



# An Overview Of Facilities Needs and Funding In Kentucky

Presentation To The  
Education Assessment And Accountability Review Subcommittee  
Kentucky Legislative Research Commission

Office Of Education Accountability  
November 12, 2020

# Major Conclusions

- About half of facility funding distributed equally per-pupil
- Districts receive greater funding, per pupil when they
  - Report greater need on district facility plans (DFPs)
  - Collect additional local “nickel” taxes
- Standardized, objective, data is important to inform funding decisions
  - DFP-reported need currently only comprehensive source of data
  - Not necessarily comparable over time, among districts
  - Reported need has been increasing, but expenditures have been decreasing
  - In the last 8 years, most districts have transferred facility revenue in at least one year

# Major Conclusions

- As directed by the General Assembly, KDE developed the Kentucky Facility Inventory and Classification System (KFICS) to provide standardized, objective data
  - System not fully implemented; no deadlines set
- Districts identify critical needs on DFPs but are not always required to strictly prioritize those needs when initiating projects
  - KFICS might also inform these decisions

# Outline

- **Background**
  - Major conclusions
  - Data used for the report
- Revenue and Expenditures
- District Facility Plans (DFPs)
- Kentucky Facilities Inventory and Classification System (KFICS)
- Conclusions and Recommendations

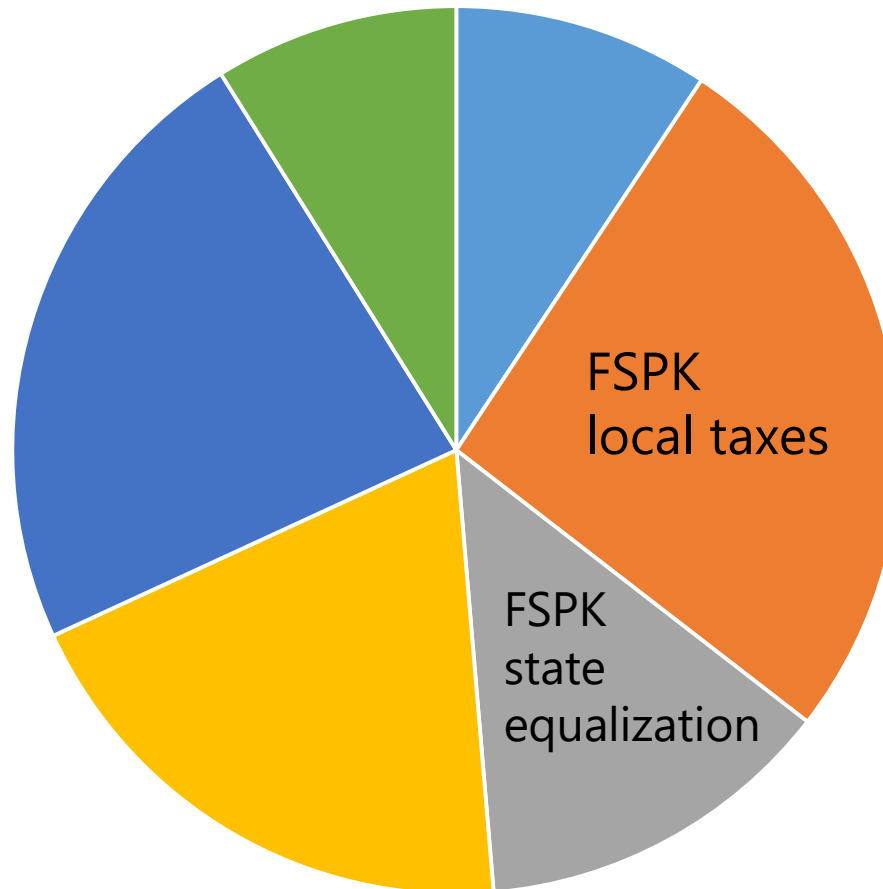
# Data Used For The Report

- Kentucky Department of Education (KDE)
  - District Facility Plans effective 2010 and 2020
  - Impact Kentucky Survey
  - BG-5 projects completed for FY 2018-2020
  - Capital Funds Request
  - Kentucky Facilities Inventory and Classification System
  - SFCC Offers of Assistance
  - District Annual Financial Reports and Balance Sheets
  - SAAR Report
- Other Data
  - NCES Survey of School System Finance Data

