cost increases between 2010 and 2020 were associated with major renovations.

Figure 2.A
District Need By Priority
2010 and 2020



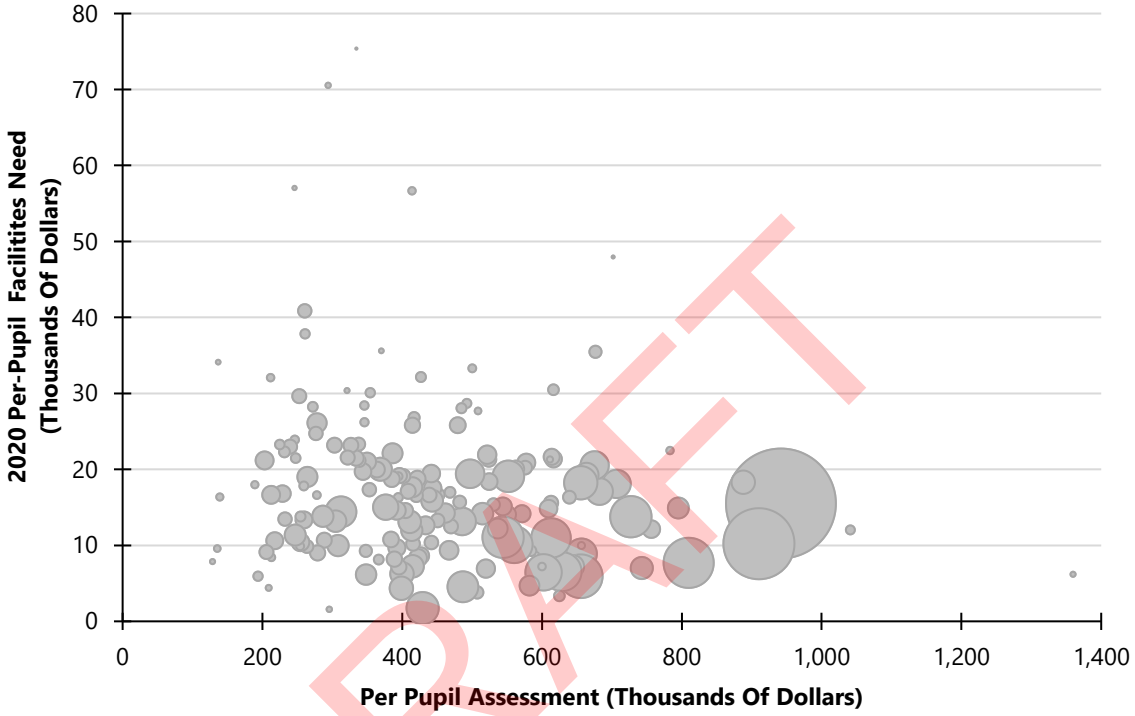
Note: Some of the DFP data reported for 2010 and 2020 come from DFPs that may have been approved several years earlier.
Source: Staff analysis of data from the Kentucky Department of Education.

Facility Needs By District 2020

In 2020, districts' per-pupil facility need varied greatly. Districts with higher need were relatively small.

Figure 2.B shows wide variation in the distribution of districts' per-pupil facility need in 2020. While DFP-reported need was less than $5,000 per pupil in 8 districts, it was greater than $30,000 per pupil in 16 districts and as high as $71,000 in 1 district. Districts with per-pupil need greater than $30,000 were all relatively small; the average AADA for this group of districts was 765 students.

Figure 2.B
Districts' Per-Pupil Facilities Need By Per-Pupil Assessment And Adjusted Average Daily Attendance, School Year 2020



Note: AADA= Adjusted Average Daily Attendance. The size of the bubbles is proportional to districts' adjusted average daily attendance.
Source Staff analysis of data from the Kentucky Department of Education.

Limitations In DFP Data

Facility needs reported in aggregate do not reveal the nature or urgency of need, or district-level differences in need.

Facility needs reported in aggregate do not reveal the nature or urgency of need. It is unclear whether the sharp increase in facility needs in the last decade indicates a deterioration in the condition of buildings, an increase in the need for updated instructional or management spaces, or an increase in the number of projects under consideration. Likewise, aggregate data do not reveal the nature of district-level differences in need. In one district, high need might indicate unsafe or crowded conditions while in another it might reflect replacement of major systems, such as HVAC or roofs, that are not yet deteriorating or reflect aspirations to build a new technology center.

Short- And Long-Term Projects Permitted

DFPs are intended to address building needs and district's intended projects over a 4-year period. Because the plans are designed to

Districts may include projects based on immediate need in the biennium and projects anticipated after the biennium in DFPs. If districts vary substantially in including immediate versus long-term projects on DFPs, data may not be comparable.

last 4 years, districts have leeway to include projects based on immediate need in the biennium, as well as those they anticipate after the biennium. Other than those listed in priority 1, projects may be initiated at any time in the future.

Should districts vary substantially in the range of immediate versus long-term projects they include in DFPs, then the data generated from DFPs may not be comparable. Two of the possible sources of variation are that:

- Systems upgrades can be reported as part of district's need on DFPs, independent of the condition of those systems.
- District can add management support buildings to their DFPs, which can remain on DFPs for a long time and do not have to reach a certain age before being replaced.

702 KAR 4:180 allows 15-year-old building systems to be included in DFPs as major renovations regardless of their condition. Variation among districts in including 15-year-old building systems would inflate differences among districts and undermine data reliability. Also, including 15-year-old systems on DFPs but not replacing them during the DFP four-year time span may cause DFPs to include costs unrelated to building needs and overstate state facility needs.

Systems Upgrades Reported As Need, Independent Of Condition. Districts may list building systems that are at least 15 years old as major renovation projects. These systems can include heating ventilation and air conditioning (HVAC) and controls; systems to provide full use of a facility by the physically handicapped and to bring a facility into compliance with the Americans with Disabilities Act; life safety and security systems; and roofing systems, flashings, and accessories. While 702 KAR 4:180 specifies that major renovations should be designed to last at least 30 years, 15-year old building systems may be included in DFPs, regardless of documented condition.

It is unclear from DFP data whether all districts are including 15-year old systems as major renovations. Variation among districts in the degree to which these 15-year old building systems are included would inflate differences among districts and undermine the reliability of the data. If districts are commonly adding major systems to DFPs when the systems are 15 years old and subsequently not replacing those systems during the 4-year life of the DFP, then DFPs may include many costs that are unrelated to building needs during the 4-year DFP cycle. In that case, state facility needs may be overstated.

Recommendation 2.1

Recommendation 2.1

The Kentucky Department of Education should examine building systems data to determine whether building systems need to be replaced every 15 years.

Management Support Buildings. Data shown in Table 2.2 suggest that many districts included bus garages or central office

The majority of new school buildings on 2010 DFPs were completed by 2020 compared to a small minority of completed bus garages and central offices. This indicates that these projects were not immediate needs but were included on DFPs.

projects on their 2010 DFPs though these projects did not appear to be immediate needs. Table 2.2 shows the total number of new buildings that were on DFPs in 2010 that appeared to be completed by 2020 because they were no longer on DFPs. Table 2.2 also shows the number of new buildings on 2010 DFPs that were not completed and remained on 2020 DFPs. While the majority of new school buildings on 2010 DFPs appeared to be completed by 2020 (68 percent), a small minority of bus garages and central offices that were on 2010 DFPs appeared to be completed by 2020 (15 percent and 10 percent, respectively).[c]

Table 2.2
Projects Completed On District Facilities Plans
School Years 2010 And 2020

Type Of Projects	Number Of Projects On DFPs Effective 2010	Number of Projects No Longer On DFPs Effective 2020	Number of Projects Still On DFPs Effective 2020	Percent No Longer on DFPs Effective 2020
School Buildings	126	86	40	68%
Bus Garages	99	15	84	15
Central Storage Buildings	57	28	29	49
Central Offices	111	11	100	10
Maintenance Buildings	29	12	17	41

Note: DFP = District Facilities Plan.
Source Staff Analysis of data from the Kentucky Department of Education.

Priority 4 projects are not required to meet any criteria related to capacity, age, or condition. In reviewing DFPs, staff noted instances where costs associated with priority 4 increased dramatically while the specific project descriptions remained the same. Including priority 4 may overstate and inflate district differences regarding facility needs and KDE may wish to revisit including priority 4 in district facility need for SFCC funding.

Unlike major renovation or construction of educational facilities, priority 4 projects are not required to meet any criteria related to capacity, age, or condition. In reviewing DFPs, OEA staff noted some instances in which the costs associated with priority 4—new construction—increased dramatically over 10 years even though the specific project descriptions remained the same. In one district, for example, the cost associated with a new central storage facility was more than 3.5 times greater in 2020 than in 2010. In another district, the cost associated with a new central office was almost four times greater in 2020 than in 2010. According to SFCC staff, districts have rarely used SFCC funds to finance priority 4 projects. [1]

Given the concerns reported above about the possible impact of priority 4 projects on 1) overstating state facility needs and 2) inflating differences in districts' facility needs, KDE may wish to

[c] It is presumed that buildings that were removed from DFPs were removed because they were built; however, they could have been removed for other reasons.

revisit inclusion of these projects in calculation of district facility needs for SFCC funding.

Should priority 4 be removed from SFCC calculations, the distribution of funding would temporarily increase in districts with few or no priority 4 projects currently on DFPs and decrease for districts in which priority 4 projects comprise a large percentage of need.

Appendix O shows that, on average, priority 4 projects are a larger portion of need in smaller districts.

Appendix O shows that, on average, priority 4 projects comprise a greater percentage of need in smaller districts compared to larger districts. The appendix also shows that, on average, priority 4 projects comprise a smaller percentage of total need is the state's wealthiest districts than other districts.

Recommendation 2.2

Recommendation 2.2

The Kentucky Board of Education should consider reviewing which priorities are included for unmet need and allowed to be used for School Facilities Construction Commission (SFCC) offers of assistance. Since districts rarely use SFCC funding on priority 4 projects, one consideration could be only using priority 1, priority 2, and priority 3 projects in the calculation of unmet need and SFCC offers of assistance can only be used on these same priorities.

Condition of Buildings

The KFICS system could provide standardized data related to the condition of all school buildings and allow for comparisons across schools. Currently less than half of Kentucky's school buildings are included in KFICS.

Given possible sources of variation in DFP-reported need, it is especially important that school building data are comparable across schools. As described in Chapter 1, the KFICS system might address shortcomings in DFP data by providing standardized data related to the condition of all school buildings. To date, fewer than half of Kentucky's school buildings are included in KFICS. Preliminary data may, however, shed light on the nature of facility needs in the commonwealth.

KFICS 2020 Preliminary Findings

Preliminary analysis of the 641 schools in KFICS shows that the average age of schools is 43 years and the average total budgeted costs for replacement and repairs was about $4.8 billion with 17 percent considered urgent.

Preliminary conclusions based on the schools entered in KFICS as of 2020 follow and are shown in greater detail in Table 2.5. These schools had an average age of 43 years. For reasons explained in Chapter 1, KFICS cannot yet be used to draw complete conclusions about the condition of all Kentucky schools or to assess change over time.

The average total budgeted costs for replacement and repair for the 641 schools in the KFICS 2020 was about $4.8 million. Of the total budgeted costs for all schools, 17 percent were considered urgent.

Schools building in the last 10 years had higher ratings compared with older schools.

Overall, the 641 schools entered into KFICS 2020 had an average Kentucky school score of 70 out of 100. As would be expected, schools built in the last 10 years had much higher ratings—an average of 92—compared with older schools.[d]

KFICS software's educational suitability rating does not currently reflect Kentucky's particular requirements for model educational programs and KDE staff do not yet consider it to be a valid indicator.

The average rating for the condition of buildings (76) was higher than the average rating for educational suitability (52). Educational suitability reflects whether the building is conducive to student instructional program. According to KDE staff, however, the educational suitability score is not yet a valid indicator. The measurement tool incorporated in the KFICS software does not yet reflect Kentucky's particular requirements for model educational programs. [2]

KFICS data shows that schools located in least wealthy districts and in smaller districts had lower ratings.

Variation By District Size And Wealth. KFICS data reinforce DFP data in suggesting variation in facilities needs among Kentucky districts; however, the magnitude of differences indicated by KFICS data are not as great as would be suggested by the DFP data reported earlier, however.

Tables 2.3 shows KFICS data by districted adjusted average daily attendance. Schools located in the smallest districts had lower average ratings (64) than schools located in the largest districts (75).[e]

[d] Buildings that were 20 or more years old had lower ratings than the newer buildings. After more than 20 years, ratings did not, however, decline with age. The oldest buildings entered into KFICS, many of which were more than 100 years old, had similar ratings, on average, as the 20-to 30-year-old buildings.
[e] The averages reported are for those wealthier and larger districts that are eligible for state equalization. The average school score for districts that are not eligible for equalization (Jefferson, Fayette, Campbell, Lyon, Livingston, and Anchorage) was 67.

Table 2.3
Kentucky Facilities Inventory Classification System Data
By District Adjusted Average Daily Attendance, 2020

District Adjusted Average Daily Attendance	Number Of Schools	Average Age In 2020 (Years)	Average Square Footage	Average School Score	Average Condition	Average Educational Suitability	Average Costs To Repair Urgent Actions	Average Total Costs
1000 Or Less	34	69	72,738	0.64	0.73	0.40	$1,851,527	$4,622,409
1001 To 2000	83	41	71,500	0.68	0.76	0.45	1,362,373	4,413,528
2001 To 4000	207	42	71,259	0.69	0.76	0.49	1,305,759	4,218,683
4001 To 36,000	194	36	83,906	0.75	0.80	0.59	1,248,640	4,479,201
4001 And Above Ineligible	123	54	82,917	0.67	0.71	0.55	2,209,325	6,316,457
Total	641	44	77,433	0.70	0.76	0.52	1,542,437	4,766,399

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

Table 2.4 shows KFICS data by district wealth. Schools located in the least wealthy districts had, on average, slightly lower ratings (69) than schools located in the wealthiest districts.

Table 2.4
Kentucky Facilities Inventory Classification System Data
By District Per-Pupil Assessment, 2020

Per-Pupil Assessment (Thousands Of Dollars)	Number Of Schools	Average Age In 2020 (Years)	Average Square Footage	Average School Score	Average Condition	Average Educational Suitability	Average Costs To Repair Urgent Actions	Average Total Costs
300 Or less	86	40	70,142	0.69	0.75	0.50	$1,012,243	$4,272,131
301 To 390	115	45	68,600	0.68	0.74	0.51	1,333,163	4,203,499
394 To 523	147	44	71,114	0.71	0.77	0.51	1,287,769	4,207,307
523 To 834	161	37	89,508	0.73	0.80	0.54	1,587,364	4,855,840
835 And Above	127	53	82,243	0.67	0.71	0.54	2,183,138	6,186,012
Total	641	44	77,433	0.70	0.76	0.52	1,542,437	4,766,399

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

Table 2.5 shows KFICS data by school age. Schools that were older had, on average, lower scores than those that were newer.

Table 2.5
Kentucky Facilities Inventory Classification System Data
By Age Of School, 2020

Age Of School (Years)	Number Of Schools	Average Age In 2020 (Years)	Average Of Square Footage	Average Of All Kentucky	Average Of Condition	Average Of Educational Suitability	Sum Of Total Budget Costs To Replace	Average Of Total Budgeted Costs Per Square Foot	Average Percent Urgent Actions Of Total Budgeted Costs.
0 to 9	40	6	94,351	0.92	0.99	0.68	$2,387,501	$1	0%
10 to 19	85	15	80,026	0.87	0.94	0.68	110,238,183	16	7
20 to 39	130	29	82,288	0.63	0.67	0.52	824,128,490	80	13
40 to 59	196	52	77,097	0.67	0.73	0.49	976,998,306	67	16
60 to 79	91	66	72,970	0.66	0.71	0.48	455,281,370	69	20
80 to 139	44	94	107,149	0.65	0.71	0.45	312,504,596	68	17
Total	586	44	81,467	0.70	0.76	0.53	2,681,538,445	58	15

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

Considering SFCC unmet need in the smallest districts was more than double what it was in the largest districts, the differences shown in the KFICS data appear much smaller. Schools located in those wealthy or large districts that are not eligible for state equalization have lower average scores than their other wealthy or large counterparts.

The 2020 IMPACT KY working conditions survey results suggest that about one third of Kentucky's educators work in buildings that are in constant disrepair. Many educators report crowded buildings. Feeling safe was reported by 83 percent.

Educator Opinions. Data from the IMPACT KY working conditions survey that was administered to over 43,000 certified educators in 2020 suggest that about one-third of Kentucky's educators work in buildings that are in constant disrepair; 31 percent of educators surveyed reported that building repairs are needed "almost all the time." Many educators report crowded conditions, as well; 27 percent characterized their buildings as "extremely crowded." Educator opinions were more favorable when it came to school safety; 83 percent reported that they felt "quite" or "extremely" safe in their buildings, whereas 4 percent reported feeling "not at all safe." It is unclear whether educators were considering facility-related versus behavior-related factors in their responses.

DFP Process Concerns: Accuracy and Compliance

In reviewing DFPs, OEA staff identified a number of concerns related to data integrity and district compliance with regulations related to building funds and the construction process.

Data Accuracy

OEA staff calculations indicated many instances in which total need reported on individual districts' DFPs did not match the need reported by KDE. Underreporting was more common and occurred in 71 districts, totaling over $46 million in 2020. Overreporting occurred in four districts and totaled almost $22 million.

OEA staff calculations indicated many instances in which total need reported on individual district's DFPs did not match the need reported by KDE. While both over- and underreporting occurred, underreporting was more common. In 2020, underreporting of facility needs occurred for 71 districts and totaled over $46 million. Overreporting of facility needs occurred for four districts and totaled almost $22 million. In some cases, the under- or overreporting likely greatly affected a particular district's need. For example, need was underreported by $7.7 in one district and overreported by $13.6 million in another.

Causes of underreporting included failure to include upgrades to priority 4 buildings or omitting other expenses, most commonly technology, especially whiteboards. Overreporting instances occurred mostly when KDE did not remove costs associated with projects that districts had removed from their DFPs.

Staff discovered that some districts' reporting of local revenue and bonding potential resulted in negative facility need, causing total unmet need to be reduced by an additional $66 million.

In addition, during the review of district unmet calculations, OEA staff noticed that when KDE submitted the FY 2019 unmet need calculation for the state, districts with more local revenue than bonding potential were shown on the spreadsheet as having a negative facility need. There were 10 districts that were reported in this manner and it caused the total unmet of to be reduced by an additional $66 million.

Additional detail is provided in Appendix P.

Miscoding of Projects

OEA staff noted many instances in which school construction projects were coded to incorrect priorities.

Staff noted many instances in which school construction projects were coded to incorrect priorities. For example:

- Six school renovation projects were miscoded to priority 2c, though they were ineligible due to school population size.
- Various new construction projects including a central office, bus garage, central storage, career and technical education building, freshman academy, and elementary school coded as priority 5.

Recommendation 2.3

Recommendation 2.3

The Kentucky Department of Education should ensure that district facilities plans accurately reflect the total costs of districts' facilities needs.

Recommendation 2.4

Recommendation 2.4

The Kentucky Department of Education should not include local bonding potential in excess of local facilities needs in calculating the total state unmet need.

Compliance With BG Forms

Construction project documentation begins with BG-1 forms and BG-5 Project Closeout Forms are forwarded to KDE at the completion of all construction projects.

As explained in Chapter 1, local boards must submit a series of documents to KDE over the course of a construction project. These begin with BG-1 forms that require KDE approval for a construction project to begin. According to 702 KAR 4:160, KDE must approve BG-1 forms within 30 days of submission. The regulation also requires local boards to forward BG-5 project closeout forms, to KDE at the completion of all construction projects.

OEA staff compared the actual costs of construction projects with costs reported on DFPs by comparing BG-1 from 2018 and 2019 and BG-5 forms submitted by June 30, 2020.

OEA staff attempted to compare the actual costs of construction projects with costs reported on DFPs by comparing BG-1 and BG-5 forms. Staff analyzed all BG-1 forms submitted by districts to KDE in 2018 and 2019 and compared them with any BG-5 forms that were submitted to KDE by June 30, 2020.

Table 2.6 shows the number of BG-1 forms submitted by districts in 2018 and 2019 and the number of BG-5 forms that were received by KDE through June 2020. It also shows the number of instances in which BG-5 forms revealed district usage of restricted funds used for nonallowable purposes.

Table 2.6
Percentage of 2018 and 2019 Construction Projects With Required Final BG-5 Form And Regulatory Compliance Of BG-5 Reported Funding

Year	Total BG-1	Total BG-5 Submitted By June 2020	Restricted Funds Used Against Regulation	Percent BG-5s Showing Noncompliant Use of Restricted Funds
2018	266	85	18	21
2019	316	37	6	16

Source: Staff analysis of Kentucky Dept. of Education data.

BG-5 Forms Not Submitted Promptly. Of the 266 BG-1 forms analyzed from 2018, only 85 or 32 percent were closed out with BG-5 forms by 2020. Of the 316 BG-1 forms analyzed from 2019, only 37 (12 percent) were closed out with BG-5 forms by 2020. It is likely that in some cases, BG-5 forms had not been submitted because projects were not yet complete; however, it is also likely that districts also failed to send BG-5 forms even for completed

Few BG-1 forms from 2018 and 2019 were closed out with BG-5 forms by 2020. It is likely that districts failed to send in BG-5 forms for completed projects in many cases.

projects. OEA Staff identified instances of several schools that were completed and enrolling students in 2019 but for which no BG-5 form had been submitted by June 2020.

OEA staff analyzed BG-5 forms and determined that restricted funds were used for nonallowable purposes in 21 percent of 2018 BG-5 forms and 16 percent of 2019 BG-5 forms.

Noncompliance With 702 KAR 4:180 Concerning Use Of Restricted Funds. OEA staff analyzed BG-5 forms to determine whether districts were complying with regulations that require restricted building funds to be used for specific purposes, as described in Chapter 1. The analysis indicated that 18 out of 85 (21 percent) of BG-5 forms received for 2018 projects reported use of restricted funds for nonallowable purposes. These included use of restricted funds for projects not included on DFPs or use of SFCC funds to support projects out of priority order. Six of the 37 (16 percent) of BG-5 forms analyzed for 2019 used restricted funds for similarly nonallowable purposes.[f]

Recommendation 2.5

Recommendation 2.5

In approving BG-1s, the Kentucky Department of Education should ensure that districts are using restricted funds only on projects listed on the district facility plans and qualify for restricted funding use.

Recommendation 2.6

Recommendation 2.6

The Kentucky Board of Education should consider adding a requirement to 702 KAR 4:160 to have all BG-5s completed within 60 days of completing the BG-4 document.

[1] Kristi Russell, Program Administrator, School Facilities Construction Commission. E-mail to Sabrina Cummins, September 16, 2020.
[2] Greg Dunbar, Kentucky Department of Education Facilities Branch manager. Interview. Oct. 20, 2020.

[f] Some specific examples of funds used for nonallowable purposes included using building fund money to pay for projects not listed on the DFP, such as repaving a high school parking lot or HVAC replacement. Another example included use of capital outlay funds to pay for a tennis court renovation that was not on a DFP in advance of priority 1-4 items listed on the DFP.

Chapter 3

Facility Funding And Expenditures

Introduction

This chapter describes the different types of facility funding available to schools; the conditions of school facilities in Kentucky; analyses of local and state sources of funding; a state level comparison of facilities expenditures; and an analysis of district-level annual financial reports (AFRs).

The Facilities Support Program of Kentucky was introduced in 1990 as part of Support Education Excellence in Kentucky (SEEK) funding. Since 1990, the General Assembly has created additional facility revenue options for districts with specific construction needs. This chapter will describe the different types of facility funding available to schools and the conditions of school facilities in Kentucky.

The chapter also provides analyses related to total funding for facilities from local and state sources, as well as analyses related to the distribution of those funds. The chapter continues with a comparison of facilities expenditures for Kentucky and its neighboring states and concludes with a district level analysis for these expenditures that discovered reporting errors according to district-level AFRs.

Local And State Facility Funding Sources

This section provides background information on the local and state facility funding sources that are available to Kentucky public school districts.

SEEK Capital Outlay

Capital outlay facilities funding is part of SEEK and provides local school districts with $100 per-pupil based upon adjusted average daily attendance. This amount has not increased since the inception of the program.

Even though it is currently a part of SEEK funding, capital outlay facilities funding was first authorized in 1954 by KRS 157.420 before SEEK was created. Capital outlay facilities funding provides local school districts funding based upon adjusted average daily attendance. Districts receive $100 per-pupil adjusted average daily attendance for capital outlay funds.[a] This amount has never been increased since the inception of the program.[1]

KRS 157.420(4) requires that capital outlay funds be kept in a separate account and may be used by districts for projects

[a] The per-pupil calculation is based on adjusted average daily attendance as defined in KRS 157.320. This means the aggregate days attended by pupils, adjusted for weather-related low attendance days, divided by the actual number of days the school is in session after the five lowest attendance days have been deducted.

KRS 157.240(4) requires that capital outlay funds be kept in a separate account and may be used for projects approved by the commissioner of education, including the purchase of land, maintenance expenditures, or purchasing property insurance. Bus purchase may be approved if a district has no capital outlay needs.

approved by the commissioner of education. A request can be submitted to use funds for the purchase of land, maintenance expenditures or for the purchase of property insurance. Maintenance requests may include repairs, renovations, or system upgrades. In addition, if a district has no capital outlay needs, the commissioner may approve bus purchases.

Facilities Support Program Of Kentucky

FSPK requires districts to levy a 5-cent equivalent tax per $100 in assessed property value to participate in SFCC. Districts receive state equalization at 150 percent of the statewide average per-pupil assessment. All 172 districts have levied the FSPK nickel tax and 166 districts qualify for state equalization.

FSPK requires districts to levy a 5-cent equivalent tax per $100 in assessed property value in order to participate in SFCC.[b] Districts receive equalization by the state at 150 percent of the statewide average per-pupil assessment. All 172 districts have levied the FSPK nickel tax; however, only 166 districts qualify for the state equalization. Six districts have a per pupil assessment above the 150 percent of the statewide average and do not qualify for the state equalization:

- Anchorage Independent
- Campbell County
- Fayette County
- Jefferson County
- Livingston County
- Lyon County

Most of the local and state revenue for facilities in Kentucky is generated by the FSPK funding. Expenditures from the FSPK include principal and interest payments on outstanding debt, new facilities, or major renovation of existing school facilities.

Most of the local and state revenue for facilities in Kentucky is generated by the FSPK funding. Expenditures from the FSPK funds include principal and interest payments on outstanding debt, new facilities, or major renovation of existing school facilities. The Kentucky School Facilities Planning Manual (702 KAR 4:180) defines major renovation as a renovation project at a permanent school center, including three or more building systems and an estimated cost of 20 percent of the current replacement cost of the building, or a portion thereof. The building must be at least 30 years old or 30 years have passed since its last major renovation except for restructuring an open space school for conventional classrooms. There is an exception to the definition. If a building system is included for replacement as a single system within 15 years of the original installation or if required by a change in regulation or code, the following can be replaced using FSPK funds:

- heating, ventilation, and air conditioning systems and controls;

[b] KRS 157.440 created the Facilities Support Program of Kentucky (FSPK). FSPK is commonly referred to as the "first nickel."

- systems to provide full use of a facility by the physically handicapped and to bring a facility into compliance with the Americans with Disabilities Act;
- life safety and security systems; and
- roofing systems, flashings and accessories.

KRS 157.621 allows districts experiencing rapid growth to levy an additional nickel tax, which is not subject to voter recall and is not equalized by the state unless a second growth nickel tax is levied. Districts must first meet certain criteria. Revenues are subject to the same restrictions as FSPK. Currently, 34 districts have levied this nickel.

The First Growth Nickel. KRS 157.621 allows districts that are experiencing rapid growth to levy an additional nickel tax.[c] The tax is not subject to voter recall and not equalized by the state unless a second growth nickel tax is levied. However, the district is required to hold a public hearing prior to the levy. To qualify for this levy, districts must meet the following criteria:

- The district must have grown by at least 3 percent and 150 students in average daily attendance or more over the past 5 years;
- Student enrollment exceeds classroom space;
- Bonded debt at maximum capacity of at least 80 percent of capital outlay, and local and state FSPK; and
- KBE has approved the facility plan.

Revenues from this nickel tax levy are subject to the same restrictions as FSPK. There are currently 34 districts that have levied this nickel.

KRS 157.621 allows districts to levy an additional nickel tax based on growth. The General Assembly equalizes the first growth nickel and not the second. Currently, 22 districts have levied the second growth nickel and received state equalization on the first growth nickel.

The Second Growth Nickel. KRS 157.621 allows districts to levy an additional nickel tax based on growth. This nickel tax is referred to by KDE as the "equalized growth nickel." To qualify for this nickel, districts must have levied the first growth nickel and continue to meet the same growth criteria. After levying this nickel, the General Assembly would then equalize the first growth nickel but not the second growth nickel. There are currently 22 districts that have levied the second growth nickel, and all 22 districts receive state equalization on the first growth nickel for levying this tax.

The Recallable Nickel. KRS 157.621 allows all districts to levy an additional nickel tax. This additional nickel tax is not required and is subject to a voter hearing with the possibility of being recalled.[d] This nickel is like the original FSPK nickel on the requirements to be levied and equalized, except that it is not required to be levied. All districts can pass the recallable nickel—even the districts that passed the growth nickel(s). However, there are some stipulations associated with the recallable nickel. Due to voter recall, some

[c] Any nickel tax, which is not the FSPK nickel tax is referred to as an "additional nickel" in this report.
[d] This nickel tax is known colloquially as the "recallable nickel."

KRS 157.621 allows all districts to levy an additional nickel tax, subject to a voter hearing and possible recall. Currently, 67 districts have a recallable nickel and two districts have two recallable nickels.

districts have tried to pass this nickel, but were unsuccessful.[e] In addition, districts can have more than one recallable nickel. Currently, 67 districts have successfully passed the recallable nickel, with two districts having passed two recallable nickels.

HB 267 (2005) created the Equalized Facility Funding Program, which provided equalization to districts that met certain criteria for 20 years. HB 380 (2006), the state budget, resulted in districts that received state equalization on the recallable nickel and FSPK to also qualify. In 2008, KRS 157.621 was amended to include language for this levy. Districts that pass other nickels that receive equalization are no longer eligible for this program.

The Equalized Facility Funding Program. In HB 267 (2005), the General Assembly offered assistance to districts with facility needs that were not getting any other state facilities funds other than equalization of the FSPK nickel tax. This program provided equalization to districts that levied at least a 10-cent equivalent tax rate for building purposes, or they had to have debt service of at least a 10-cent equivalent tax rate as of February 24, 2005. In addition, this information had to be approved by the commissioner. Any district that met one of the criteria would receive equalization from the state for 20 years. HB 380 (2006), the state budget, included the same requirements but omitted the wording on districts that had not received retroactive facility funding for the recallable nickel. So, districts that received state equalization on the recallable nickel and FSPK qualified.

In 2008, KRS 157.621 was amended to include language for this levy. Twenty districts qualified for this equalization; however, only eight districts currently receive equalization. As districts passed other nickels that received equalization from the state, they no longer became eligible for this program. This equalization funding will start ending on June 30, 2025, or the date the bonds for the local school district are retired.

The Base Realignment And Closure (BRAC) nickel could be levied by districts that would receive additional students because of the Fort Knox Federal Base Realignment and Closure (BRAC) Act. Districts would receive equalization if they had levied the additional nickel and received no other equalization other than FSPK. Currently only Hardin County receives this funding.

Base Realignment And Closure (BRAC) Nickel. During the 2008 Regular Session, the General Assembly authorized the levy of an additional 5-cent equivalent rate after April 24, 2008. This levy provided districts that were in a county that would enroll additional students because of the Fort Knox federal Base Realignment and Closure (BRAC) Act. Districts would receive equalization, pending General Assembly funding, if they had levied the original growth nickel and received no other equalization other than FSPK. Hardin County is the only district that receives this funding.

Category 5 Nickel (2010 Budget). During the 2010 special session, the General Assembly allowed districts with a Category 5 building on May 18, 2010, to levy an additional 5-cent equivalent tax rate without being subject to recall. Districts also had the

[e] Lawrence County, Fairview Independent, Christian County, Lincoln County and Hancock County have tried to pass the recallable nickel, but had the nickel recalled.

Districts with a Category 5 building may levy an additional five-cent equivalent tax rate without subject to recall. Districts received equalization the year after passing the levy.

option of placing the tax on the ballot. Budget language also stated that any district that passed this levy would receive equalization the following year. Nine districts took advantage of this option and passed the Category 5 nickel. Appendix Q includes a list of levied facility taxes by district.

HB 235 (2014) expanded the Retroactive Equalized Facility Funding to allow equalization of districts' tax revenues that were dedicated to facilities from several specific sources. HB 200 (2018) sunset equalization based on the earlier of June 30, 2038 or the date the local bonds supported by this equalization are retired. Two districts receive this equalization.

Additional Retroactive Facility Funding (2014 Budget). In 2014, HB 235, the budget bill, added language to the section on Retroactive Equalized Facility Funding. The new language allowed a district that had levied a nickel tax dedicated for facilities from property, motor vehicles, or other taxes authorized by KRS 160.593 to 160.597, 160.601 to 160.633, and 160.635 to 160.648 to qualify for these funds to be equalized. HB 200, the 2018 budget bill, sunset equalization on the earlier of June 30, 2038, or the date the local bonds supported by this equalization are retired. Two districts received this equalization: Owen County and Fairview Independent.

Urgent Need School Trust Fund (Category 5 Buildings)

The Urgent Need School Trust Fund assisted school districts with urgent and critical construction needs in 2003 and 2005.

In 2003 and 2005, the General Assembly put into budget language the Urgent Need School Trust Fund. This funding was used to assist school districts that had urgent and critical construction needs. At the time, Kentucky used a building ranking system from Category 1 to Category 5, which determined the condition of each school building. The Category 5 buildings were in the worst condition in the state. Criteria for this funding was that a district must have included the school on their DFP, had to be a Category 5 school and the KDE's best practice enrollment had to be met.[f] KBE had to certify which buildings would be eligible for this funding.

The Urgent Need School Trust Funds were based on new construction or major renovation cost as certified on the district's facility plan. The state dollars that were allocated in budgets for these projects flowed through SFCC. There were 35 districts that received the urgent need funding in 2003 and 2005 and SFCC was merely the fiscal agent selling bonds on behalf of the districts.

[f] At the time, the best practice enrollment minimums were 300 for an elementary school, 400 for a middle school, and 500 for a high school.

School Facilities Construction Commission

SFCC was established in 1985 to provide equitable assistance to meet districts' facilities funding needs. To participate in this program, each district must have levied the local FSPK nickel tax.

SFCC was established in 1985 to provide equitable assistance in meeting districts' facilities funding needs. To participate in this program, each district must have levied the local FSPK nickel tax. Districts facility plans are used to determine facilities needs, and then any available local revenue is subtracted to determine the districts unmet need. The available local revenue is any unspent funds in the capital outlay fund and building funds in odd number years. These funds must be restricted on district balance sheets on July 1 of the even number years. The amount allocated to school districts is determined by how much bonding potential the General Assembly puts in the biennial budget each year. Each district's percentage of the state's unmet need on the odd number years is then taken against the bonding potential put in the budget and offers of assistance are sent out during the even number years to districts. Districts have 30 days to accept their offers and may request an additional 30 days to accept. If districts decline the offer, they can unrestrict their funds in capital outlay and the building fund and use their available cash on facilities needs. Currently, the unmet need is around $7 billion for facilities needs, and there are 10 districts who have no unmet need.

HB 235 (2014), the 2014 state budget, included special offers of assistance of $103 million. HB 303 (2016), the 2016 state budget, included special offers that helped fund six district facility projects. HB 200 (2018), included another $15 million of bonding for another two districts.

Special SFCC Offers of Assistance. During the 2014 budget session, the General Assembly not only included $100 million in bonding for regular offers of assistance, but it also included special offers of assistance of $103 million in HB 235, the budget bill. Ten districts received funds from the special offers of assistance for their building projects. Similarly, HB 303, the 2016 budget bill, included special offers that helped fund six districts facility projects. HB 200, the 2018 budget bill, included another $15 million of bonding for another two districts.

Urgent Need School Trust Fund, HB 380 (2006)

HB 380 (2006), the 2006 state budget, appropriated a one-time $5 million for the Urgent Need School Trust Fund administered by SFCC and distributed after July 2007.

HB 380, the 2006 budget bill, appropriated $5 million in for the Urgent Need School Trust Fund to be distributed after July 2007. This was a one-time allocation and was administered by SFCC. The Urgent Need School Trust Fund was created to assist school districts that had urgent and critical construction needs. SFCC could distribute these funds in several different ways. It included grants; loans; matching funds; offers of assistance to meet unmet need; and equalization funds in situations where school districts had levied additional taxes for school construction, but were not receiving equalization.

Facilities Funding In Kentucky

The core funding sources for facilities in Kentucky are from state and local contributions and remained steady after adjusting for inflation. Wealthier districts received more local funding than less wealthy districts. Revenues from levying the recallable nickel vary by district wealth, contributing to the disparity of per-pupil funding between the districts at the top and bottom of the funding distribution.

The funding sources described in the previous section of this chapter make up the core of facilities funding in Kentucky. These core funding sources are generated from a proportional mix of funding from local and state contributions.

Local and state facilities funding has increased by more than $180 million from 2008 to 2019, but this increase was just enough to keep pace with inflation.

The distribution of local and state funding during these years shows that wealthier districts generate more facilities funding from local sources, and state funding is the largest share of facilities funding for less wealthy districts.

The increase in facility funding generated from more districts levying the recallable nickel during these years has contributed to the disparity of per-pupil facilities funding between the districts at the top and the bottom of the funding distribution.

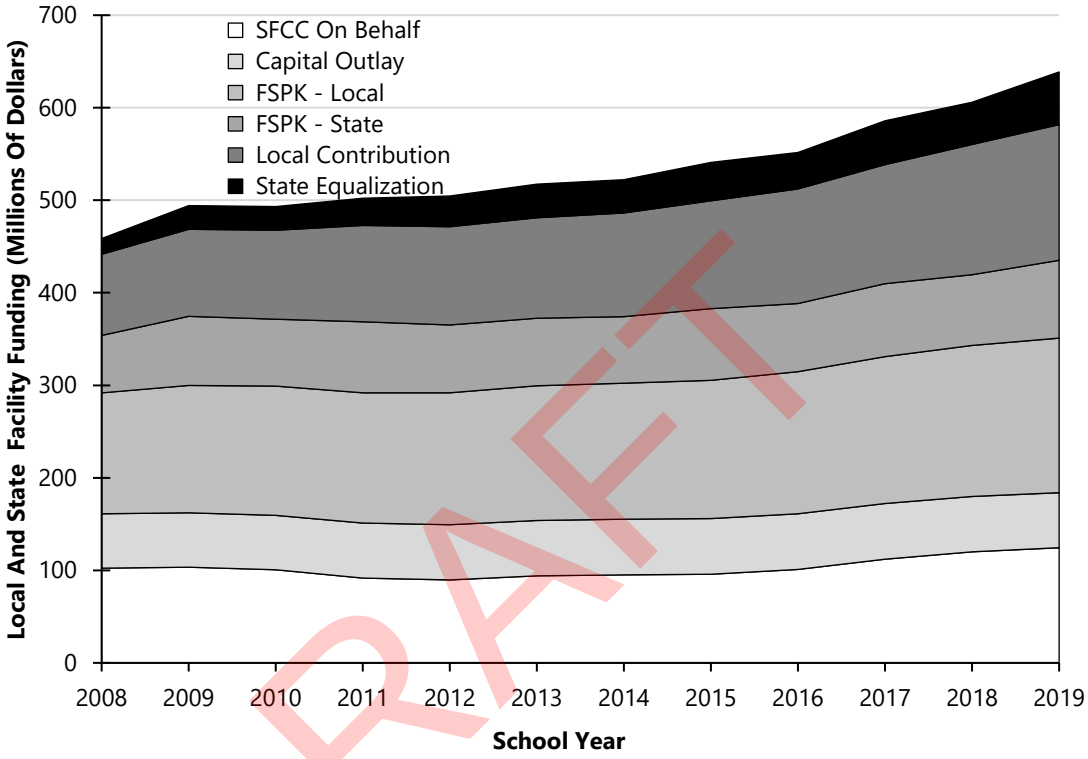
Facilities Funding From State And Local Sources

Between 2008 and 2019, the overall facilities funding from state and local sources increased by approximately 39 percent from $459 million to $639 million.

Figure 3.A shows that overall facilities funding from state and local sources increased by approximately 39 percent, from approximately $459 million in 2008 to approximately $639 million in 2019.[g] Over that same period, the combined local funding for FSPK and additional nickels levied by districts increased by more than 40 percent, and the combined facility funding from SFCC, capital outlay, and state equalizations for FSPK and additional nickels levied by districts increased by more than 35 percent. Overall facilities funding generated from state and local sources from levying additional nickels increased approximately 94 percent, from approximately $105 million in 2008 to approximately $204 million in 2019.

[g] All figures used here are in nominal dollars.

Figure 3.A
Facility Funding
From Local And State Sources
School Years 2008 To 2019



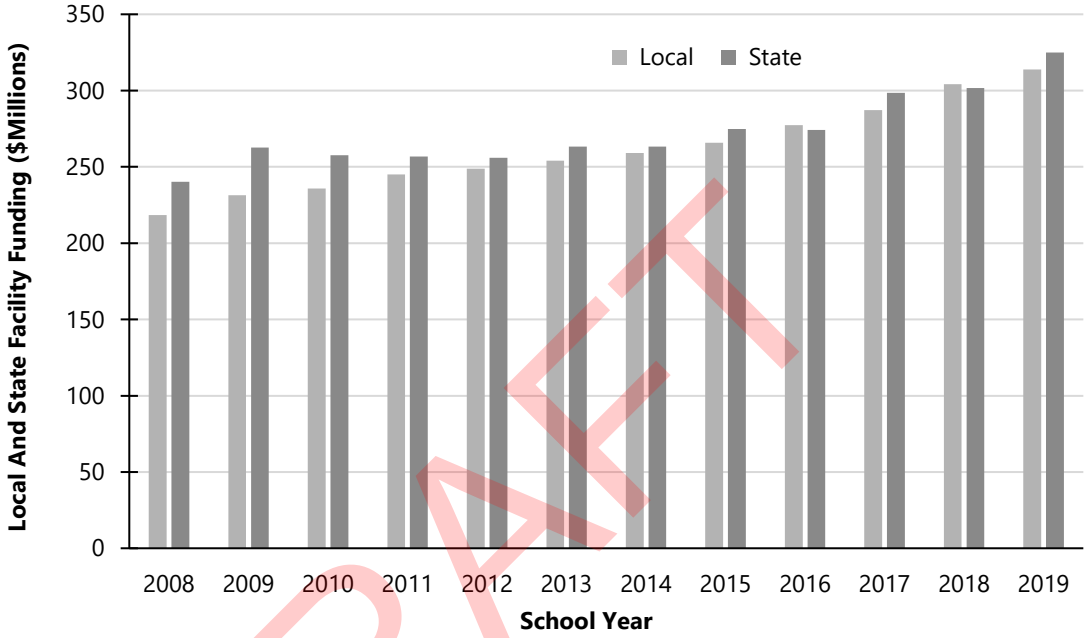
Note: SFCC = School Facilities Construction Commission; FSPK = Facilities Support Program of Kentucky. The local contribution and state equalization totals are associated with total facility funding generated by districts levying additional nickel taxes.
Source: Staff analysis of data from the Kentucky Department of Education.

State and local facility funding totaled more than $6.4 billion for school years 2008 to 2019. State sources accounted for approximately 51 percent and local contributions accounted for 49 percent.

State and local facility funding totaled more than $6.4 billion for school years 2008 to 2019. Funding from state sources accounted for approximately 51 percent of that total, and local contributions accounted for 49 percent. Figure 3.B shows the annual local and state facility funding totals for those years.

Annual facility funding from local sources increased by approximately $95.4 million (44 percent) from 2008 to 2019, while annual facility funding from state sources increased by $84.5 million (35 percent) during this time in nominal dollars.

Figure 3.B
Total Local And State
Facility Funding
School Years 2008 To 2019

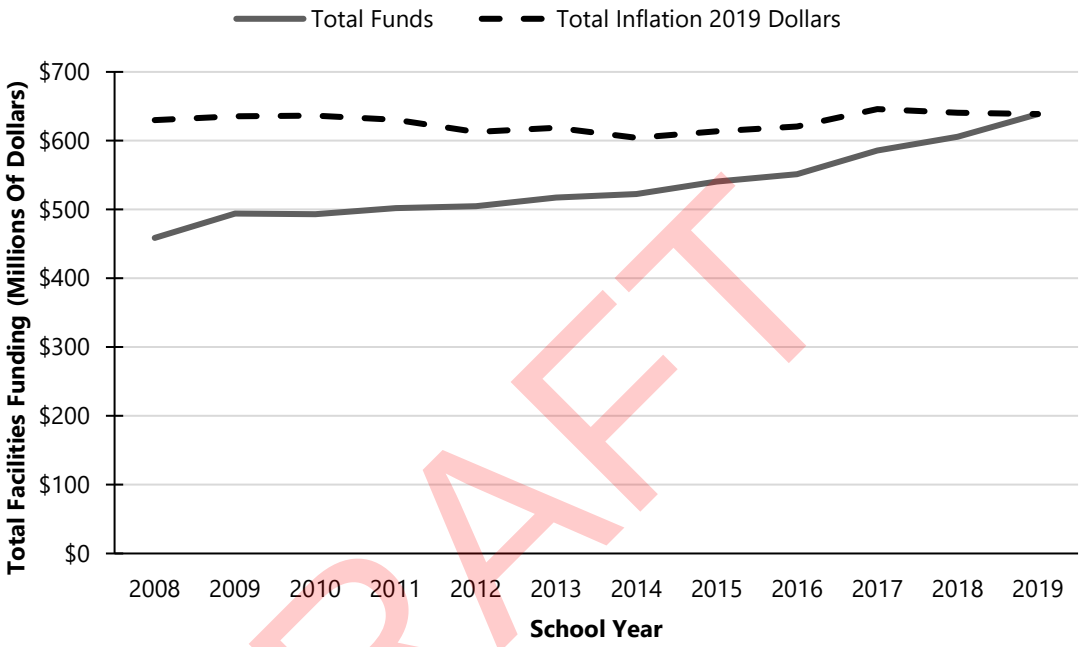


Note: Local funding accounts for the local contributions from FSPK and additional nickels levied by those districts. State funding accounts for capital outlay, SFCC on behalf payments, and state equalizations for FSPK and additional nickels levied by districts.
Source: Staff analysis of data from the Kentucky Department of Education.