# Outline

- Background
- **Revenue and Expenditures**
  - Revenue
  - Revenue by district wealth
  - Changes over time
  - Expenditures
- District Facility Plans (DFPs)
- Kentucky Facilities Inventory and Classification System (KFICS)
- Conclusions and Recommendations

# Facilities Support Program of Kentucky (FSPK)



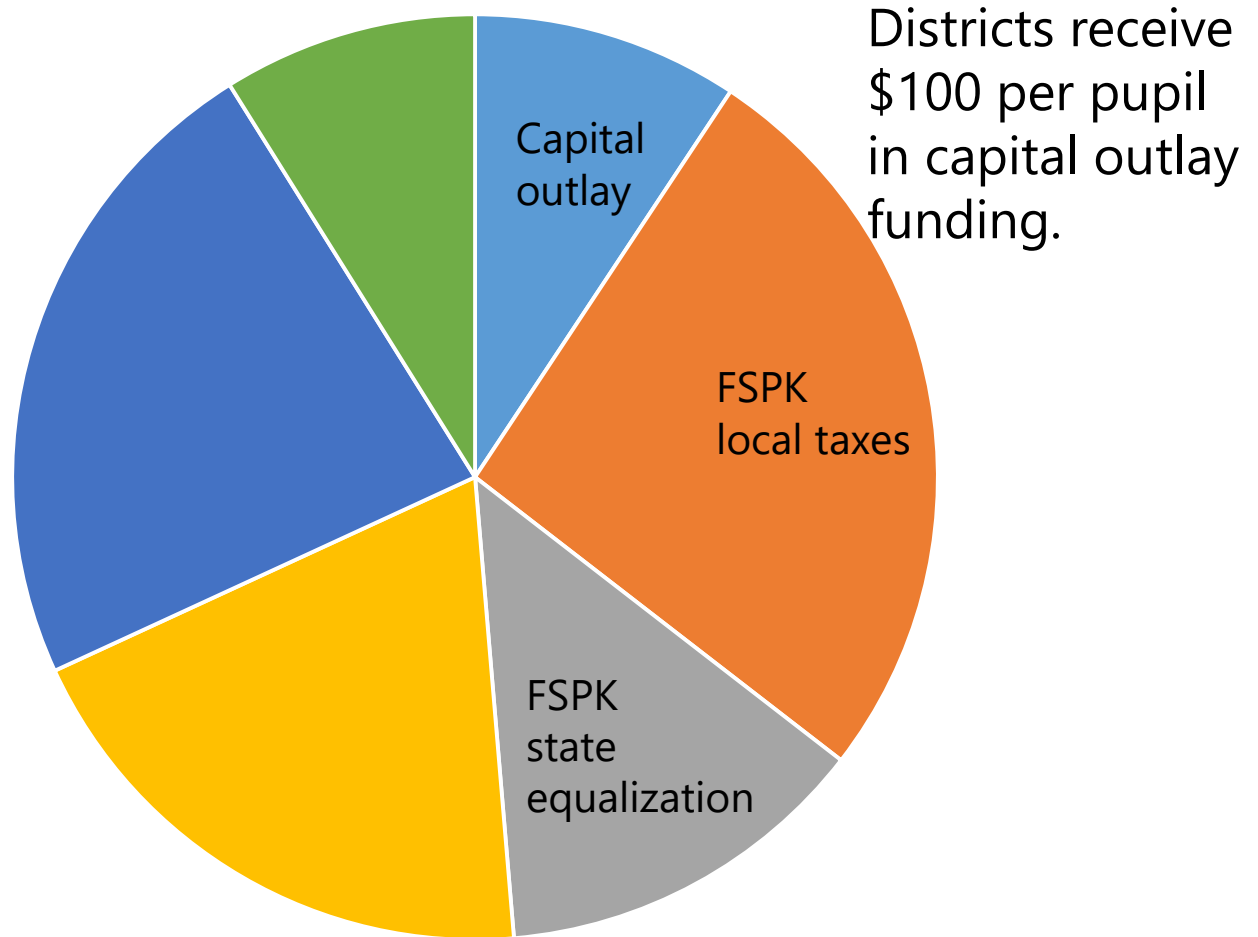
FSPK local taxes to support facilities are collected by all districts.