When adjusted for inflation, overall facility funding from state and local sources increased by approximately 1.4 percent from 2008 to 2019.

Inflation-Adjusted Facilities Funding Totals. Funding from state and local sources was adjusted for inflation using the Producer Price Index (PPI) for school construction. Figure 3.C shows total local and state facility specific funding in nominal dollars and 2019 inflation adjusted dollars. Between 2008 and 2019, the 39 percent increase in facilities funding was enough to keep pace with inflation. Overall facility funding adjusted for inflation from state and local sources increased by approximately 1.4 percent from 2008 to 2019. Facilities funding from local sources increased by 5 percent from 2008 to 2019, while funding from state sources decreased by approximately 2 percent in the same time period. More about these sources adjusted for inflation can be found in Appendix R.

Figure 3.C
Total Local And State Facility Funding
In Nominal And Inflation-Adjusted Dollars
School Years 2008 To 2019



Note: These funds were adjusted for inflation using the Producer Price Index for school construction.
Source: Staff analysis of data from the Kentucky Department of Education.

Local And State Funding Distribution According To District Wealth And Size

This section looks at the distribution of facility funding from state and local sources, including district size and wealth.

This section of the report looks at the distribution of facility funding from local and state sources while accounting for the overall property wealth within districts, and the overall size of districts as measured by AADA.

Facilities Funding And Property Wealth

Districts with per-pupil property assessments above $835,000 are ineligible for state nickel equalization. This includes the state's two largest school districts and over one fifth of Kentucky students.

Figure 3.D shows average per-pupil facility revenue by source, based on district wealth, as indicated by per-pupil property assessments. Districts with per-pupil property assessments above $834,000 are ineligible for state nickel equalization because their property wealth exceeds the statutorily established threshold for equalization: this group includes the state's two largest school districts and over one-fifth of Kentucky students.

Revenue From Capital Outlay And FSPK Similar Across Most Districts. Revenue from capital outlay and combined FSPK state

All districts receive the same amount of $100 per-pupil capital outlay revenue. In most districts, the combined revenue of FSPK local taxes, and state equalization total $417, regardless of district wealth. In districts ineligible for state equalization, revenue from FSPK local taxes totals $442 per pupil.

and local funds provides a base of similar per-pupil revenue across most districts. All districts receive the same amount of $100 per-pupil capital outlay revenue. In most districts, the combined per-pupil revenue of FSPK local taxes and the state equalization also the same, totaling $417, regardless of district wealth. In the state's six wealthiest districts—those ineligible for state equalization—the revenue from the FSPK local taxes exceed the combined local and state contributions from other districts; on average, these wealthier districts raise $442 in local FSPK nickel taxes per pupil.

Nickel tax revenue decreases with district wealth, on average. The greatest average per-pupil facility revenue is received by wealthier districts that are also eligible for state equalization on nickel taxes..

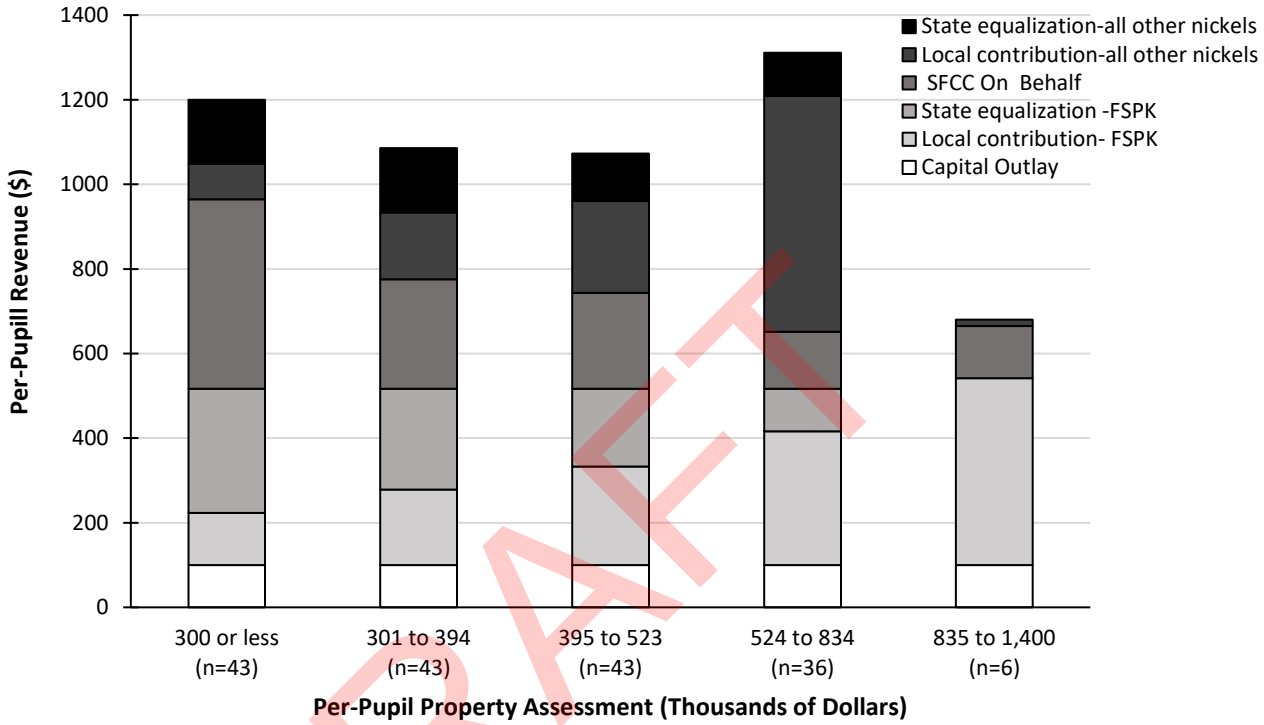
Greater Facilities Revenues In Wealthier Districts. Wealthier districts that are also eligible for state equalization on nickel taxes received the greatest average per-pupil facility revenue. Figure 3.D shows that districts with per-pupil assessments between $524,000 and $834,000 generate, on average, greater local revenue from additional nickels than do other districts while also receiving state equalization on those nickels. Average per-pupil revenue from additional nickel taxes in these wealthier districts is almost three times as great as is in the lowest-wealth districts. As the figure shows, nickel tax revenue decreases, on average, with district wealth.[h]

Average per-pupil SFCC revenue decreases with district wealth on average and is more than 3.5 higher in the least-wealthy districts compared to the most-wealthy districts.

Six Wealthiest Districts Receive Least Facilities-Specific Funding. The state's least wealthy districts received the second highest average per-pupil revenue. Their relatively greater revenue is explained by the greater average SFCC revenue they receive. Average per-pupil SFCC revenue is more than 3.5 times greater in the least-wealthy versus most-wealthy districts and decreases, on average, with district wealth.

[h] Depending on when districts choose to use accumulated SFCC offers to execute bonds, SFCC on-behalf-of revenue may vary substantially from year to year in an individual district. To account for this variation, staff analyzed per-pupil SFCC revenue for the 2009-2019 years combined. During this period, proportional differences in SFCC revenue based on district wealth were virtually identical to the differences shown in Figure 3.D.

Figure 3.D
Average Per-Pupil Facilities Revenue
By Source and District Wealth, 2019



Note: FSPK = Facilities Support for Kentucky; SFCC = School Facilities Construction Commission; All other nickel taxes include the following nickel taxes: original growth, equalized growth, recallable, equalized facility, Base Realignment and Closure (BRAC), and Category Five. Anchorage Independent, Campbell County, Fayette County, Jefferson County, Livingston County, and Lyon County are not eligible for state equalization of nickel taxes.
Source: Staff analysis of data from the Kentucky Department of Education.

Facilities Funding And District Size

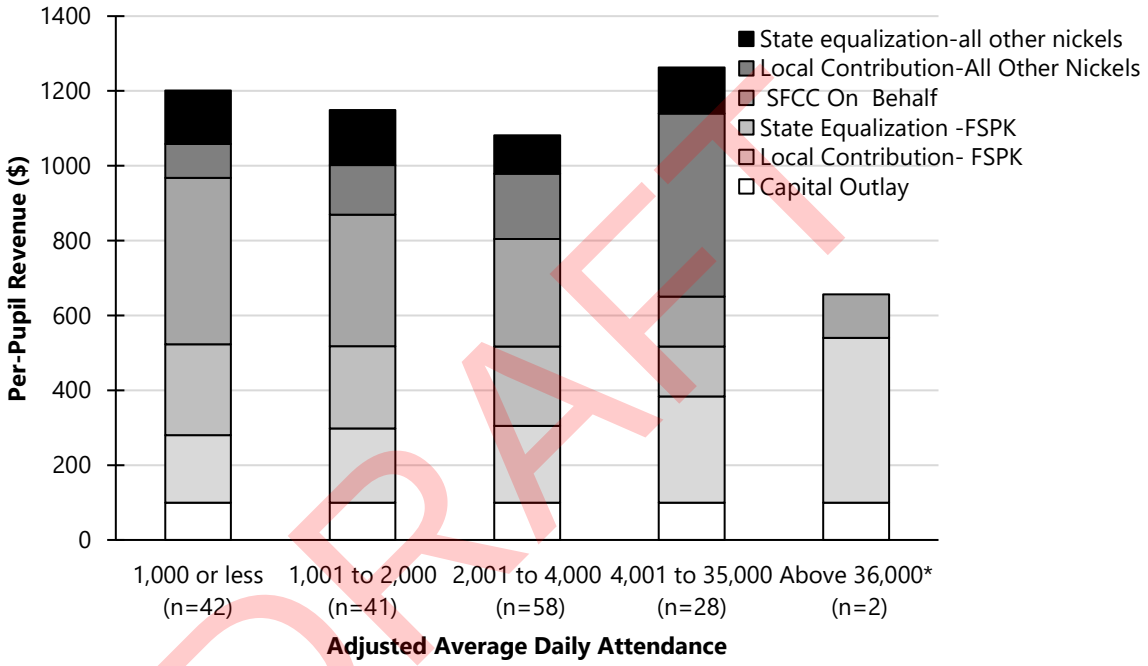
On average, larger districts receive the most revenue, followed by the smallest districts.

Figure 3.E shows average per-pupil facility revenue based on district size, as measured by average adjusted daily attendance. The state's two largest districts, Jefferson County and Fayette County—those with AADA greater than 36,000—are also wealthy districts that are not eligible for state equalization, as described above. The figure shows that, on average, larger districts with AADA between 4,001 and 35,000 receive the greatest amount of revenue. Average per-pupil nickel revenue in the larger, equalization-eligible districts is over 2.5 times greater than it is in the smallest districts.

The category with the next greatest amount of per-pupil revenue is the smallest districts. These districts, on average, receive much greater amounts of SFCC revenue than do the largest districts. On

average, the smallest districts receive almost four times as much SFCC revenue as do the largest districts. Average SFCC revenue decreases with district size.

Figure 3.E
Average Per-Pupil Facilities Revenue
By Source and District Adjusted Average Daily Attendance, 2019



*This category contains Jefferson and Fayette Counties. The other ineligible districts—Campbell County, Lyon County, Livingston County, and Anchorage Independent are incorporated in their respective size categories because of their relatively minor impact on the average.
Note: FSPK = Facilities Support Program of Kentucky; SFCC = State Facilities Construction Commission. All other nickel taxes include the following nickel taxes: original growth, equalized growth, recallable, equalized facility, Base Realignment and Closure (BRAC), and Category Five. Anchorage Independent, Campbell County, Fayette County, Jefferson County, Livingston County, and Lyon County are not eligible for state equalization of nickel taxes and are included with their respective category of adjusted average daily attendance.
Source: Staff analysis of data from the Kentucky Department of Education.

Funding Distribution Analysis

In September 2006, a facility funding distribution analysis was conducted for KDE by Lawrence O. Picus & Associates to examine the equity of Kentucky school facility funding. Picus reported that overall funding equity decreased with growth nickels.

In September, 2006, a facility funding distribution analysis was conducted for KDE by Lawrence O. Picus & Associates.[2] The study used statistical calculations to attempt to quantify whether facility funding in Kentucky was distributed equitably according to the methodology of the statistical methods used. Picus reported that overall funding equity began to decrease with the implementation of the growth nickels.

Share Of Facility Funding Per Source

FSPK and capital outlay funding accounted for 49 percent of facility funding in 2019 compared to 55 percent in 2008. SFCC funding accounted for 19.5 percent of facility funding in 2019 compared to 23 percent in 2008. Additional nickels accounted for 32 percent of facility funding in 2019 compared to 23 percent in 2008.

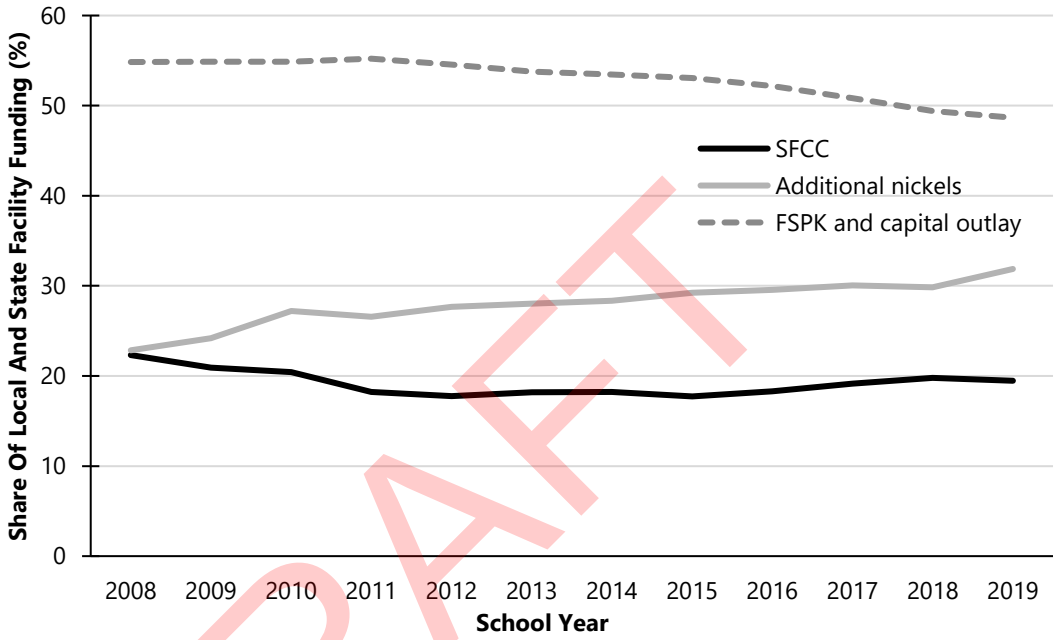
Figure 3.F shows the percentage of total funding from SFCC, funding from levying additional nickels, and the combined total of FSPK and capital outlay funding.

FSPK Funding Share Decreased From 2008 To 2019. FSPK combined with capital outlay in 2008 accounted for approximately 55 percent of facility funding from these sources, but its share decreased to approximately 49 percent in 2019.

SFCC Funding Has Been Relatively Steady. Facility funding in the form of SFCC payment made on behalf of districts decreased slightly from 2008 (23 percent) to 2012 (18 percent) but gradually increased to approximately 19.5 percent in 2019.

Increasing Share Of Facility Funding Attributed To Additional Nickels. The prevalence of funding from additional nickels has grown since the time of the Picus report. Figure 3.F shows facility funding from additional nickels accounted for approximately 23 percent of total facility funding from local and state sources in 2008 and increased to 32 percent of total facility funding in 2019.

Figure 3.F
Total Facilities Funding
By Source
School Years 2008 To 2019



Note: FSPK = Facilities Support Program of Kentucky; SFCC = School Facilities Construction Commission; additional nickels include the following nickel taxes: original growth, equalized growth, recallable, equalized facility, Base Realignment and Closure (BRAC), and Category Five.
Source: Staff analysis of data from the Kentucky Department of Education.

Picus And Associates Statistical Computations

Staff replicated some of the statistical analysis from the Picus report, discussed further in Appendix S.

Some of the statistical computations from the Picus report were calculated for school years 2008 to 2019 to determine if the growth of facility funding generated by additional nickels was having any influence on overall distribution of these funds. This analysis is discussed in further detail in Appendix S.

Funding Gap For Districts At Top And Bottom Of Funding Distribution Increased. The per-pupil funding gap between the 5th percentile and the 95th percentile of the funding distribution, commonly known as the Federal Range Ratio (FRR), has increased over time.[i] During the 2019 school year, per-pupil funding for the

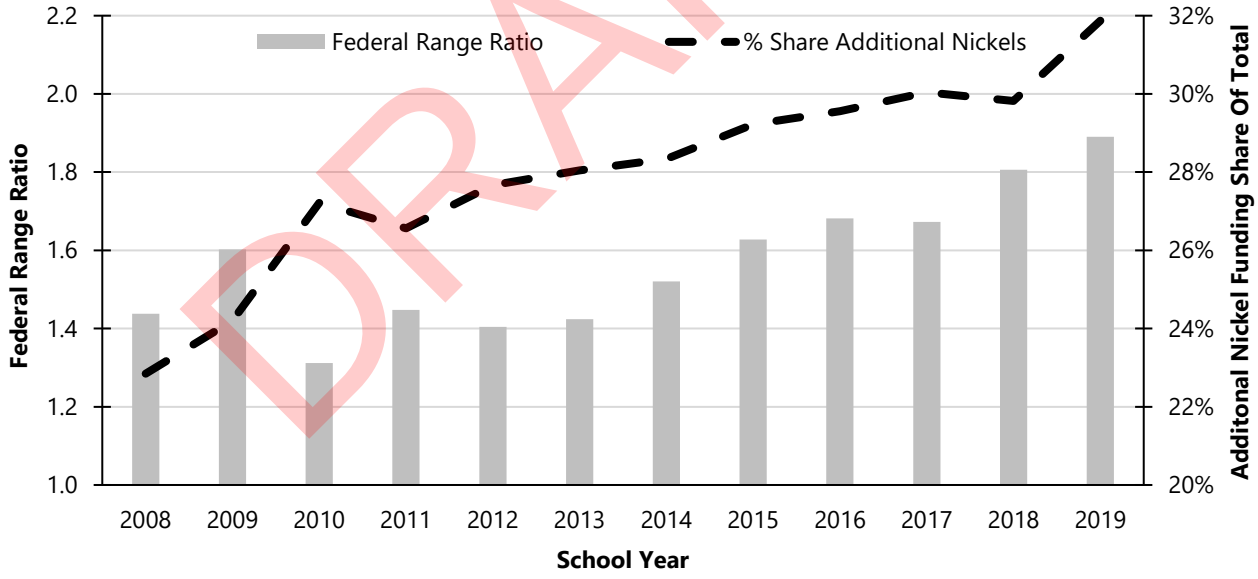
[i] Per-pupil calculations were based on districts' adjusted average daily attendance.

The per-pupil funding gap between the 5th percentile and the 95th percentile of the funding distribution has increased from 2008 to 2019, primarily from additional nickel funding.

95th percentile was 1.9 times as great per AADA funding as the 5th percentile.[j]

Additional Nickels Contributing To Funding Disparity. Funding from additional nickels was the driving force behind the increased funding gap between the bottom and top of the funding distribution. The share of funding from additional nickels was 24.2 percent in 2008 and increased to 31.9 percent in 2019. The FRR increased from 1.44 to 1.89 in that same time period. Figure 3.G illustrates the interaction between the increase in the share of facilities funding from additional nickels with the computed Federal Range Ratio for per-pupil funding for all districts.

Figure 3.G
Federal Range Ratios Relative To The Percentage Share Of Additional Nickel Funding
School Years 2008 To 2019



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

Capital Funds Requests

HB 395 (2004) authorized school districts to submit requests to the commissioner of education to use funding restricted for facilities for other purposes such as construction services, utility services, and property maintenance. Since that time, statutory language from KRS 157.420(7), along with language from biennial budgets

[j] The Federal Range Ratio (FRR) is determined by dividing the value for the 95th percentile by the value for the 5th percentile. A larger FRR indicates a greater disparity between the two values.

provide the framework for eligibility for districts to request these funds, and for what purposes those capital funds can be used for.

Analysis Of State Budgets 2004 To 2018

Through language from 2004 to 2018 bienniel budgets, local districts may request to use capital funds restricted for facilities for other purposes without forfeiting eligibility for SFCC. These purposes include maintenance expenditures, property purchases, and general operating expenses.

Language from 2004 to 2018 biennial budgets that authorized local school districts to submit requests to the commissioner of education to use capital funds for other purposes without forfeiting eligibility for SFCC funding has evolved over time.

The guidelines in early budget language stated these requested funds could only be used for maintenance or property purchases, but starting in 2010 these funds could be used by districts for general operating expenditures.

Capital Funds For Maintenance And Property Acquisition. State budget bills HB 395 (2004), HB 380 (2006), and HB 406 (2008) specifically authorized the use of capital outlay funds for either maintenance expenditures or property purchases.[k]

Capital Funds For Operating Expenses. HB 209 (2010) authorized local school districts to use any capital funds for general operating expenses, according to guidelines approved by KBE.[l] This language has been in the biennial budgets through 2018 with HB 200.[m]

HB 303 (2016) required KBE to recommend how districts should use requested capital funds during the 2018 school year.

KBE To Provide Recommendation For Requests. HB 303 (2016) charged the KBE with providing a recommendation to the General Assembly by December 15, 2016, stating how local districts should use these requested capital funds during the 2018 school year.

HB 200 (2018) prohibited the commissioner of education from approving capital fund request exceeding 25 percent of total capital funds available to a local board of education for the 2019 school year.

Capital Funds Requests Exceeding 25 Percent Not To Be Approved. HB 200 (2018) prohibited the commissioner of education from approving capital funds requests that exceeded 25 percent of total capital funds available to a local board of education for the 2019 school year; however, 27 of the 113 districts that requested capital funds for the 2019 school year (24 percent) exceeded the 25 percent threshold.

[k] Notwithstanding KRS 157.420(4) and 157.420(6).
[l] Notwithstanding KRS 157.420(4) and 157.420(6), 157.440 and 157.621 beginning in 2010 budget language. Proceeding budgets to 2018 share this language pertaining to capital funds requests.
[m] This language is also included in HB 265 (2012), HB 235 (2014), and HB 303 (2016).

HB 200 (2018) required SFCC to consider transferred capital funds as local revenue when calculating unmet facilities needs for the 2018-2020 fiscal biennium and disqualified such districts from receiving Emergency and Targeted Investment grant funding for school year 2019.

Transferred Capital Funds To Be Considered In Determining Funding Eligibility. HB 200 (2018) required SFCC to include the transferred capital funds in the local available revenue for a district when calculating unmet facilities needs for the 2018-2020 fiscal biennium. The bill also disqualified districts that transferred capital funds from eligibility for Emergency and Targeted Investment grant funding for the 2019 school year.[n]

Total Capital Funds Requests

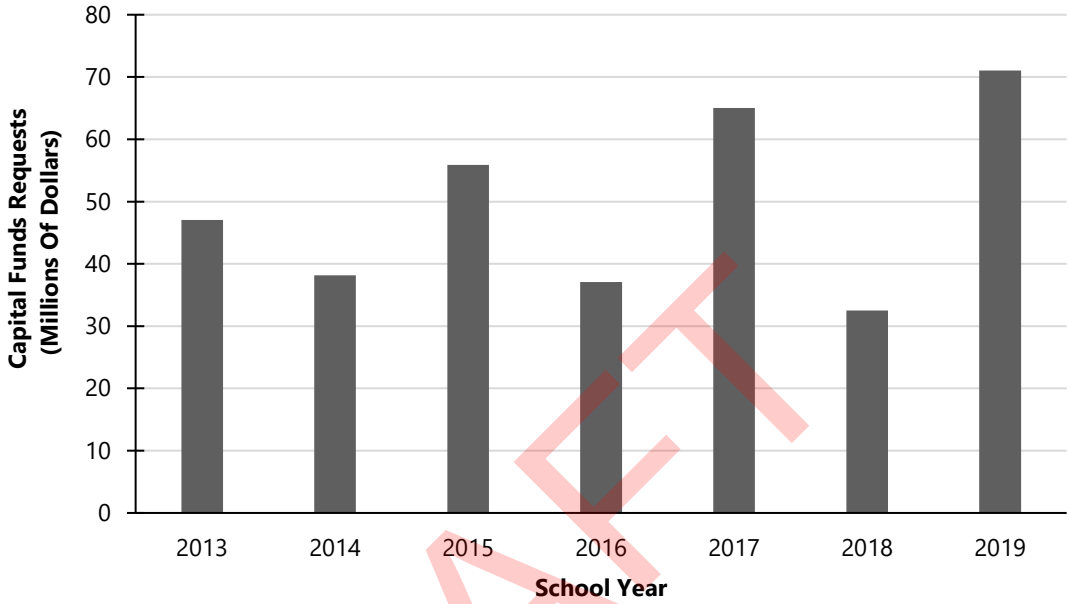
Capital fund requests totaled approximately $347 million from 2013 to 2019 and follow a cyclical pattern associated with SFCC unmet need calculations, with larger amounts requested in odd years when any unspent capital outlay and building funds are used to determine the local available revenue portion of the SFCC unmet needs calculation for districts.

An analysis of annual capital funds requests for school years 2013 to 2019 shows capital funds requests totaled approximately $347 million and appear to follow a cyclical pattern that is associated with SFCC unmet need calculations.

Capital Funds Requests Follow Cyclical Pattern. Figure 3.H shows that capital funds requests appear to follow a cyclical pattern, with larger amounts requested in odd years relative to even years. Requests for capital funds follow this pattern in relation to funds restricted for SFCC unmet need calculations. Requests for capital funds are higher in the odd numbered years when any unspent capital outlay and building funds are used to determine the local available revenue portion of the SFCC unmet needs calculation for districts.

[n] The Emergency and Targeted Investment Fund (ETIF) was established by HB 445 (2014). KRS 157.618 went into effect July 15, 2014, followed by 750 KAR 1:030 in January 2015. 750 KAR 1:030 provides guidance for the School Facilities and Construction Commission when determining eligibility for funds from the ETIF. Notwithstanding KRS 157.620 and 157.622, SFCC may use the fund to offer grants to districts for construction and equipping new facilities, or major renovations to existing facilities that have been destroyed or severely damaged by an emergency or a criminal act.

Figure 3.H
Annual Capital Funds Requests
School Years 2013 To 2019



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

Districts that levy more nickels tend to request more capital funds per ADA than districts that do not levy additional nickels.

Capital Funds Requests In Districts With More Nickel Taxes. Table 3.1 shows total capital funds requests for the 2019 school year sorted by the number of additional nickels levied by districts. The districts that levy at least one additional nickel requested more than double the amount of capital funds per AADA than those districts that do not levy an additional nickel. Districts levying three additional nickels requested approximately 1.6 times as many capital funds per AADA than districts without additional nickel funding.

Table 3.1
Capital Funds Requests
By Additional Nickels Levied By Districts
School Year 2019

Additional Nickels	CFR	AADA	CFR Per AADA	Number Of Districts
0	$9,312,200	81,858.87	$113.76	42
1	27,634,433	120,467.08	229.39	50
2	23,454,040	92,575.34	253.35	16
3	10,661,740	36,174.28	294.73	5
Grand Total	71,062,413	331,075.57	214.64	113

Note: CFR = Capital Funds Requests; AADA = Adjusted Average Daily Attendance.
Source: Staff analysis of data from the Kentucky Department of Education.

Capital fund requests were used primarily by districts for purchased property services, property, other purchased services, and supplies from 2013 to 2019.

Expenditures Of Capital Funds Requests. Table 3.2 lists total capital funds requests per expenditure object code category. From 2013 to 2019, capital funds requests were used primarily by districts for purchased property services, property, other purchased services, and supplies. Purchased property services include construction services, utility services, and property maintenance. Purchased property services for these years accounted for approximately 30 percent of total capital funds requests annually, but in 2019 this expenditure code accounted for more than 45 percent of the total for that year.

Table 3.2
Capital Funds Requests
Per Expenditure Object Code
School Years 2013 To 2019

Object Code Category	Capital Funds Request Expenditures	Percent Of Total
Purchased Property Services	$105,734,525	30.5%
Property	67,190,705	19.4
Other Purchased Services	58,218,161	16.8
Supplies	55,740,754	16.1
Other	32,897,616	9.5
Salaries/Employee Benefits	17,661,752	5.1
Purchased Services	4,798,461	1.4
Other Items	4,507,339	1.3
Total Expenditures	346,749,312	100.0

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

Capital Funds Requests Used For Salaries And Benefits. Capital funds requests coded for salaries and benefits accounted for more than 16 percent of the total in 2013, but capital funds requests coded for this purpose were a fraction of 1 percent of the total as of 2019.

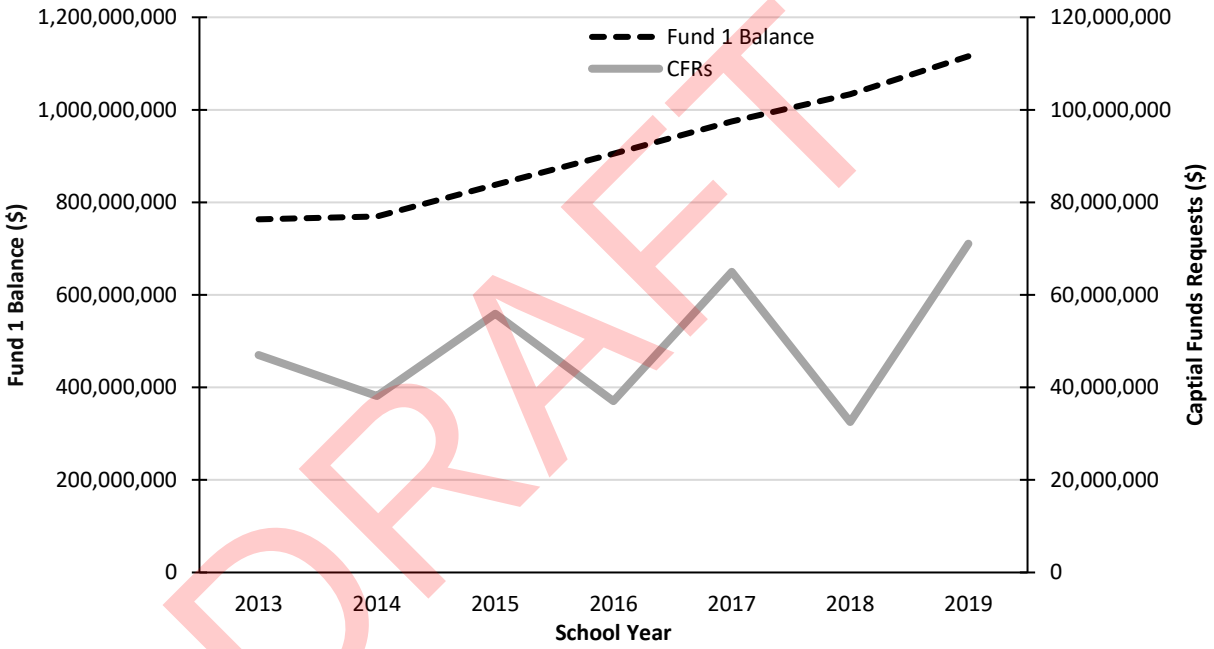
District General Fund Balances Relative To Capital Funds Requests

The general fund is the primary fund used by districts for operational expenses. District general fund expenditures include student transportation, building maintenance, salaries and benefits for district employees, and other general operating expenditures such as utility bills. Districts also use the general fund to accumulate fund balances for purposes such as saving for large scale capital projects, other construction needs, and to maintain fiscal solvency.

The general fund is the primary fund used by districts for operational expenses and increased more than 46 percent from 2013 to 2019, totaling more than $1.1 billion in 2019.

General Fund Balances 2013 To 2019. During school years 2013 to 2019, aggregate district fund balances increased by more than 46 percent, totaling more than $1.1 billion in 2019.[o] Figure 3.E shows total fund balance and aggregate capital funds requests for the observation period.

Figure 3.I
Annual Total General Fund Balances
Relative To Annual Capital Funds Requests
School Years 2013 To 2019



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

Capital funds requests move funds restricted for school facilities to districts' general funds, and thus may contribute to the districts' aggregate fund balances, which increased by approximately $352 million from 2013 to 2019.

The total increase in capital funds requests was approximately $347 million, and the districts' aggregate district fund balances increased by approximately $352 million for these years. Capital funds requests move funds restricted for school facilities to districts' general funds, and thus may be contributing to growing fund balances for these years.

Table 3.3 shows that the 164 districts that made requests for capital funds accounted for approximately $338 million (96 percent) of the aggregate district fund balance totals for school years 2013 to 2019.

[o] The total general fund balance for all districts was approximately $1.1 billion, which equates to 21 percent of general fund totals during the 2019 school year.

Table 3.3
General Fund Balance Percentage Comparison
For Districts That Requested Capital Funds
Relative To Those That Did Not
School Years 2013 To 2019

District Status	2013 General Fund Balance %	2019 General Fund Balance %	Fund Balance Increase ($) 2013 To 2019	Number Of Districts
No CFR	15%	14%	$13,968,042	10
CFR	17%	23%	$338,476,308	164
Total	16%	21%	$352,444,350	174

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

Overall facilities needs for all districts have nearly doubled over the past 10 years, yet districts have moved approximately $347 million for facilities into district general funds from 2013 to 2019.

Recommendation 3.1

Recommendation 3.1

The General Assembly may want to refine the parameters of eligibility for capital funds requests or suspend these requests due to the increase in and the total amount of facilities needs in Kentucky.

Restricted And Committed Funds For Future Construction

Districts can restrict or commit funds for future construction. Committed funds not yet associated with a BG-1, or balance sheet objective 8745, totaled more than $302 million from 2011 to 2019. Restricted funds associated with a BG-1, or balance sheet objective 8735, totaled more than $4 billion from 2011 to 2019.

Districts can restrict or commit funds for future construction. Balance sheet object 8745, or committed funds for future projects that have been approved by a local board but not yet associated with a BG-1, totaled more than $302 million for school years 2011 to 2019.[p] Committed funds for future construction are included in district fund balances, and it should be noted that these funds can be decommitted to be used for other purposes by the district.

Balance sheet object 8735, or funds restricted for future construction projects associated with a BG-1, totaled more than $4 billion for all districts from 2011 to 2019. Restricted funds for future construction are not included in district fund balance totals and must be used for the future construction projects listed on the associated BG-1.

[p] A BG-1 form is a construction project application listed in 702 KAR 4:160 sec. 2. A BG-1 form shall be submitted to KDE for each project that is funded by capital outlay, FSPK, SFCC, or building funds provided by KRS 160.476. The BG-1 form is approved by the local board before being submitted to KDE for approval.

Funds committed to future construction projects without BG-1s have decreased by 52 percent from 2011 to 2019, although they have increased annually from 2015 to 2019. In 2019, 23 districts coded funds for this purpose.

Funds Committed To Future Construction Projects. Table 3.4 shows that funds committed to future construction projects without BG-1s have decreased by 52 percent from 2011 to 2019, but these funds have increased annually from 2015 to 2019. Only 23 districts coded funds for this purpose in 2019.

Table 3.4
Committed Funds For Future Construction
School Years 2011 To 2019

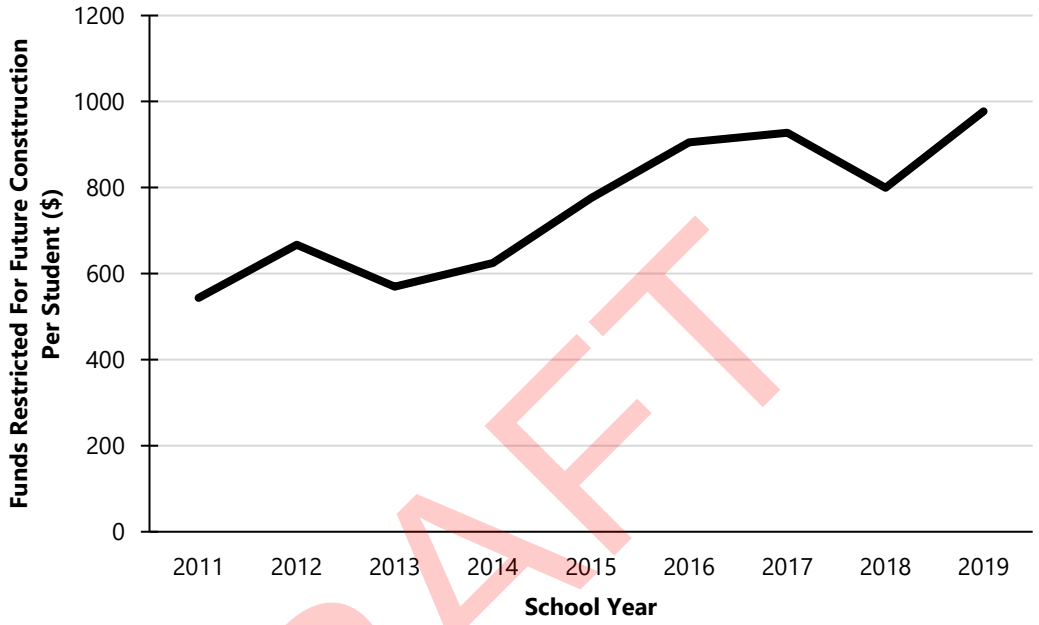
Year	Committed Funds	Committed Funds Per AADA	District Count
2011	$65,112,661	$538.49	31
2012	53,217,026	439.90	30
2013	29,878,345	270.38	23
2014	23,107,584	359.80	21
2015	19,001,049	282.59	20
2016	25,560,965	325.29	21
2017	26,028,854	322.31	22
2018	29,159,932	351.89	23
2019	31,211,676	383.11	23
Total	302,278,091	374.32	39*

*Final district count includes districts that committed funds for future construction for multiple years during this period.
Source: Staff analysis of data from the Kentucky Department of Education.

Funds restricted for construction with BG-1s have increased by approximately 79 percent from 2011 to 2019. In 2019, 151 districts coded funds for this purpose.

Funds Restricted For Future Construction Projects. Figure 3.J shows total funds restricted for construction (balance sheet object 8735) have increased by approximately 79 percent from 2011 to 2019. There were 151 districts that coded funds for this purpose in 2019. Jefferson County restricted more than $100 million ($1,167 per AADA) to future construction projects for the 2019 school year, which accounted for more than 17 percent of the $581 million restricted for future construction that year; however, when taking district size into account, Paintsville Independent had the highest amount of these restricted funds per AADA, at more than $19,000 per student in 2019.

Figure 3.J
Total Funds Per Adjusted Average Daily Attendance
Restricted For Future Construction
School Years 2008 To 2019



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

Facilities Expenditures For Kentucky Relative To Neighboring States

This section compares capital outlay expenditures for Kentucky and its neighboring states using the Census of Governments Survey of School System Finances and adjusting for inflation.

This section provides a comparison of capital outlay expenditures for Kentucky and its neighboring states. [q] The Census of Governments Survey of School System Finances was the source of data for this comparison.[3] All expenditures reported in this section have been adjusted for inflation according to the Producer Price Index.[r]

Total expenditures for construction for the United States decreased by 26 percent from 2008 ($73 billion) to 2017 ($54 billion), and total expenditures for land and existing structures decreased for all states from $6.8 billion in 2008 to $4.1 billion in 2017 (41 percent). Appendix T provides detailed data of facilities expenditures for Kentucky and its neighboring states.

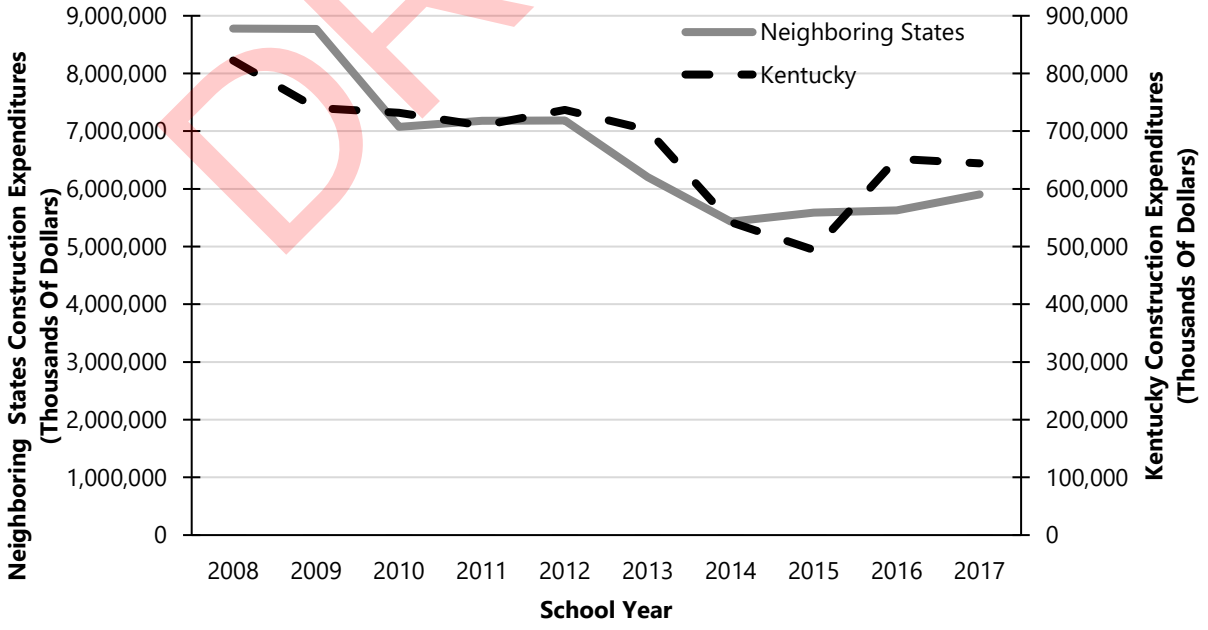
[q] Neighboring states in the capital outlay expenditures comparison include Illinois, Indiana, Missouri, Ohio, Tennessee, Virginia, and West Virginia.
[r] All capital outlay expenditures were converted to 2019 dollars according to the Producer Price Index for school construction.

Kentucky Relative To Border States In Construction Expenditures

Construction expenditures decreased by 33 percent for Kentucky's neighboring states overall from 2008 to 2017 and decreased by 22 percent in Kentucky, from $822 million in 2008 to $644 million in 2017.

Kentucky's construction expenditures decreased from $822 million in 2008 to $644 million in 2017 (22 percent). Total expenditures from 2008 to 2017 for construction for Kentucky and its neighboring states decreased 32 percent from $9.6 billion in 2008 to $6.5 billion in 2017. Figure 3.K shows total construction expenditures for Kentucky relative to its neighboring states. Expenditures in this category decreased by 33 percent overall for Kentucky's neighboring states. All of Kentucky's neighboring states showed decreases in construction expenditures from the 2008 to 2017 period except for Indiana, which had a 62 percent increase in construction expenditures. West Virginia (44 percent) and Ohio (42 percent) had the largest decreases in reported construction expenditures among Kentucky's neighboring states in that time period.

Figure 3.K
Total Construction Expenditures
For Kentucky And Its Neighboring States
School Years 2008 To 2017

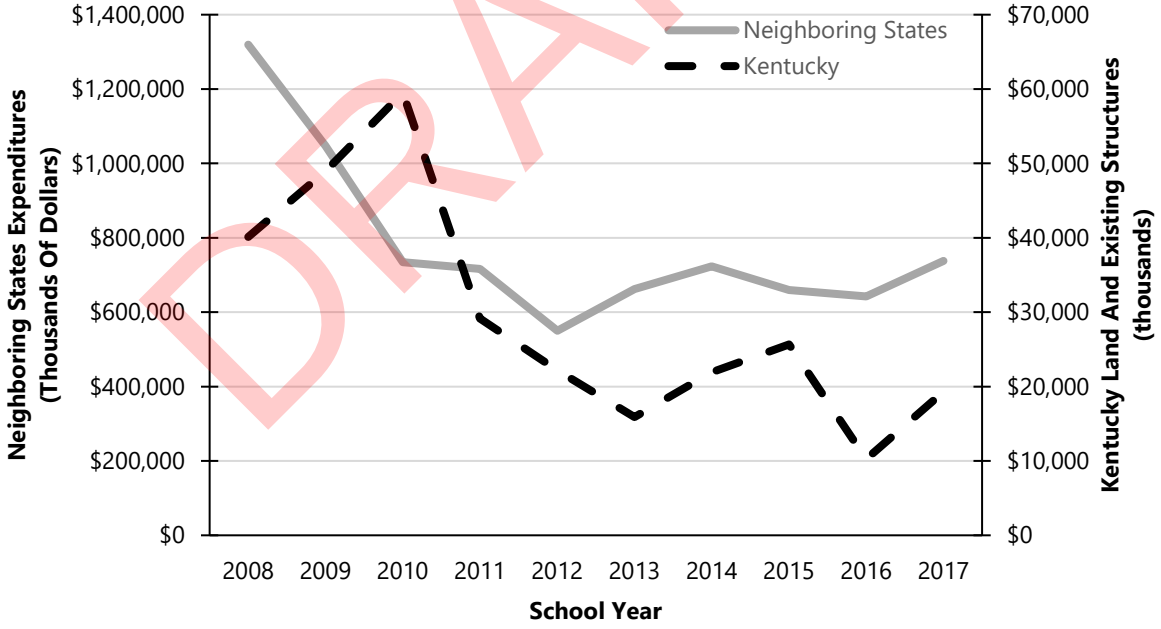


Source: Staff analysis of data from the Census of Governments Survey of School System Finances.

Expenditures for land and existing structures decreased by 44 percent for Kentucky's neighboring states overall from 2008 to 2017 and decreased by 52 percent in Kentucky.

Expenditures For Land and Existing Structures. Kentucky showed a 52 percent decrease in expenditures for land and existing structures from 2008 to 2017. Expenditures for land and existing structures for Kentucky's neighboring states decreased from 1.4 billion in 2008 to $757 million in 2017 (44 percent). Indiana and Ohio exhibited the largest decreases in expenditures for land and existing structures at 68 and 63 percent respectively. Figure 3.L shows these expenditures for Kentucky relative to the combined total for its neighboring states. Appendix T shows these total expenditures for these states in nominal dollars and adjusted for inflation. Appendix T also provides a trends comparison of total expenditures for Kentucky relative to those for the United States.

Figure 3.L
Total Expenditures
For Land And Existing Structures
For Kentucky And Its Neighboring States
School Years 2008 to 2017



Source: Staff analysis of data from the Census of Governments Survey of School System Finances.

In submitting the F33 survey to NCES, KDE worked with NCES to decide how the file should be sent to them. NCES excluded expenditures that are less than zero.

Exclusion Of Negative Values On The NCES F33 Survey. In submitting the F33 survey to NCES, KDE worked with NCES to decide how the file should be sent to them. NCES is excluding expenditures with that are less than zero. There are two reasons why a district would have negative expenditures in an expenditure account.

- Districts record accounts payable at the end of the fiscal year that include expenses in that year but will not actually

be paid until the next year. Some of the larger districts will set up expense accounts that have the correct expense account listed, but then use a fake project number to reduce the number of entries that they will need to make at year end. The following year, the district will reverse that entry, causing the account to be negative, and when the district pays the bill it will record the expense to the true account. When these accounts are excluded, it causes the expense to be counted in the prior year and current year, thus overstating expenses in the current year.

- The construction fund (Fund 360) is a multi-year fund, meaning that the projects in these funds are more than one year. Any general entry for a prior year mistake that is corrected in the current year would show a negative expense in the current year. Table 3.5 below includes the negative amounts for FY 2019.

Table 3.5
Negative Amounts Excluded From F33 Reporting
FY 2019

Type Of Expense	Expenditure Amount
Construction	-$11,750,903.90
Land And Existing Structures	-17,729.90
Instructional Equipment	-1,372,170.82
All Other Equipment	-4,973,430.79
Total Excluded	-18,114,235.41

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

Staff found that districts have coded expenses incorrectly. In 2019, there was a total of $56.9 million in costs that were miscoded on districts AFRs.

Districts' Use Of Appropriate Function And Object. Districts are coding expenses to accounts that are not set up correctly. For instance, object code 0450, construction expenses, is supposed to be coded only to functions that are in the 4000 series. As shown in Table 3.6 below, there were $50 million dollars coded with incorrect function codes. One district had $11 million coded to object code 0450 with a maintenance function code of 2620. OEA staff contacted this district to see if the expense was supposed to be a construction expense as shown by the object code or a maintenance expense as recorded on the function code. The district stated that these were actual maintenance expenses and would correct the accounts moving forward.

These incorrect account issues result in overstating how much is spent on construction and understating the cost of maintenance cost. In addition, there are object codes for land and buildings that have the wrong function code of construction, instead of the land

function code that are overstating the cost of construction and understating the cost of land and existing structures. This amounted to $6.3 million in 2019. There was a total of $57 million in costs that were miscoded on district AFRs in 2019. While Tables 3.5 and 3.6 only include errors in the 2019 AFRs, the errors exist in prior years as well. Appendix U includes the details of the coding errors.

Table 3.6
Improper Use Of Object/Function Codes, 2019

Type Of Expense	Expenditure Amount
Construction	$50,330,195
Land And Existing Structures	6,302,688
Instructional Equipment	277,843
All Other Equipment	0
Total Excluded	$56,910,726

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

Recommendation 3.2

Recommendation 3.2

The Kentucky Department of Education (KDE) should work with the National Center for Education Statistics to start including the negative amounts on annual financial reports (AFRs) when calculating expenses from AFRs. In addition, KDE should work with districts to correct accounts that are set up incorrectly according to the KDE Chart of Accounts.

[1] Kentucky. Legislative Research Commission. *A Review of the School Facilities Construction Commission*. Research Report No. 332. Frankfort: LRC, 2006.
[2] California. Lawrence O. Picus and Associates. *An Analysis of the Equity of School Facilities Funding in Kentucky.* September 28, 2006.
[3] US. Census Bureau. *Survey of School System Finances.* 2008 To 2017. Web.

Appendix A

Summary of Statutes and Regulations Governing School Facilities

Statutes

KRS 156.070 requires the Kentucky Board Of Education, upon recommendation of the commissioner of education, to establish policy or act on all matters relating to programs, services, publications, capital construction and facility renovation, equipment, litigation, contracts, budgets, and all other matters which are the administrative responsibility of the Department of Education.

KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations establishing standards for sanitary and protective construction of public-school buildings, toilets, physical equipment of school grounds, school buildings, and classrooms. With respect to physical standards of sanitary and protective construction for school buildings, the Kentucky Board of Education shall adopt the Uniform State Building Code.

KRS 156.496 requires family resource centers and youth service centers to be located in or near each elementary school in the Commonwealth in which twenty percent (20%) or more of the student body are eligible for free or reduced-price school meals.

KRS 156.670 establishes the 5-year master plan for education technology. The plan shall cover all aspects of education technology, including the preparation of school buildings for technological readiness.

KRS 157.420 defines the restrictions governing expenditures of capital outlay funds.

KRS 157.440 establishes criteria for participating in Facilities Support Program (FSPK).

Starting the school year beginning after July 1, 1990, the local board of education may levy an equivalent tax rate as defined in KRS 160.470, which will produce up to 15 percent of the revenues in SEEK. Starting in the 1990-91 school year, revenue generated by this levy is equalized by the state at 150 percent of the statewide average per-pupil assessment.

To participate in FSPK, the local district boards of education must commit at least an equivalent tax rate of 5 cents to debt service, new facilities, or for major renovations of existing school facilities. The 5 cents tax is in addition to the 30-cent tax required under SEEK.

KRS 157.611 expresses the intent for establishing the School Facilities Construction Commission to help meet school construction and technology needs in an equitable manner. The statute allows SFCC to issue bonds to finance new school construction or lease agreements with local boards of education.

KRS 157.615 defines the relevant terminology used in determining SFCC's offers of assistance.

KRS 157.617 establishes the name, powers, and duties of SFCC. SFCCis authorized to act as a quasi-independent agency subject to limits and liabilities under KRS Chapter 13A. SFCC consists of the secretary of the Finance Cabinet and eight members appointed by the governor. It shall employ a director and staff to manage the program.

KRS 157:620 defines criteria necessary for participation in SFCC.

To participate in the SFCC program, a district must have unmet needs as defined by KRS 157.615 and must commit at least an equivalent tax rate of 5 cents to debt service, new facilities, or major renovations. On July 1 of odd-numbered years, the district shall restrict all available local revenue for school building construction to be used in accordance with the priorities determined by the most current KBE approved school facilities plan.

Not later than October 15 of the year immediately preceding an even-numbered year regular session of the General Assembly, KBE shall submit a statement to SFCC certifying each district's school facility construction needs, the district's local revenue, and that the district has or has not met the eligibility criteria.

KRS 157.621 establishes criteria to determine whether a school district may levy a growth nickel to address the needs generated by student population growth. Local school districts that have experienced student population growth during a five-year period, along with other established criteria, may levy an additional 5-cent tax that is not subject to recall and is not equalized by state.

KRS 157.622 defines the procedures that SFCC must follow to provide offers of assistance and the process for handling unused offers of assistance, and credit and savings from refinancing.

SFCC will compute districts' unmet needs based on certified statements from the KBE. Offers of assistance are given in proportion to the districts' share of the state's total unmet need, and the funds are to be use by the district in priority order as listed on the district's most current approved facility plan.

KRS 158.447 requires a local board of education to review Crime Prevention Through Environment Design (CPTED) principles, when constructing a new school building or when renovating an existing school building.

KRS 160.105 requires KBE to administer a regulation that requires each school district to provide for fire and extended insurance coverage on each building owned by the board which is not surplus to its needs as shown by the approved facilities plan.

KRS 160.160 requires local board of educations to establishing the cost of the project in advance of financing, based on the receipt of advertised, public, and competitive bids for such project, in accordance with KRS Chapter 424 and establishing the cost of financing in advance of the sale of any bonds, certificates of participation in any leases, or other evidences of financial commitments issued by or on behalf of such board before financing them.

KRS 160.476 establishes special school building fund taxes for the purchase and use of land for school construction; for the erection and complete equipping of school buildings and physical education and athletic facilities; and for the major alteration, enlargement, and complete equipping of existing buildings and physical education and athletic facilities. The special fund will be kept in a separate account designated as "school building fund." All expenditures from this fund are solely for the purposes of approved school facility construction. No district board of education can levy a tax at a rate that exceeds the compensating tax rate. The chief state school officer certifies the compensating tax rate to the district board of education.

KRS 160.599 establishes the emergency revolving school loan fund account administered by the Kentucky Board of Education. The purpose of the fund is for providing emergency loans to eligible public common school districts.

KRS 162.060 defines the chief state officer's duties to approve school facility construction or renovation plans and places restrictions on local boards of education in awarding construction contracts.

KRS 162.062 requires water bottle filling stations for all newly constructed schools.

KRS 162.065 allows local school boards to use construction managers and requires the Kentucky Board of Education to promulgate administrative regulations for use by local boards of education when using construction managers.

KRS 162.066 requires local boards to not award construction contracts to any company which the construction manager owns or in which the construction manager has a financial interest if less than two bids are accepted.

KRS 162.070 mandates all school projects that cost more than $7,500 go through a competitive bidding process. It also describes the requirements and authority of local school boards.

KRS 322.360 requires all construction of any public work involving engineering to be executed under the direct supervision of a professional engineer or a licensed architect.

KRS 371.405 establishes the requirements for payment on construction contracts.

KRS 371.410 establishes the required retainage and release of retainage on construction projects.

Regulations

702 KAR 1:001 defines the regulations and guidelines for school facility construction and renovation projects and is referred to as “The Kentucky School Facilities Planning Manual.” School districts must develop a local facility plan every four years in accordance with this regulation and with the "Master Educational Facility Plan Guidelines," June 2004. The facility plan may be amended, but all changes must be approved by the KBE. It is the responsibility of the chief state school officer and SFCC determine whether a district is financially capable to undertake a project.

702 KAR 3:020 defines bond issue approval by the Kentucky Board of Education.

702 KAR 3:030 insurance coverage requirements for school districts.

702 KAR 4:050 establishes requirements for building sites, inspections and approval process.

702 KAR 4:090 establishes requirements for property disposal.

702 KAR 4:100 provides for an emergency loan for school districts experiencing a loss of physical facilities due to fire or natural disaster or a failure of timely receipt of local tax revenues. Included in this regulation are the procedures to apply for the loan and the necessary requirements to safeguard the loan.

702 KAR 4:160 describes the capital construction process and specifically addresses in detail the following sections:

1. Construction Project Application
2. Local Board Oversight Responsibilities
3. Architectural Services
4. Construction Management Services
5. Plans and Specifications
6. Guaranteed Energy Savings Contracts
7. Construction Bidding and Contracting
8. Contract Change Orders
9. Construction Contract Retainage
10. Construction Dispute Resolution
11. Construction Contract Close-out Process
12. Penalties for Malfeasance or Nonfeasance

702 KAR 4:170 establishes facility programming and construction criteria to make school buildings healthy, comfortable, and conducive to learning. This regulation prescribes the various architectural, structural, mechanical, electrical, sanitary, heating, and ventilation design specifications to ensure functional and safe facilities that are also economically efficient.

702 KAR 4:180 requires a district facility plan and incorporates the Kentucky School Planning Manual by reference.

705 KAR 1:141 establishes minimum standards for the management of a vocational department of a public high school or an area vocational education center owned by a local school district.

750 KAR 1:010 defines the procedures the SFCC utilizes in determining eligibility, determining the level of participation of each local school district, making offers of assistance to the local school districts, determining allowable expenditure of funds, cumulating credit for those districts that maintain their eligibility, but do not have sufficient funds to complete their first priority project, and allocating savings from refinancing.

750 KAR 1:030 requires the School Facilities Construction Commission to promulgate administrative regulations to establish the process to apply for and receive funds from the Emergency and Targeted Investment Fund.

Appendix B

Percent Of District's Schools Entered Into The Kentucky Facilities Inventory Classification System

Table B.1 shows the percent of districts' schools entered into the Kentucky Facilities Inventory Classification System (KFICS).

Table B.1
Percent Of District's Schools
Entered Into The Kentucky Facilities Inventory Classification System
School Year 2020

District	Percent Of District's Schools Entered Into KFICS
Adair County	70 to 89
Allen County	90 to 100
Anchorage Independent	0
Anderson County	70 to 89
Ashland Independent	90 to 100
Augusta Independent	90 to 100
Ballard County	25 to 49
Barbourville Independent	0
Bardstown Independent	0
Barren County	70 to 89
Bath County	50 to 69
Beechwood Independent	25 to 49
Bell County	0
Bellevue Independent	90 to 100
Berea Independent	0
Boone County	90 to 100
Bourbon County	25 to 49
Bowling Green Independent	70 to 89
Boyd County	25 to 49
Boyle County	0
Bracken County	90 to 100
Breathitt County	1 to 24
Breckinridge County	70 to 89
Bullitt County	90 to 100
Burgin Independent	0
Butler County	0
Caldwell County	90 to 100
Calloway County	0
Campbell County	70 to 89
Campbellsville Independent	70 to 89
Carlisle County	0
Carroll County	50 to 69
Carter County	50 to 69
Casey County	90 to 100
Caverna Independent	0

District	Percent Of District's Schools Entered Into KFICS
Christian County	1 to 24
Clark County	70 to 89
Clay County	70 to 89
Clinton County	0
Cloverport Independent	0
Corbin Independent	25 to 49
Covington Independent	70 to 89
Crittenden County	0
Cumberland County	90 to 100
Danville Independent	0
Daviess County	25 to 49
Dawson Springs Independent	0
Dayton Independent	50 to 69
East Bernstadt Independent	0
Edmonson County	70 to 89
Elizabethtown Independent	70 to 89
Elliott County	0
Eminence Independent	25 to 49
Erlanger-Elsmere Independent	70 to 89
Estill County	70 to 89
Fairview Independent	90 to 100
Fayette County	25 to 49
Fleming County	0
Floyd County	70 to 89
Fort Thomas Independent	50 to 69
Frankfort Independent	50 to 69
Franklin County	0
Fulton County	0
Fulton Independent	0
Gallatin County	0
Garrard County	0
Glasgow Independent	70 to 89
Grant County	50 to 69
Graves County	0
Grayson County	0
Green County	90 to 100
Greenup County	1 to 24
Hancock County	0
Hardin County	25 to 49
Harlan County	0
Harlan Independent	0
Harrison County	0
Hart County	25 to 49
Hazard Independent	0
Henderson County	1 to 24
Henry County	90 to 100
Hickman County	50 to 69
Hopkins County	90 to 100
Jackson County	50 to 69
Jackson Independent	0
Jefferson County	50 to 69
Jenkins Independent	0

District	Percent Of District's Schools Entered Into KFICS
Jessamine County	0
Johnson County	25 to 49
Kenton County	70 to 89
Knott County	0
Knox County	0
LaRue County	25 to 49
Laurel County	25 to 49
Lawrence County	0
Lee County	50 to 69
Leslie County	90 to 100
Letcher County	50 to 69
Lewis County	70 to 89
Lincoln County	0
Livingston County	90 to 100
Logan County	50 to 69
Ludlow Independent	90 to 100
Lyon County	0
Madison County	0
Magoffin County	90 to 100
Marion County	70 to 89
Marshall County	1 to 24
Martin County	1 to 24
Mason County	90 to 100
Mayfield Independent	90 to 100
McCracken County	0
McCreary County	50 to 69
McLean County	25 to 49
Meade County	50 to 69
Menifee County	50 to 69
Mercer County	50 to 69
Metcalfe County	0
Middlesboro Independent	70 to 89
Monroe County	0
Montgomery County	0
Morgan County	50 to 69
Muhlenberg County	0
Murray Independent	0
Nelson County	90 to 100
Newport Independent	70 to 89
Nicholas County	0
Ohio County	0
Oldham County	1 to 24
Owen County	90 to 100
Owensboro Independent	0
Owsley County	0
Paducah Independent	25 to 49
Paintsville Independent	90 to 100
Paris Independent	50 to 69
Pendleton County	90 to 100
Perry County	0
Pike County	0
Pikeville Independent	0

District	Percent Of District's Schools Entered Into KFICS
Pineville Independent	0
Powell County	25 to 49
Pulaski County	90 to 100
Raceland-Worthington Independent	0
Robertson County	0
Rockcastle County	70 to 89
Rowan County	70 to 89
Russell County	50 to 69
Russell Independent	25 to 49
Russellville Independent	90 to 100
Science Hill Independent	0
Scott County	1 to 24
Shelby County	0
Simpson County	0
Somerset Independent	0
Southgate Independent	90 to 100
Spencer County	90 to 100
Taylor County	0
Todd County	0
Trigg County	70 to 89
Trimble County	0
Union County	0
Walton-Verona Independent	25 to 49
Warren County	50 to 69
Washington County	1 to 24
Wayne County	50 to 69
Webster County	0
Whitley County	90 to 100
West Point Independent	0
Williamsburg Independent	0
Williamstown Independent	25 to 49
Wolfe County	1 to 24
Woodford County	0

Note: KFICS = Kentucky Facilities Inventory and Classification System.
Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix C

Priority 1a Projects

Capital construction projects listed under priority 1a are projects that can be completed within the current biennium. Priority 1a includes facilities projects that are for new construction designed to meet student capacity, further implementation of established programs, or complete approved projects constructed in phases.

Priority 1a Projects In 2010. As Table C.1 below shows there were 36 new facilities that needed to be constructed in 2010 compared to 22 on the 2020 DFPs. Of the 16 new elementary schools that were listed in 2010 DFPs, one of them was built in phases and was only in phase one, which cost $5.9 million. The new elementary schools ranged from having a capacity of 400 students and costing $6.7 million to having a capacity of 700 students and costing $11.0 million.

Priority 1a Projects In 2020. None of the CTE centers or high schools on the 2020 plans were on the plans from 2010. Two of the high schools on the 2020 plans were phased in projects and did not include the full cost. The high school that is not being built in phases will have a capacity of 1,400 students at a cost of $46.6 million. The three CTE buildings range in cost from $8.5 million to $22.7 million. The large range in cost is due to the type of CTE classes the buildings are proposed to house. The alternative school will have a capacity of 250 students at a cost of $9.1 million. The four proposed middle schools will each have a capacity of 750 to1,000 students and range in cost from $23.3 million to $30.7 million. The seven proposed elementary schools will each have a capacity of 600 to 800 students and cost between $15.1 million to $20.5 million. The proposed preschool to grade 8 school will have a capacity 750 students and is projected to cost $18.5 million. The total cost of new buildings from the 2020 DFPs is $402.5 million; however, the remainder of priority 1a entries is for additional classrooms, science labs, etc. the total cost of priority 1a construction projects on the 2020 DFPs is $446.2 million.

Differences In Costs Between 2010 and 2020. When comparing the 2020 plans to the 2010 plans, there are two districts with the same size elementary school still on their plan. One elementary school has a capacity of 600 students and increased in cost by $2.1 million between 2010 and 2020. The other elementary school has a capacity of 650 students and increased in cost by $1.1 million between 2010 to 2020. In addition, there is a preschool building that was on a district's DFP in 2010 and the cost has increased by $1.6 million. Only one district had the same middle school on both the 2010 and 2020 plans; however, in 2010, the school had a proposed capacity 950 students and the 2020 plan proposes a capacity of 1,000 students. The cost for the proposed middle school has increased by $7.1million. The alternative and ATC schools on both plans are for different districts and cannot be compared in cost.

Table C.1
Comparison of DFP Priority 1a
2010 and 2020

Type Of New School	Priority 1a Projects 2010	Cost Of Priority 1a Projects 2010	Priority 1a Projects 2020	Cost Priority 1a Projects 2020
Preschool	2	$8,863,777	1	$3,822,351
PK-8 Grade School	0	0	1	18,494,011
Early Childhood Center	0	0	1	4,723,482
Elementary School	16	155,841,466	7	117,806,461
Middle School	7	114,959,448	4	102,102,833
Middle-High School	1	26,588,900	0	0
High School	4	140,487,126	3	84,901,729
Alternative school	1	3,205,1589	1	9,096,165
Alternative/Vocational	1	8,982,946	0	0
Area Technology Center	1	4,400,595	1	9,221,463
Career And Technical Center	2	7,555,496	3	52,380,525
Equine Agri-Science Center	1	4,147,966	0	0
Total	36	$475,032,878	22	$402,549,020
Total Cost for Priority 1a		$488,748,494		$446,203,815

Note: PK= Prekindergarten.
Source: Staff analysis of data from the Kentucky Department of Education.

Appendix D

Priority 1b Projects

Capital construction projects listed under Priority 1b are projects that can be completed in the current biennium. Priority 1b are facilities projects for new construction to replace inadequate spaces; expand existing or new buildings for educational purposes; consolidate schools; or replace deteriorated facilities. As shown in Table D.1, there are 26 new schools on the 2020 plans at a cost of $455 million dollars. The remaining $71 million is for expanding or adding additional classrooms. While there are eight fewer schools on the 2020 DFPs than there were in 2010, the schools will cost $109 million more in 2020 than in 2010. In addition, there is an additional $71 million on 2020 DFPs for new classrooms; that figure was $101 million in 2010.

Table D.1
District Facility Plans Priority 1b
2010 and 2020

Type Of New School	Priority 1b Projects 2010	Cost Of Priority 1b Projects 2010	Priority 1b Projects 2020	Cost Of Priority 1b Projects 2020
Preschool	1	$5,090,993	0	$0
P-12 School	2	39,359,299	0	0
Elementary School	20	194,015,915	17	261,776,678
Middle School	3	39,067,010	1	24,015,543
High School	1	19,664,717	4	123,735,782
Alternative School	0	0	1	5,148,744
Area Technology Center	3	19,371,961	1	5,789,081
Career And Technical Center	4	29,291,018	1	15,000,000
Grade 8 And 9 center	0	0	1	19,880,172
Total	34	$345,860,913	26	$455,346,000
Total Cost for Priority 1b		$446,562,308		$526,349,812

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

Appendix E

Priority 1c Projects

Priority 1c includes major renovation of educational facilities including construction of additions or expansions, classrooms, kitchens, cafeterias, libraries, administrative areas, auditoriums, and gymnasiums. These renovations should be completed within the current biennium. Buildings to be renovated must meet the definition for major renovations as outlined in 702 KAR 4:180 as it relates to age, condition and systems to be replaced. The cost of renovation shall not exceed 80 percent of the cost of replacement. When renovating an existing facility, it shall have a minimum of the following number of students to make full use of restricted facility funding:

- Preschool: 100 Students
- Elementary School: 300 Students
- Middle School: 400 Students
- High School: 500 Students.

As shown in Table E.1, in 2010 there were 266 major renovations in priority 1c with a cost of $1.02 billion. In 2020, there were 259 major renovations with a cost of $2.0 billion. Table E.1 also shows that there were 14 fewer elementary schools that need major renovations in 2020 as compared to 2010; however, the cost has increased by $215 million. In addition, there were 5 more ATCs in 2020 as compared to 2010 and the cost increased $31 million.

Table E.1
Comparison Of District Facilities Plans Priority 1c
2010 and 2020

Type of New School	Priority 1c Major Renovation 2010	Cost Of Priority 1c Major Renovation 2010	Priority 1c Major Renovation 2020	Cost Of Priority 1c Major Renovation 2020
Elementary school	140	$407,248,464	126	$622,405,540
Middle school	36	153,543,784	34	235,480,716
High school	58	326,579,294	49	824,128,131
Other configuration	19	102,759,791	22	189,331,630
Area Technology Center	3	5,978,938	8	36,954,477
Career and Technical Center	4	13,669,654	4	28,021,361
Other	6	17,695,537	16	39,769,146
Total	266	$1,027,475,461	259	$1,976,091,001

Note: Other configuration consist of preschools, Head Start, middle/high, Kindergarten thru 12th grade, etc. Other consist of non-school A1 schools, such as gyms, child development, alternative schools, etc.
Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix F

Priority 1d Projects

Priority 1d includes construction for KERA Strands New Additions: Preschool, technology, SBDM Office & Conference, Family Resource that are to be completed in the current biennium. This category is understated by some districts having projects on their DFPs, with no cost. For instance, in the 2010 DFPs, there were three districts reporting smartboards, however, there was no cost included on the DFPs. There were also two districts needing preschools classrooms, a phase 2 of preschool addition, and a Youth Service addition that did not have cost estimates. There were also 44 districts that had smartboard upgrades that had costs associated with them, but not included the cost column. This led to $33,765,000 of need not included in total state need.

As Table F.1 shows, there are 28 fewer projects in 2020 than there were in 2010.

Table F.1
District Facility Plans Priority 1d
2010 and 2020

KERA Strand	Priority 1d Projects 2010	Cost Of Priority 1d Projects 2010	Priority 1d Projects 2020	Cost Of Priority 1d Projects 2020
Smartboards	48	$34,690,500	17	$7,477,500
Family resource upgrades	4	363,329	2	181,298
Technology upgrades	3	185,843	3	2,958,772
Preschool upgrades	1	570,811	0	0
Security systems	0	0	2	875,000
Life safety	0	0	1	109,302
Audio system	0	0	1	150,000
Energy efficient	0	0	1	409,839
Total	56	$35,810,483	28	$12,161,711

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

Appendix G

Priority 1e And 2e Projects

Priority 1e projects include renovation to upgrade all existing facilities to meet the most current life safety requirements of the Kentucky Building Code. This includes renovations for security cameras, fire alarms, sprinklers, interior doors and building access control systems.

Districts will be updating these for SB1 (2019) changes and HB 303 (2020) allows districts to not have to go through the full LPC process to add these changes on their DFPs.

Table G.1 shows that in 2020 for the current biennium there are 16 districts that need 102 life safety upgrades costing $63 million. Table G.2 shows that in 2020, 32 districts have 194 projects costing $67 million that will need upgrades after the current biennium.

Table G.1
Comparison Of District Facilities Plans Priority1e
2010 and 2020

Priority 1e Projects 2010	Cost of Priority 1e Projects 2010	Priority 1e Projects 2020	Cost of Priority 1e Projects 2020
1 district with 1 project	$272,853	16 districts with 102 projects	$62,642,573

Source: Staff analysis of data provided by the Kentucky Department of Education.

Table G.2
Comparison Of District Facilities Plans Priority 2e
2010 and 2020

Priority 2e Projects 2010	Cost of Priority 2e Projects 2010	Priority 2e Projects 2020	Cost of Priority 2e Projects 2020
1 district with 3 projects	$667,000	32 districts with 194 projects	$66,958,774

Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix H

Priority 1f And 2f Projects

Priority 1f projects include upgrades for ADA and building code upgrades. Table H.1 shows that in 2020 there were 11 districts needing 20 projects costing $4.5 million in the biennium. Table J.2 shows that in 2020, 26 districts have 83 projects that would need to be completed after the biennium at a cost of $19 million.

Table H.1
District Facility Plans Priority 1f
2010 and 2020

Priority 1f Projects 2010	Cost Of Priority 1b Projects 2010	Priority 1f Projects 2020	Cost Of Priority 1b Projects 2020
2 districts with 2 projects	$1,531,083	11 districts with 20 projects	$4,478,467

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

For Priority 2F projects are categories for ADA/handicap upgrades and building code upgrades.

Table H.2
District Facility Plans Priority 2f
2010 and 2020

Priority 2f Projects 2010	Cost Of Priority 2f Projects 2010	Priority 2f Projects 2020	Cost Of Priority 2f Projects 2020
3 districts with 5 projects	$926,550	26 districts with 83 projects	$19,164,110

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

Appendix I

Priority 2a Projects

Capital construction projects listed under priority 2A are for new construction, like priority 1A, except these projects are scheduled after the current biennium. Some priority 2A projects from 2010 DFPs may have been moved to priority 1A projects on districts 2020 DFPs, and they may have changed. For example, one district included a new 75 student alternative school under priority 2A in the 2010 DFP; however, on the 2020 DFP, the alternative school is now listed under Priority 1A, but in 2020, the district wanted to build a 250-student alternative school, which increased the cost by $5.8 million.

Table I.1 includes the total number of new schools that were listed on DFPs in 2010 and 2020 in priority 2a. There were 13 fewer new buildings on the 2020 DFPs than on the 2010 DFPs. In addition, the total cost of building these schools was $101 million less in 2020 than in 2010. While the total cost of new buildings was $305 million in 2020, there was an additional $90 million on 2020 DFPs for additional classroom spaces bringing the total cost of Priority 2A to $395 million.

There were four districts that had the same proposed school on their 2010 and 2020 DFPs. Two of the proposed schools were alternative schools. One of the proposed alternative schools had a capacity of 300 students; however, the size of the proposed school increased by 1,621 square feet and the costs increased by $4.8 million. The cost per square foot was a $139 in 2010 and increased to $254 per square foot in 2020. In 2020, one district had a proposed elementary school still on their plan from 2010 the proposed school has a proposed capacity of 600 students and an estimated cost of $1.4 million. One district had proposed a new career and technical education (CTE) center from 2010 that was still on their plan in 2020. The proposed cost of the CTE center was $1.1 million less in 2020 than what it was in 2010.

Table I.1
Comparison Of District Facilities Plans Priority 2a
2010 and 2020

Type of New School	Priority 2a Projects 2010	Cost Of Priority 2a Projects 2010	Priority 2a Projects 2020	Cost Of Priority 2a Projects 2020
Early childhood development center	2	$10,515,717	1	3,697,097
Preschool/kindergarten	1	3,817,514	0	0
Elementary/high school	1	11,844,051	0	0
Elementary school	16	167,090,617	4	64,362,033
Middle school	5	76,181,643	7	440,623,448
Middle-high school	1	29,433,250	0	0
9th grade center	1	19,304,315	0	0
High school	3	45,839,296	1	23,297,561
Alternative school	5	17,274,251	5	32,115,297
Area Technology Center	2	9,122,270	1	8,405,01
Career and Technical Center	2	15,883,189	6	39,328,213
Day treatment	0	0	1	3,567,300
Total		$406,306,113	26	304,817,905
Total cost for priority 2A		$426,101,049		$394,859,091

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

Appendix J

Priority 2b Projects

Capital construction projects listed under Priority 2b are facilities projects to be constructed after the biennium and are for new construction to replace inadequate spaces; expand existing or new buildings for educational purposes; consolidate schools; or replace deteriorated facilities. Table D.1 compares the number of projects and costs for priority 2b on 2010 and 2020 DFPs.

As reflected in table J.1, in 2020 there were 20 new schools that needed to be built at a cost of $325 million. In addition, there was another $71 million for classroom additions making the total proposed cost of Priority 2b almost $400 million in 2020.

Table J.1
Comparison Of District Facilities Plans Priority 2b
2010 and 2020

Type of New School	Priority 2b New Schools 2010	Cost Of Priority 2b New Schools 2010	Priority 2b New Schools 2020	Cost Priority 2b New Schools 2020
Preschool	1	$2,554,811	0	$0
Early learning center	0	0	3	29,856,432
K-8 school	0	0	1	21,796,605
Elementary school	7	66,549,526	6	70,075,738
Middle school	2	31,662,328	3	64,250,78
High school	1	13,324,401	3	107,265,174
Alternative school	2	1,603,256	2	9,703,576
Career and Technical Center	3	19,804,405	2	21,978,500
Total	16	$135,498,727	20	$324,926,811
Total Cost for Priority 2b		$206,628,544		$396,206,982

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

Appendix K

Priority 2c Projects

Priority 2c includes major renovations of educational facilities including construction of additions or expansions, classrooms, kitchens, cafeterias, libraries, administrative areas, auditoriums, and gymnasiums that are needed after the current biennium.

As reflected in table K.1, there are 114 more schools that needed major renovations in 2020 as compared to 2010. In addition, the cost for the schools increased by almost $2 billion. There were 31 more elementary schools, 30 more middle schools, 26 more high schools, and 24 more schools of different configurations that needed major renovations in 2020 compared to 2010.

Table K.1
Comparison Of District Facilities Plans Priority 2c
2010 and 2020

Type Of New School	Priority 2c Major Renovation 2010	Cost Of Priority 2c Major Renovation 2010	Priority 2c Major Renovation 2020	Cost Of Priority 2c Major Renovation 2020
Elementary school	251	$723,452,362	282	$1,197,834,325
Middle school	78	296,317,000	108	783,889,934
High school	90	491,587,485	116	1,204,605,525
Other configuration	29	87,922,258	53	272,059,215
Area Technology Center	21	48,067,490	22	75,493,307
Career and Technical Center	17	35,187,069	9	23,739,572
Other	39	56,444,528	43	97,060,606
New schools	0	0	6	42,465,719
Total	525	$1,738,978,191	639	$3,697,148,203

Note: Other configuration consist of preschools, headstart, middle/high, Kindergarten thru 12th grade, etc. Other consist of non-school A1 schools, such as gyms, child development, alternative schools, etc.
Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix L

Priority 2d Projects

Priority 2d projects include KERA Strands New Additions: Preschool, technology upgrades, SBDM Office & Conference, Family Resource for any time after the current biennium. This category is underreported by three districts that had no cost associated with their smartboards and thus had a zero in the cost column and another two districts data had technology upgrades with no cost; and finally one district needs 60 whiteboards that listed no cost (the cost should have been $390,000); and another district needs new preschool classrooms that did not include the cost. Table L.1 compares the number of projects and the cost of priority 2d projects on 2010 and 2020 DFPs.

Table L.1 shows that there are 25 fewer projects that needed to be completed in 2020 compared to 2010 and the cost has decreased by $20.5 million. The largest increase in cost from 2010 to 2020 in priority 2d is the cost of preschool upgrades. In 2010 there were three districts having eight total projects costing almost $6 million and in 2020 there were only four preschool projects costing $17.5 million.

Table L.1
Comparison Of District Facilities Plans Priority 2d
2010 and 2020

KERA Strand	Number of Districts Priority 2d Projects 2010	Cost of 2010-Priority 2d Projects	Number of Districts Priority 2d Projects 2020	Cost of 2020-Priority 2d Projects
Smartboards	79	$59,362,840	49	$26,326,400
Family Resource Upgrades	3	366,393	4	365,466
Youth Service Center	1	54,085	0	0
Technology Upgrades	3	2,736,840	10	4,106,634
Preschool Upgrades	3	5,947,073	4	17,463,181
SBDM	2	198,518	0	0
Clinics	1	53,405	0	0
Total	92	68,719,154	67	48,261,681

Note: Districts can have more than one priority 2d project.
Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix M

Priority 3 Projects

Priority 3 projects include construction of non-educational additions or expansions including kitchen, cafeterias, administrative areas, auditoriums and gymnasiums. Table M.1 shows the number of districts that had priority 3 additions and expansions on 2020 DFPs compared to the number of districts that had priority 3 additions and expansions on 2010 DFPs.

According to Table M.1, there were 39 more districts needing a new or renovated cafeteria in 2020 as compared to 2010. Only one cafeteria was still on the 2020 DFPs when compared to the 2010 DFPs. The cost on the 2010 DFP was $328,648 for an elementary school cafeteria addition the cost in 2020 was $455,582, an increase of $127,000.

In 2010 there were no parking lots recorded on DFPs, but four districts added them by 2020 at a cost of $2.1 million and the majority cost $250,000 each.

There were 48 gyms that needed to be renovated or built in the 2010 DFPs, which cost $71 million. In 2020, there were 63 gyms, which cost $106 million.

Table M.1
Comparison Of District Facilities Plans Priority 3
2010 and 2020

Addition/Expansion	Priority 3 Projects 2010	Cost Of Priority 3 Projects 2010	Priority 3 Projects 2020	Cost Of Priority 3 Projects 2020
Cafeterias	3	$2,092,973	42	$3,239,571
Parking lots	0	0	4	2,134,000
Auditoriums	11	12,921,384	15	23,313,926
Gymnasiums	6	70,916,444	6	106,093,283
Other	3	228,458	5	8,178,423
Educational additions	2	3,192,029	0	0
Total	25	$89,351,289	72	$142,959,203

Note: Districts can have more than one priority 3 project.
Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix N

Priority 4 Projects

Priority 4 projects include management support areas; construct, acquisition, or renovation of central offices, bus garages, or central stores. Table L.1 includes priority 4 projects and the costs associated with them on their DFPs from 2010 and 2020.

Table N.1
District Facility Plans Priority 4 Projects
2010 and 2020

Addition/Expansion	Number Of Districts With Priority 4 Projects 2010	Cost Of 2010 Priority 4 Projects	Number Of Districts With Priority 4 Projects 2020	Cost Of 2020 Priority 4 Projects
Maintenance/Building Renovation	19	$3,655,861	35	$28,841,434
New Maintenance Building	9	4,001,216	10	11,648,666
Bus Garage Renovation	42	24,819,731	72	56,616,367
New Bus Garage	54	58,143,604	50	66,948,031
Central Storage Renovation	14	11,278,037	15	10,671,436
New Central Storage	39	28,438,903	35	37,010,453
Central Office Renovation	75	59,077,375	90	138,736,149
New Central Office	41	78,375,436	40	133,437,809
Other	17	61,852,068	28	86,062,560
Total		$329,642,231		$569,972,905

Note: Districts can have more than one priority 4 project on their district facilities plan.
Source: Staff analysis of data from the Kentucky Department of Education.

From 2010 to 2020, there were three districts that still had a new maintenance building on their DFP. The least expensive maintenance building had a projected cost of $270,270 in 2010, which increased to $593,912 in 2020 (an increase of $323,642). The most expensive maintenance building still listed on the DFP had a projected cost $1.1 million in 2010, which increased to $1.4 million in 2020.

Thirty-five districts listed new bus garages in 2010 that were still on the 2020 DFPs. The least expensive bus garage had a projected cost of $261,600 in 2010, which increased to $543,892 in 2020, an increase of $282,292. The most expensive bus garage was projected to cost $1.8 million in 2010, which increased to $2.0 million in 2020.

Nineteen districts listed new central storage buildings in 2010 that were still on the 2020 DFPs. The least expensive central storage building was projected to cost $486,486 in 2010, which increased to $2.2 million in 2020. The most expensive bus garage was projected to cost $1.6 million in 2010, which increased to $3.9 million in 2020.

There were 21 districts that listed a new central office on their 2010 DFPs that were still on their plans as of 2020. The least expensive central office was projected to cost $400,000 on the 2010

DFP, which increased to 1.9 million on the 2020 DFP, an increase of $1.5 million. The cost of the most expensive central office was $4.5 million in 2010, which increased to $4.9 million in 2020.

Appendix O

Removing Priority 4 Projects From SFCC

On average, priority 4 projects comprise a greater percentage of need in smaller districts compared to larger districts. Table O.1 shows the percent need by districts' adjusted average daily attendance.

Table O.1
Priority 4 Projects As A Percent Of Total Need
And Percent Change In Distribution Share When Priority 4 Projects Removed
By District Adjusted Average Daily Attendance, 2020

District Adjusted Average Daily Attendance	Number Of Districts	Priority 4 Projects As A Percent Of Total Need	Percent Change In Distribution Share When Priority 4 Projects Removed
1000 or less	42	8.6%	-1.8%
1001 to 2000	41	10.8	-4.9
2001 to 4000	58	6.1	0.9
4001 to 36000	28	6.3	-0.2
36000 and above	2	5.2	2.6

Note: District total need and priority 4 need computed by OEA from district facilities plans (DFPs) as of August, 2020. Some districts have adjusted their DFPs since that time. As described in Chapter 3, distribution share calculation incorporates districts' locally available revenue. Districts' locally available revenue from 2019 were used in this analysis. The table calculates change based on aggregate data for districts in each category. There is substantial variation among districts. In each category, distribution increases for some districts and decreases for others, depending on the percentage of total need currently comprised by priority 4 projects
Source: Staff analysis of data from the Kentucky Department of Education

Priority 4 projects comprise a smaller percentage of total need in the state's wealthiest districts compared to less wealthy other districts. Table O.2 shows the percent need by districts' per-pupil property assessment.

Table O.2
Priority Four Projects As A Percent Of Total Need
And Percent Change In Distribution Share When Priority Four Projects Removed
By District Wealth, 2020

Per-Pupil Property Assessment (Thousands of Dollars)	Number of Districts	Priority 4 Projects as a Percent of Total Need	Percent Change in Distribution Share When Priority Four Projects Removed
300 or less	41	7.4%	-0.4%
301 to 390	29	8.1	-1.4
391 to 523	50	7.9	-1.5
524 to 834	45	6.0	0.2
835 and above	6	5.6	2.0

Note: District total need and priority 4 need computed by OEA from district DFPs as of August, 2020. Some districts have adjusted their DFPs since that time. As described in Chapter 3, distribution share calculation incorporates districts' locally available revenue. Districts' locally available revenue from 2019 were used in this analysis. The table calculates change based on aggregate data for districts in each category. There is substantial variation among districts. In each category, distribution increases for some districts and decreases for others, depending on the percentage of total need currently comprised by priority 4 projects
Source: Staff analysis of data from the Kentucky Department of Education

Appendix P

Known Errors On District Facilities Plans

While reviewing the district facility plans, OEA staff found several instances where a project was not calculated in the district's need or a project was included that had been completed, but still included in the total districts need. Table P.1 and P.2 includes the types of projects that were errors, the number of districts it affected and the total cost.

In 2010 there were 119 districts that underreported their district need by $122 million. In 2020 there were 71 districts that underreported their district need by $6 million. On the 2020 DFPs, there were 7 districts that did not include the $4.7 million dollars of upgrades for bus garages, maintenance and storage buildings on their DFPs. Technology projects were left off facility needs more than any of expense. In 2010 there were 105 districts' plans missing technology projects on their DFPs and in 2020 there were 59 district plans missing technology projects; it was mostly smart boards that were not recorded in districts needs. This amounted to $32 million being omitted from the 2020 SFCC offers of assistance. There were two educational centers that were not recorded on the 2020 DFPs, which cost $10 million.

Table P.1
District Facility Plan Under-Reporting
School Years 2010 and 2020

Type of Cost	Number Of Districts 2010	Amount Overreported 2010	Number Of Districts 2020	Amount Overreported 2020
Bus Garage, Maintenance, And Storage Buildings	2	$3,925,045	7	$4,678,288
Central Office Or Administrative Buildings	6	8,571,698	2	251,081
Educational Centers	3	7,013,477	2	9,535,413
Technology Upgrades And White Boards Initiative	105	96,191,165	59	31,817,779
Unknown	3	6,228,225	1	29,515
Total	119	$121,874,610	71	$46,313,094

Note: DFP may have been approved a couple years before 2010 or 2020.
Source: Staff analysis conducted on data provided by KDE.

Table P.2 includes the over-reporting of district facility plan needs. On the 2020 plans, there were 4 districts totaling $22 million in facility needs that should not have been on the plans. One district had its need underreported by 7.7 million and another district had its need over reported by $13.6 million.

Table P.2
District Facility Plan Over-Reporting
School Years 2010 and 2020

Type of Cost	Number Of Districts 2010	Amount Overreported 2010	Number Of Districts 2020	Amount Overreported 2020
Educational Centers	0	$0	3	$21,740,810
Unknown	1	55,000	1	58,500
Total	1	$55,000	4	$21,799,310

Source: Staff analysis conducted on data provided by KDE.

Appendix Q

Facilities-Specific Nickel Taxes By District

Table Q.1
Facilities-Specific Nickel Taxes By District
School Year 2019

District	Original Growth	Equalized Growth Nickel	Recallable Nickel	Equalized Facility Funding Nickel	BRAC Nickel	Category Five Nickel	2019 Total Nickels
Adair County							0
Allen County				✓			1
Anchorage Independent							0
Anderson County	✓	✓					2
Ashland Independent			✓				1
Augusta Independent			✓				1
Ballard County			✓				1
Barbourville Independent			✓				1
Bardstown Independent	✓	✓					2
Barren County	✓	✓					2
Bath County			✓				1
Beechwood Independent				✓			1
Bell County			✓				1
Bellevue Independent							0
Berea Independent			✓				1
Boone County	✓	✓					2
Bourbon County							0
Bowling Green Independent			✓	✓			2
Boyd County			✓				1
Boyle County			✓				1
Bracken County				✓			1
Breathitt County			✓				1
Breckinridge County			✓				1
Bullitt County	✓	✓					2
Burgin Independent			✓				1
Butler County							0
Caldwell County			✓				1
Calloway County							0
Campbell County	✓						1
Campbellsville Independent			✓				1
Carlisle County			✓				1
Carroll County							0
Carter County						✓	1
Casey County							0
Caverna Independent							0
Christian County							0
Clark County	✓					✓	2
Clay County			✓				1
Clinton County							0
Cloverport Independent							0

District	Original Growth	Equalized Growth Nickel	Recallable Nickel	Equalized Facility Funding Nickel	BRAC Nickel	Category Five Nickel	2019 Total Nickels
Corbin Independent	✓	✓					2
Covington Independent							0
Crittenden County							0
Cumberland County			✓				1
Danville Independent			✓				1
Daviess County	✓		✓	✓			3
Dawson Springs Independent							0
Dayton Independent							0
East Bernstadt Independent			✓			✓	2
Edmonson County							0
Elizabethtown Independent			✓				1
Elliott County							0
Eminence Independent			✓				1
Erlanger-Elsmere Independent							0
Estill County			✓				1
Fairview Independent			✓				1
Fayette County							0
Fleming County						✓	1
Floyd County			✓				1
Fort Thomas Independent	✓			✓			2
Frankfort Independent			✓				1
Franklin County			✓				1
Fulton County							0
Fulton Independent							0
Gallatin County	✓		✓	✓			3
Garrard County	✓	✓					2
Glasgow Independent			✓				1
Grant County	✓	✓					2
Graves County							0
Grayson County							0
Green County			✓				1
Greenup County							0
Hancock County							0
Hardin County	✓				✓		2
Harlan County							0
Harlan Independent			✓				1
Harrison County							0
Hart County			✓				1
Hazard Independent			✓				1
Henderson County			✓				1
Henry County			✓				1
Hickman County							0
Hopkins County							0
Jackson County						✓	1
Jackson Independent							0
Jefferson County							0
Jenkins Independent							0
Jessamine County	✓	✓					2
Johnson County			✓				1

District	Original Growth	Equalized Growth Nickel	Recallable Nickel	Equalized Facility Funding Nickel	BRAC Nickel	Category Five Nickel	2019 Total Nickels
Kenton County	✓	✓					2
Knott County							0
Knox County							0
LaRue County							0
Laurel County	✓	✓					2
Lawrence County							0
Lee County							0
Leslie County						✓	1
Letcher County							0
Lewis County			✓				1
Lincoln County							0
Livingston County							0
Logan County			✓				1
Ludlow Independent							0
Lyon County							0
Madison County	✓	✓					2
Magoffin County			✓				1
Marion County			✓				1
Marshall County			✓				1
Martin County			✓				1
Mason County			✓				1
Mayfield Independent				✓			1
McCracken County			✓				1
McCreary County							0
McLean County							0
Meade County	✓		✓	✓			3
Menifee County			✓				1
Mercer County	✓	✓					2
Metcalfe County						✓	1
Middlesboro Independent							0
Monroe County				✓			1
Montgomery County	✓	✓					2
Morgan County			✓				1
Muhlenberg County							0
Murray Independent	✓	✓					2
Nelson County	✓	✓					2
Newport Independent			✓				1
Nicholas County			✓				1
Ohio County							0
Oldham County	✓	✓	✓				3
Owen County			✓	✓			2
Owensboro Independent			✓				1
Owsley County							0
Paducah Independent			✓	✓			2
Paintsville Independent			✓				1
Paris Independent							0
Pendleton County	✓	✓					2
Perry County						✓	1
Pike County						✓	1
Pikeville Independent							0

District	Original Growth	Equalized Growth Nickel	Recallable Nickel	Equalized Facility Funding Nickel	BRAC Nickel	Category Five Nickel	2019 Total Nickels
Pineville Independent			✓				1
Powell County							0
Pulaski County	✓						1
Raceland-Worthington Independent			✓				1
Robertson County						✓	1
Rockcastle County							0
Rowan County			✓				1
Russell County	✓		✓				2
Russell Independent							0
Russellville Independent			✓				1
Science Hill Independent			✓				1
Scott County	✓	✓	✓				3
Shelby County	✓	✓					2
Silver Grove Independent							0
Simpson County							0
Somerset Independent			✓				1
Southgate Independent							0
Spencer County	✓	✓					2
Taylor County			✓				1
Todd County				✓			1
Trigg County							0
Trimble County							0
Union County							0
Walton-Verona Independent	✓			✓			2
Warren County	✓	✓					2
Washington County			✓				1
Wayne County			✓				1
Webster County							0
West Point Independent							0
Whitley County							0
Williamsburg Independent			✓				1
Williamstown Independent	✓		✓				2
Wolfe County							0
Woodford County	✓			✓			2
Total	34	22	68	15	1	10	150

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

Appendix R

Local And State School Facilities Funding School Years 2008 To 2019

Local And State School Facility Funding Adjusted For Inflation

Methodology

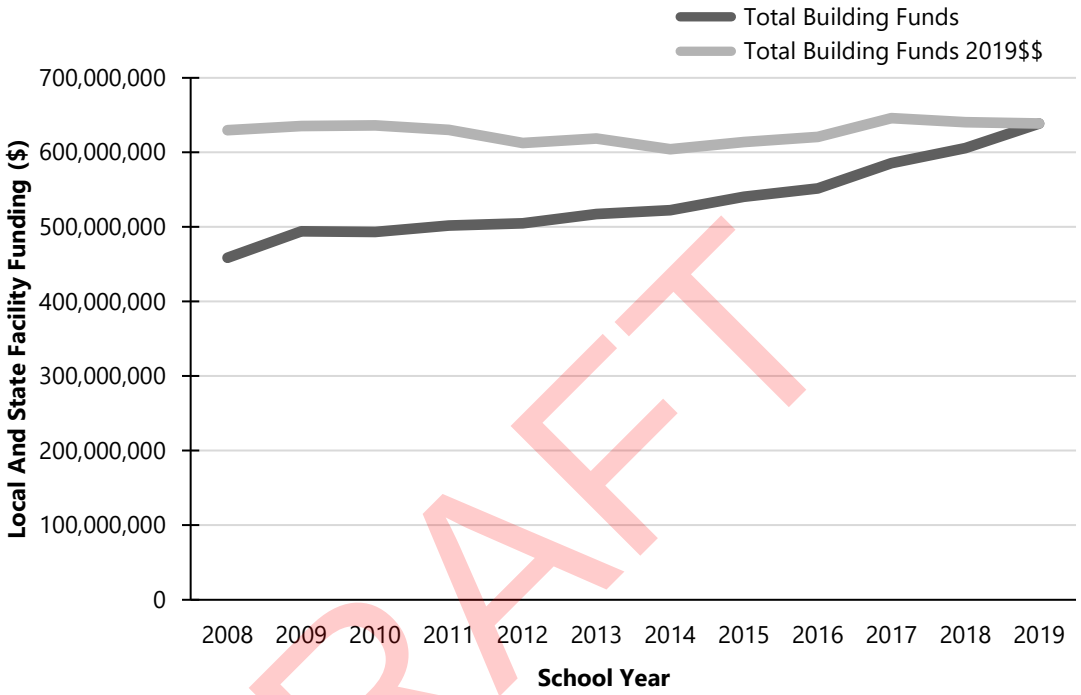
Local and state funding for facilities was adjusted for inflation using the Producer Price Index for school construction (PPI). Funding from these sources was analyzed for this report for School Years 2008 to 2019 in nominal and inflation-adjusted 2019 dollars.

According to the PPI, prices for school construction have increased by approximately 37 percent since 2008.

Total Facilities Funding Consistent When Adjusting For Inflation

Figure R.A and Table R.1 show that when adjusted for inflation, school facilities funding from state and local sources have been relatively stable from 2008 to 2019. In nominal dollars, total facilities revenue from these sources, increased by 39 percent overall; however, when adjusting for inflation, total revenues increased by 1.4 percent. The increase in nominal dollars over time has managed to keep a consistent level of purchasing power according to the PPI. Total facility funding from these sources peaked in 2017, and purchasing power had decreased approximately 1 percent since then (2019)

Figure R.A
Total Local And State Facility Funding
Nominal And Inflation-Adjusted Dollars (2019)
School Years 2008 To 2019



Source: Staff analysis of data provided by the Kentucky Department of Education.

Table R.1
Local And State Facility Funding
In Nominal Dollars And Adjusted For Inflation (2019$)
School Years 2008 To 2019

Year	Facility Funding	Facility Funding Inflation-Adjusted Dollars (2019)
2008	$458,708,087	$629,934,345
2009	494,069,425	635,285,630
2010	493,322,189	636,254,321
2011	502,006,134	630,201,631
2012	504,747,532	612,778,679
2013	517,548,984	618,578,631
2014	522,289,547	604,231,291
2015	540,732,202	613,843,250
2016	551,477,085	620,640,435
2017	585,762,052	645,937,868
2018	605,867,654	640,618,168
2019	638,646,090	638,646,090
Percent Change 2008 To 2019	39.2%	1.4%

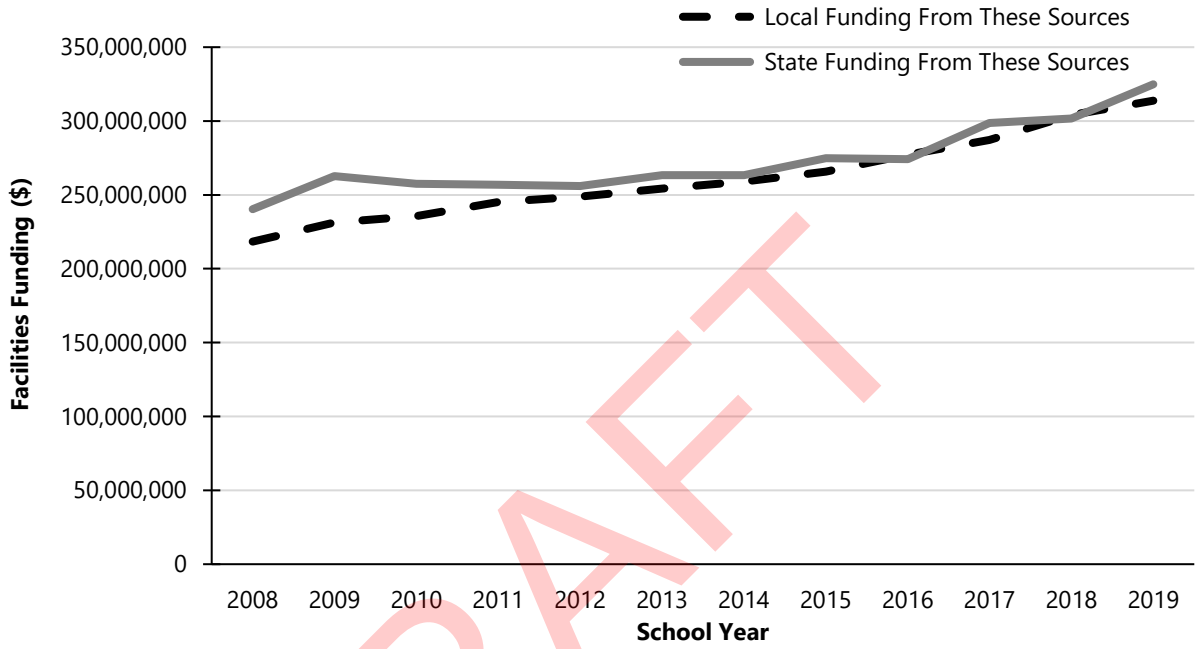
Source: Staff analysis of data provided by the Kentucky Department of Education.

Local And State Facilities-Specific Funding

Figure R.B and Table R.2 show state and local facilities funding in nominal dollars. [a] Total funding from these sources had to increase by 39 percent overall from 2008 to 2019 to maintain consistent purchasing power when adjusting for inflation. State funding increased 35 percent and did not keep up with inflation and local funding increased by 44 percent and exceeded inflation for the time period.

[a] Local funding includes local contributions to the Facilities Support Program of Kentucky (FSPK) and additional nickel facilities taxes. State funding includes Capital Outlay funding, School Facilities Construction Commission on-behalf payments, and state equalization of local contributions to the Facilities Support Program of Kentucky (FSPK) and additional nickel facilities taxes.

Figure R.B
Local And State Facility Funding
In Nominal Dollars
School Years 2008 To 2019



Source: Staff analysis of data provided by the Kentucky Department of Education.

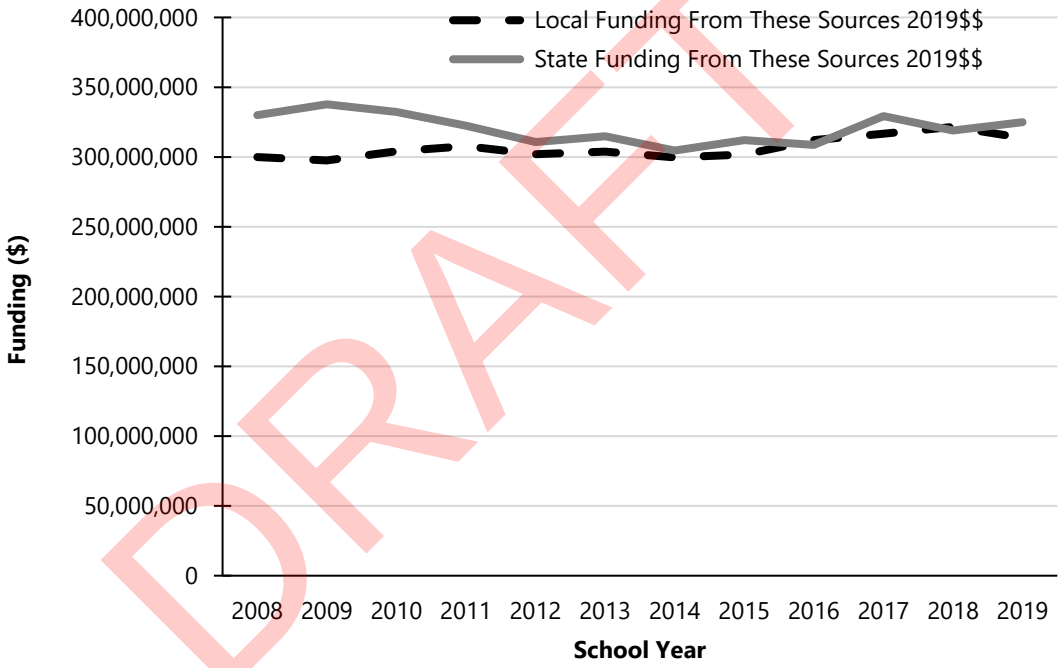
Table R.2
Annual Percentage Change In
Local And State Facility Funding
Nominal Dollars
School Years 2008 To 2019

Year	Local Funding From These Sources	Percent Change (Local)	State Funding From These Sources	Percent Change (State)
2008	$218,384,371		$240,323,716	
2009	231,392,842	6%	262,676,583	9%
2010	235,723,831	2	257,598,358	-2
2011	245,112,643	4	256,893,491	0
2012	248,832,047	2	255,915,485	0
2013	254,163,377	2	263,385,607	3
2014	258,996,982	2	263,292,565	0
2015	265,844,097	3	274,888,105	4
2016	277,289,986	4	274,187,099	0
2017	287,130,695	4	298,631,357	9
2018	304,119,552	6	301,748,102	1
2019	313,784,819	3	324,861,271	8
Total	3,140,775,242		3,274,401,741	
Percent Change 2008 To 2019		44		35

Source: Staff analysis of data provided by the Kentucky Department of Education.

Figure R.C and Table R.3 show aggregated local and state funding in inflation-adjusted 2019 dollars. An examination of inflation-adjusted funding from state and local sources, local funding increased 5 percent from 2008 to 2019. State funding decreased by 2 percent when comparing 2008 to 2019 in inflation-adjusted dollars.

Figure R.C
Local And State Facility Funding
Inflation-Adjusted Dollars (2019)
School Years 2008 To 2019



Source: Staff analysis of data provided by the Kentucky Department of Education.

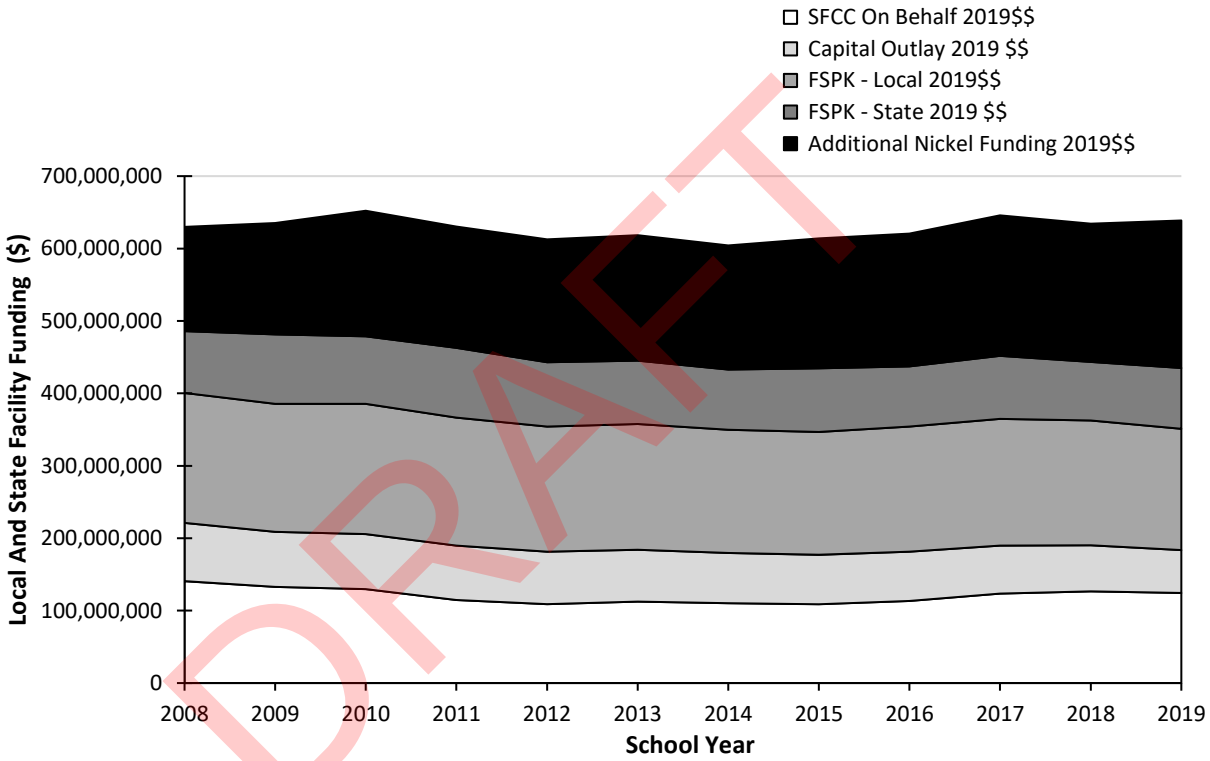
Table R.3
Annual Percentage Change In
Local And State Facility Funding
Inflation-Adjusted Dollars (2019)
School Years 2008 To 2019

Year	Local Funding 2019$$	% Change Local	State Funding 2019$$	% Change State
2008	$299,902,748		$330,031,598	
2009	297,530,144	-1%	337,755,486	2%
2010	304,021,002	2	332,233,319	-2
2011	307,706,175	1	322,495,455	-3
2012	302,089,586	-2	310,689,093	-4
2013	303,778,074	1	314,800,556	1
2014	299,630,888	-1	304,600,403	-3
2015	301,788,212	1	312,055,038	2
2016	312,066,235	3	308,574,200	-1
2017	316,627,867	1	329,310,001	7
2018	321,562,818	2	319,055,350	-3
2019	313,784,819	-2	324,861,271	2
Total	3,680,488,567		3,846,461,771	
Percent Change 2008 To 2019		5		-2

Source: Staff analysis of data provided by the Kentucky Department of Education.

Figure R.D shows local and state funding in inflation-adjusted 2019 dollars.

Figure R.D
Inflation–Adjusted Facilities Funding
By Local And State Funding Sources
School Years 2008 To 2019



Source: Staff analysis of data provided by the Kentucky Department of Education.

Appendix S

Funding Distribution Statistical Analysis

Piccus & Odden

This appendix contains a replication of some of the statistical analysis conducted by Piccus & Odden. The statistical methods used for this analysis are defined, and a brief analysis of the statistical calculations for school years 2008 to 2019 follows.

Definitions Of Horizontal Equity Statistics

The horizontal equity for facility funding from SFCC, capital outlay, FSPK, and additional facility funding nickels was tested by calculating three different equity statistics that are designed to determine if per-AADA facility funding disparities existed among school districts. The horizontal equity statistics used for this analysis are the Gini coefficient, the coefficient of variation, and the Federal Range Ratio.

Gini coefficients. The Gini coefficient is used to determine whether the distribution of funding sources is proportionate relative to the total population. For example, a perfectly equitable distribution of funds for 600,000 students means that each student would receive 1/600,000 of funding per student. The Gini coefficient ranges from 0 to 1, where 0 represents a perfectly equitable funding distribution, and a Gini coefficient of 1 represents an inequitable distribution of funding.

The Gini coefficients for each school year were computed by first sorting the school districts into quintiles based upon per AADA facility funding from these funding sources in ascending order. In this analysis, Quintile 1 represents the quintile of districts with the lowest per AADA funding, and Quintile 5 represents the quintile with the most funding per AADA.

The Gini coefficients computed for this analysis indicate the distribution of these facility funding sources relative to a perfectly equitable distribution for each school year in the observation period.

The equity assessment standard stated in Piccus & Odden for Gini coefficients is less than 0.05.

Coefficient Of Variation. The coefficient of variation is the standard deviation divided by the mean of a particular distribution. For this analysis, the standard deviations and means of these funding sources where weighted by AADA for each district for each of the years in the observation period.

The coefficient of variation in this report is designed to indicate facilities funding from these sources per AADA deviates from the mean of facility funding per AADA for all districts. A smaller coefficient of variation indicates more clustering around the mean across districts, and a

larger coefficient of variation indicates a wider range of funding across districts relative to the mean for all districts.

A coefficient of variation of less than 0.10 is considered the equity assessment standard.

Federal Range Ratio. The Federal Range Ratio is used to examine the gap in funding between districts at the top and bottom of the funding distribution. The Federal Range Ratio for this analysis was computed by taking the difference between per AADA funding at the 95th percentile and at the 5th percentile, and the difference is divided by the per AADA funding at the 5th percentile.

The Federal Range Ratio in this instance determines the gap between districts at both ends of the facilities funding spectrum, while attempting to control for outliers. (In this instance an outlier would be anything above the 95th percentile, and below the 5th percentile.

The equity assessment standard for the Federal Range Ratio is less than 0.25.

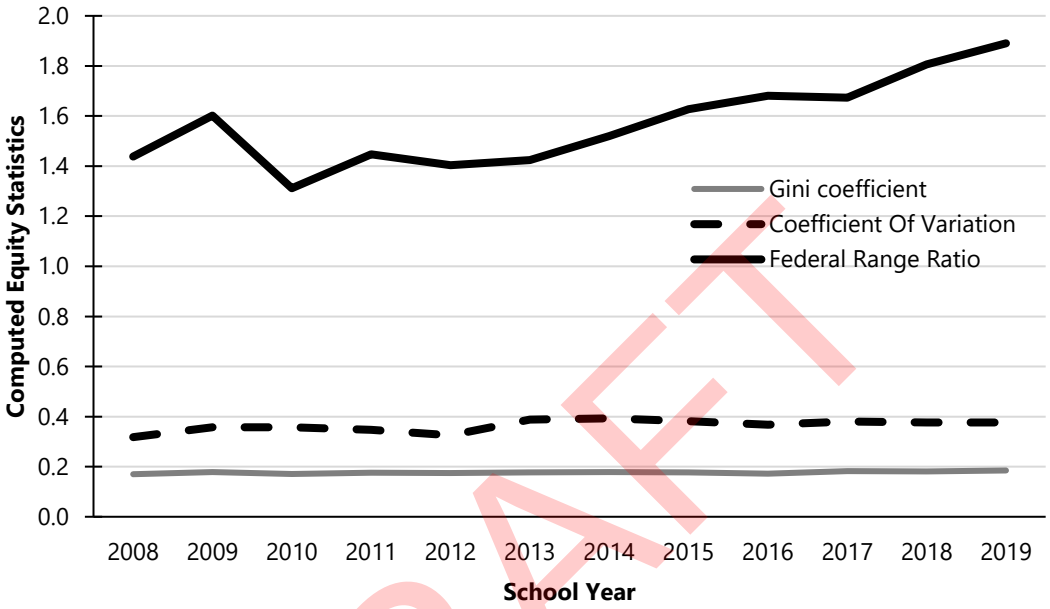
Horizontal Equity Analysis

Figure S.A illustrates the recreation of some of the Piccus & Odden horizontal equity statistics analysis. The annual coefficient of variation calculation for facility funding in Kentucky for maintained a tight range centered approximately at 0.36 for school years 2008 to 2019. Likewise, the Gini coefficient calculations for this period showed little variance from the mean.

While both the coefficient of variation and Gini coefficient calculations for these years did not meet common equity standards specified in Piccus, these statistics do indicate that facility funding equity has remained relatively constant based on the parameters defined by the statistical methodology used.

The Federal Range Ratio however did show that the gap in per AADA funding between the 5th percentile and the 95th percentile continues to widen. The FRR for school year 2019 was approximately 1.9, which means that per AADA funding at the 95th percentile was 1.9 times that of the 5th percentile. Factors such as the wealth and size of the individual districts can account for some of this disparity in terms of local revenue generation. Other factors such as the overall facility needs of districts can contribute to this disparity as well.

Figure S.A
Select Horizontal Equity Statistics
For All Kentucky School Districts
School Years 2008 To 2019



Source: Staff analysis of data provided by KDE.

Appendix T

Reported Expenditures For Construction And For Land And Existing Structures For Kentucky Relative To Neighboring States

Construction Expenditures

Table T.1 lists construction expenditures for Kentucky and its neighboring states in nominal dollars as reported by the Census of Governments Survey of School Finances for school years 2008 to 2017.

Table T.1
Construction Expenditures In Nominal Dollars
For Kentucky And Neighboring States
School Years 2008 To 2017

Year	Illinois*	Indiana	Kentucky	Missouri	Ohio	Tennessee	Virginia	West Virginia	Grand Total
2008	$1,999,861	$233,629	$598,928	$743,189	$1,992,608	$468,299	$766,351	$188,482	$6,991,347
2009	2,320,911	365,699	575,788	811,663	2,093,898	447,836	682,793	100,098	7,398,686
2010	1,387,337	390,074	567,500	663,266	1,996,024	369,681	546,248	132,295	6,052,425
2011	1,581,320	339,973	565,537	591,631	2,073,319	395,360	534,981	201,740	6,283,861
2012	1,692,131	333,811	606,956	627,372	1,982,444	418,302	676,104	190,278	6,527,398
2013	1,595,035	332,167	587,873	574,721	1,575,093	312,959	605,430	196,804	5,780,082
2014	1,645,435	340,470	468,798	626,103	1,114,267	276,862	502,778	189,387	5,164,100
2015	1,696,021	401,365	435,300	606,593	1,210,793	302,396	562,792	143,743	5,359,003
2016	1,657,958	407,881	579,310	585,786	1,350,195	270,034	603,757	125,596	5,580,517
2017	1,551,223	470,837	584,320	571,512	1,448,651	515,565	664,666	131,654	5,938,428
Total	17,127,232	3,615,906	5,570,310	6,401,836	16,837,292	3,777,294	6,145,900	1,600,077	61,075,847
Percent Change 2008 To 2017	-22%	102%	-2%	-23%	-27%	10%	-13%	-30%	-15%

Note: Dollar amounts are listed in thousands of nominal dollars.
Source: Census of Governments – Survey of School Finances.

Table T.2 shows the same reported construction expenditures adjusted for inflation according to the Producer Price Index (PPI) for school construction. The expenditures have been adjusted to reflect 2019 dollars.

Tabel T.2
Construction Expenditures Inflation Adjusted (2019 dollars)
For Kentucky And Neighboring States
School Years 2008 To 2017

Year	Illinois*	Indiana	Kentucky	Missouri	Ohio	Tennessee	Virginia	West Virginia	Grand Total
2008	$2,746,368	$320,838	$822,495	$1,020,606	$2,736,407	$643,105	$1,052,414	$258,838	$9,601,072
2009	2,984,280	470,224	740,361	1,043,655	2,692,381	575,838	877,951	128,708	9,513,398
2010	1,789,295	503,092	731,924	855,437	2,574,340	476,790	704,515	170,625	7,806,017
2011	1,985,136	426,791	709,956	742,714	2,602,775	496,322	671,597	253,258	7,888,548
2012	2,054,298	405,257	736,863	761,648	2,406,747	507,831	820,811	231,003	7,924,457
2013	1,906,398	397,009	702,630	686,911	1,882,564	374,051	723,615	235,222	6,908,400
2014	1,903,586	393,886	542,347	724,332	1,289,084	320,299	581,659	219,100	5,974,293
2015	1,925,336	455,633	494,156	688,609	1,374,501	343,282	638,886	163,178	6,083,580
2016	1,865,890	459,035	651,964	659,252	1,519,529	303,900	679,477	141,348	6,280,396
2017	1,710,581	519,206	644,348	630,224	1,597,472	568,529	732,948	145,179	6,548,488
Total	20,871,169	4,350,970	6,777,045	7,813,388	20,675,800	4,609,948	7,483,871	1,946,459	74,528,649
Percent Change 2008 To 2017	-38%	62%	-22%	-38%	-42%	-12%	-30%	-44%	-32%

Note: Dollar amounts are listed in thousands of 2019 dollars.
Source: US. Census Bureau. Survey of School System Finances. 2008 To 2017. Web.

Table T.3 shows construction expenditures for all states in nominal dollars and in inflation-adjusted (2019) dollars for school years 2008 to 2019.

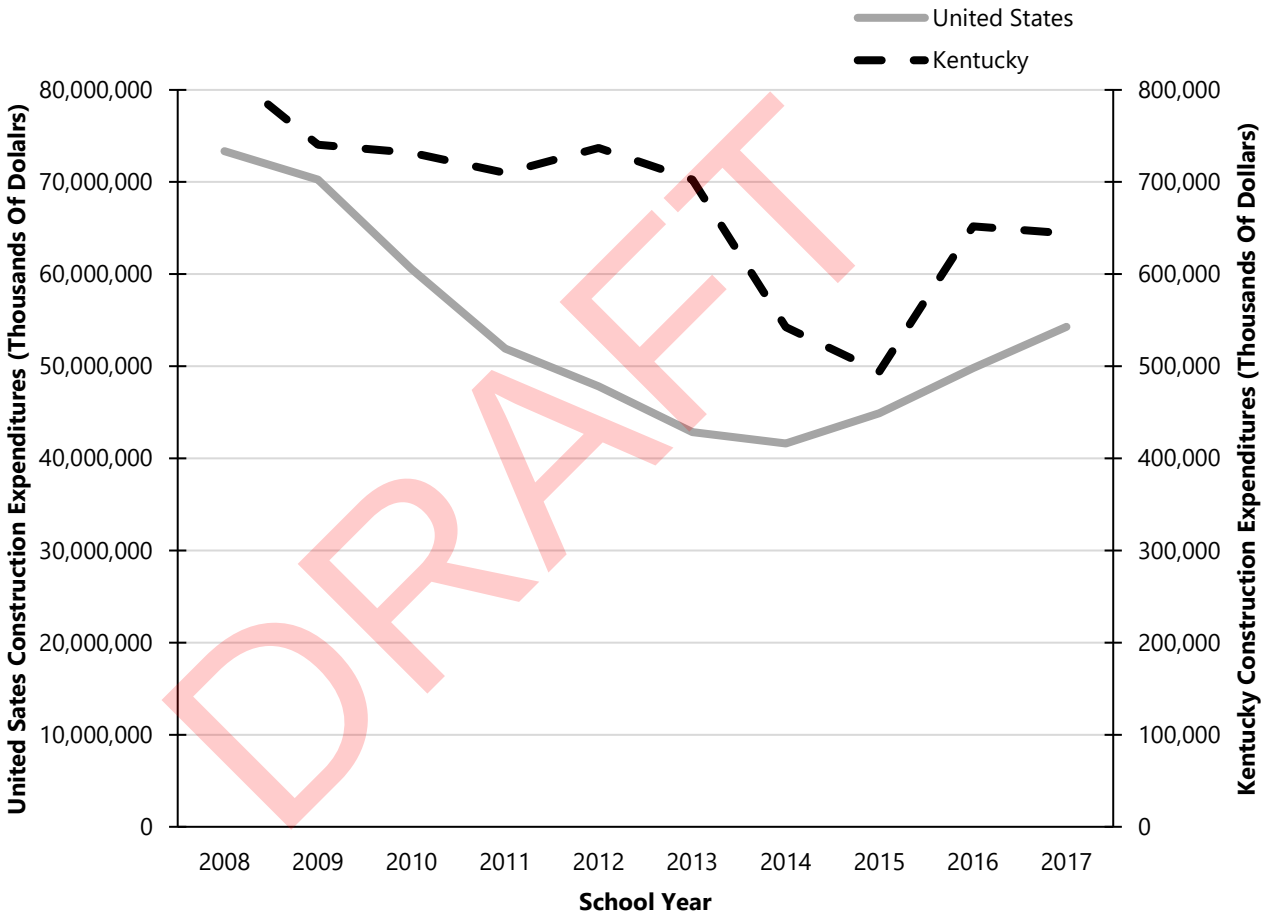
Table T.3
Construction Expenditures For All States
School Years 2008 To 2017

Year	United States Nominal Dollars	United States Inflation-Adjusted Dollars (2019)
2008	$53,410,986	$73,348,204
2009	54,653,349	70,274,511
2010	46,950,951	60,554,230
2011	41,345,378	51,903,598
2012	39,391,214	47,822,118
2013	35,846,035	42,843,464
2014	35,971,711	41,615,295
2015	39,561,433	44,910,435
2016	44,251,759	49,801,581
2017	49,219,222	54,275,553
Total	440,602,038	537,348,990
Percent Change 2008 To 2017	-8%	-26%

Note: Dollar amounts are listed in thousands of dollars.
Source: US. Census Bureau. Survey of School System Finances. 2008 To 2017. Web.

Figure T.A shows construction expenditures for Kentucky relative to construction expenditures for all states in inflation-adjusted 2019 dollars.

Figure T.A
Construction Expenditures
For Kentucky Relative To All States
School Years 2008 To 2017



Source: Staff analysis of the annual Census of Governments – Survey of School Finances. US. Census Bureau. *Survey of School System Finances.* 2008 To 2017. Web.

Land And Existing Structures Expenditures

Table T.4 shows expenditures for land and existing structures for Kentucky and its neighboring states in nominal dollars for school years 2008 to 2017.

Table T.4
Land And Existing Structures Expenditures
In Nominal Dollars For Kentucky And Neighboring States
School Years 2008 To 2017

Year	Illinois*	Indiana	Kentucky	Missouri	Ohio	Tennessee	Virginia	West Virginia	Grand Total
2008	$0	$313,419	$29,218	$94,106	$26,593	$25,924	$477,173	$23,486	$989,919
2009	0	179,942	38,050	100,601	33,174	18,689	465,973	16,138	852,567
2010	0	134,168	46,139	72,790	18,005	13,366	311,216	19,755	615,439
2011	0	139,285	23,232	86,591	13,390	15,343	289,236	26,847	593,924
2012	0	171,786	18,272	76,833	4,216	18,115	166,638	15,506	471,366
2013	0	145,703	13,290	79,719	5,370	14,861	260,608	47,574	567,125
2014	0	150,046	18,957	85,904	6,926	7,021	326,915	48,141	643,910
2015	0	136,787	22,612	73,867	14,862	15,108	293,269	46,954	603,459
2016	0	138,047	9,105	95,687	9,424	22,490	283,352	21,807	579,912
2017	0	125,429	17,483	76,874	12,397	30,323	396,500	27,414	686,420
Total	0	1,634,612	236,358	842,972	144,357	181,240	3,270,880	293,622	6,604,041
Percent Change 2008 To 2017		-60%	-40%	-18%	-53%	17%	-17%	17%	-31%

*Illinois includes expenditures for land and existing structures with the reported construction expenditures for the Census of Governments Survey of School Finances.
Note: Dollar amounts are listed in thousands of nominal dollars.
Source: US. Census Bureau. Survey of School System Finances. 2008 To 2017. Web.

Table T.5 shows expenditures for land and existing structures adjusted for inflation using the Producer Price Index. Expenditures have been adjusted to 2019 dollars.

Table T.5
Land And Existing Structures Expenditures
Inflation-Adjusted Dollars (2019) For Kentucky And Neighboring States
School Years 2008 To 2017

Year	Illinois*	Indiana	Kentucky	Missouri	Ohio	Tennessee	Virginia	West Virginia	Grand Total
2008	$0	$430,412	$40,124	$129,234	$36,520	$35,601	$655,292	$32,253	$1,359,435
2009	0	231,373	48,926	129,355	42,656	24,031	599,159	20,751	1,096,250
2010	0	173,041	59,507	93,880	23,222	17,239	401,386	25,479	793,753
2011	0	174,854	29,165	108,703	16,809	19,261	363,097	33,703	745,592
2012	0	208,553	22,183	93,278	5,118	21,992	202,304	18,825	572,252
2013	0	174,145	15,884	95,281	6,418	17,762	311,481	56,861	677,832
2014	0	173,587	21,931	99,381	8,013	8,123	378,205	55,694	744,933
2015	0	155,282	25,669	83,854	16,871	17,151	332,921	53,303	685,051
2016	0	155,360	10,247	107,688	10,606	25,311	318,889	24,542	652,642
2017	0	138,314	19,279	84,771	13,671	33,438	437,233	30,230	756,936
Total	0	2,014,922	292,915	1,025,425	179,904	219,907	3,999,965	351,639	8,084,677
Percent Change 2008 To 2017		-68%	-52%	-34%	-63%	-6%	-33%	-6%	-44%

Note: Dollar amounts are listed in thousands of 2019 dollars.
*Illinois includes expenditures for land and existing structures with the reported construction expenditures for the Census of Governments Survey of School Finances.
Source: US. Census Bureau. Survey of School System Finances. 2008 To 2017. Web.

Table T.6 shows expenditures for land and existing structures for all states in nominal dollars and 2017 dollars.

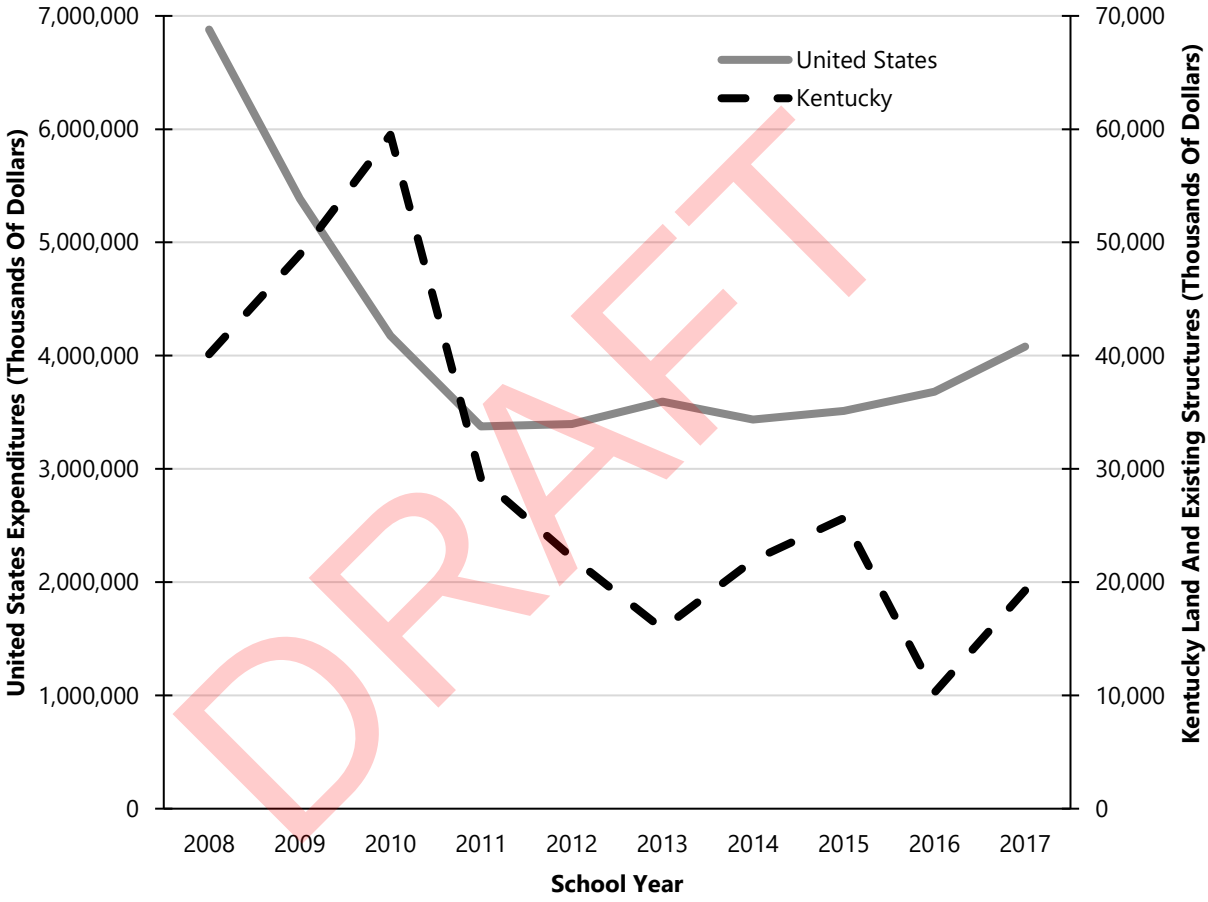
Table T.6
Expenditures For Land And Existing Structures
For All States Nominal Dollars And 2019 Dollars
School Years 2008 To 2017

Year	United States	United States (2019$$)
2008	$5,009,500	$6,879,443
2009	4,188,206	5,385,290
2010	3,239,070	4,177,538
2011	2,688,771	3,375,393
2012	2,797,255	3,395,952
2013	3,007,609	3,594,718
2014	2,969,579	3,435,475
2015	3,093,186	3,511,408
2016	3,270,725	3,680,922
2017	3,700,064	4,080,175
Total	33,963,965	41,516,313
Percent Change 2008 To 2017	-26%	-41%

Note: Dollar amounts are listed in thousands of nominal and 2019 dollars.
Source: US. Census Bureau. Survey of School System Finances. 2008 To 2017. Web.

Figure T.B shows expenditures for land and existing structures for Kentucky relative to the United States in inflation-adjusted 2019 dollars.

Figure T.B
Expenditures For Land And Existing Structures
In 2019 Dollars For Kentucky Relative To The United States
School Years 2008 To 2019



Source: Staff analysis of the annual Census of Governments – Survey of School Finances. US. Census Bureau. Survey of School System Finances. 2008 To 2017. Web.

Appendix U

Expenditure Reporting Errors

Census of Governments – Survey Of School Finances

States annually submit data associated with facilities expenditures to populate the Survey of School Finances. These expenditures are grouped into the 4 categories listed below:

- Construction
- Land and existing structures
- Instructional equipment
- Other equipment

OEA staff has determined that the algorithm used to populate the annual expenditures in these categories is not an accurate representation of these expenditures for Kentucky. This is due to the exclusion of negative amounts coded by districts in these funding categories, and other coding errors that include expenditures for expenditure objects coded to incorrect expenditure function codes.

The negative amounts were much easier to target in the district level annual financial reports (AFRs), thus negative amounts for the four facility expenditure categories are reported for school years 2008 to 2019.

The coding errors with mismatched object and function codes require more time, and therefore are reported in detail for only the 2019 school year.

2019 Facility Expenditure Coding Errors

District-level AFRs for the 2019 school year were analyzed by staff to determine whether there were coding errors associated with the facility expenditure data collected for the Census of Governments – Survey of School Finances. OEA staff found more than $50 million in coding errors in this data for the 2019 school year. Errors primarily pertain to a mismatch of expenditure object and function codes.

Table U.1 shows the error amounts per expenditure object code category. Errors pertaining to construction and land improvements accounted for 68 percent of total for the 2019 school year. Those two categories, along with the technology hardware and software category, are shown later in this appendix with more detail on the incorrect functions associated with those expenditure object code categories.

Overall, 92 districts had coding errors according to 2019 AFRs. Coding errors associated with construction (34 districts) and technology hardware and software (35 districts) were the most common among these districts.

Table U.1
Facility Expenditures Coding Errors
By Expenditure Object Category, 2019

Expenditure Object	2019 Error Amount	% 2019 Errors	Count of Districts
Construction Services	$17,761,576	35.3%	34
Land and Land Improvements	16,441,503	32.7	10
Technology Hardware and Software	4,664,191	9.3	35
Buildings	3,962,455	7.9	7
Bond Issuance And Amortization	2,770,202	5.5	23
Payments To Escrow Agents And Bond Discounts	1,342,357	2.7	10
Fund Transfers Out	1,119,893	2.2	1
Technology Supplies And Devices	826,329	1.6	15
Machinery	770,057	1.5	8
Technology Repairs And Maintenance	246,382	0.5	2
Pest Control Services	238,474	0.5	1
Insurance Services	149,969	0.3	10
Scholarships	23,145	0.0	1
Dues & Fees	9,161	0.0	8
Contracted Grounds Services	4,500	0.0	1
2019 Construction Expenditures Errors	50,330,195	100.0	92

Note: District count includes districts that had errors coded to more than one of the listed expenditure object code descriptions in the first column of the table.
Source: Staff analysis of data from the Kentucky Department of Education.

Construction Services Expenditure Error Detail. Construction services expenditure codes were designed to be used with functions associated only with facilities acquisition and construction services. However, staff analysis discovered that approximately $17.8 million of these expenditures for the 2019 school year were coded to functions associated with maintenance, operation of buildings, and others as shown in Table U.2.

Table U.2
Coding Errors For Construction Services By Function, 2019

Function	Error Amount Construction Services	% Total	District Count
Maintenance of Buildings	$16,075,220	90.5%	11
Operation of Buildings	1,068,452	6.0	19
Care and Upkeep of Grounds	174,359	1.0	3
Other Instructional Programs NON-SBDM	134,025	0.8	6
Other Instructional Staff Support Services	127,795	0.7	1
Risk Management	96,313	0.5	1
Plant Operation (Fixed Asset Depreciation ONLY)	51,341	0.3	1
Administrative Technology Services	23,567	0.1	1
Supervision	10,370	0.1	1
Vehicle Operation (Bus Driving)	133	0.0	1
Total	17,761,576	100.0	34

Note: District count includes districts that had errors coded to more than one function.
Source: Staff analysis of data from the Kentucky Department of Education.

Land Improvements Expenditure Errors Detail. Expenditures for this object code category should only be used for functions pertaining to land acquisition, land improvements, or site improvements. Staff analysis uncovered approximately $16 million of these expenditures coded to function codes for building acquisition and construction, and building improvements as shown in the U.3 below.

Table U.3
Coding Errors For Land Improvements By Function, 2019

Function	Error Amount Land Improvements	District Count
Building Acquisition & Construction	$8,030,791	6
Building Improvements	$7,577,689	4
Other Facility Acquisition & Construction Services	$833,024	1
Total	$16,441,503	10*

Note: District count includes districts that had errors coded to more than one function.
Source: Staff analysis of data from the Kentucky Department of Education.

Technology Hardware And Software Expenditure Errors Detail. Expenditures for these object codes are primarily associated with functions for supporting instruction associated with information technology and administrative technology services. However, 35 districts coded expenditures for these object codes to functions associated with building acquisition, construction, and improvements as shown in the Table U.4 below.

Table U.4
Coding Errors For
Technology Hardware And Software
Per Function, 2019

Function	Error Amounts Technology Hardware And Software	District Count
Building Acquisition & Construction	$1,986,565	17
Building Improvements	1,361,963	11
Other Facility Acquisition & Construction Services	741,127	6
Architectural and Engineering Services	529,413	2
Site Improvement	44,020	3
Educational Specifications Development	1,103	1
Total	4,664,191	35

Note: Total district count includes districts that had errors coded to more than one function.
Source: Staff analysis of data from the Kentucky Department of Education.

Negative Amounts Per Expenditure Category

Table U.5 lists the negative amounts that are excluded from the annual Survey of School Finances associated with facilities expenditures for all Kentucky school districts for school years 2008 to 2019.

Table U.5
Negative Amounts Per Facilities Expenditure Category
For All Kentucky School Districts
School Years 2008 To 2019

Expenditure Category	Construction	Land	Instructional Equipment	Other Equipment	Annual Total
2008	-$10,856,307	-$5,638	-$1,145,736	-$7,253,585	-$19,261,266
2009	-4,871,500	-514,529	-761,097	-3,497,497	-9,644,623
2010	-4,626,596	-204,210	-648,183	-2,330,556	-7,809,544
2011	-1,382,281	-46,145	-1,096,495	-3,843,073	-6,367,994
2012	-4,143,877	-181,729	-1,518,559	-3,876,104	-9,720,269
2013	-1,487,671	-404,712	-675,711	-3,202,322	-5,770,415
2014	-5,717,848	-1,929,978	-934,698	-3,251,473	-11,833,998
2015	-6,878,813	-50,306	-627,084	-2,819,627	-10,375,829
2016	-7,638,986	-106,650	-620,737	-4,418,785	-12,785,159
2017	-13,443,268	-190,214	-1,137,473	-2,711,635	-17,482,590
2018	-3,172,947	-817,469	-870,918	-2,706,553	-7,567,887
2019	-11,750,904	-17,730	-1,372,171	-4,973,431	-18,114,235
Category Total	-75,970,999	-4,469,309	-11,408,861	-44,884,640	-136,733,809
Percent Total	55.6%	3.3%	8.3%	32.8%	100.0%

Note: Expenditure categories are those represented on the F33 document associated with facilities expenditures reporting for the annual Census of Governments – Survey of School Finances.
Source: Staff analysis of annual financial reports (AFRs) for all districts.