State equalization compensates less wealthy districts, leads to equal per-pupil funding.\*

\*Six districts exceed the property wealth threshold to qualify for state equalization: Jefferson, Fayette, Campbell, Livingston, Lyon, and Anchorage Independent. These districts take in slightly more local revenue than do others from state and local FSPK combined.

# Share of Facility Funding By Source, 2019

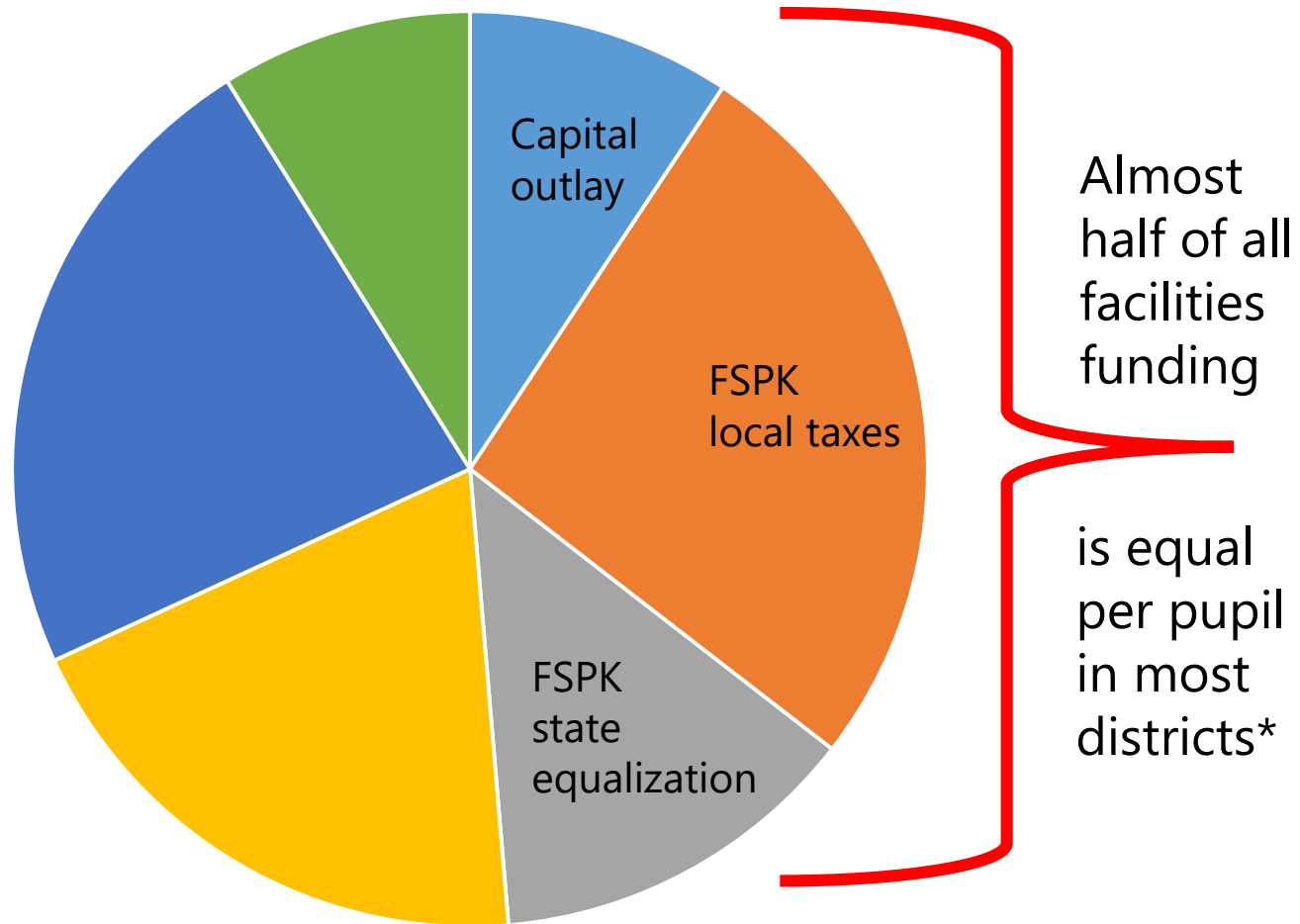
## State Total: \$639 million





# Share of Facility Funding By Source, 2019

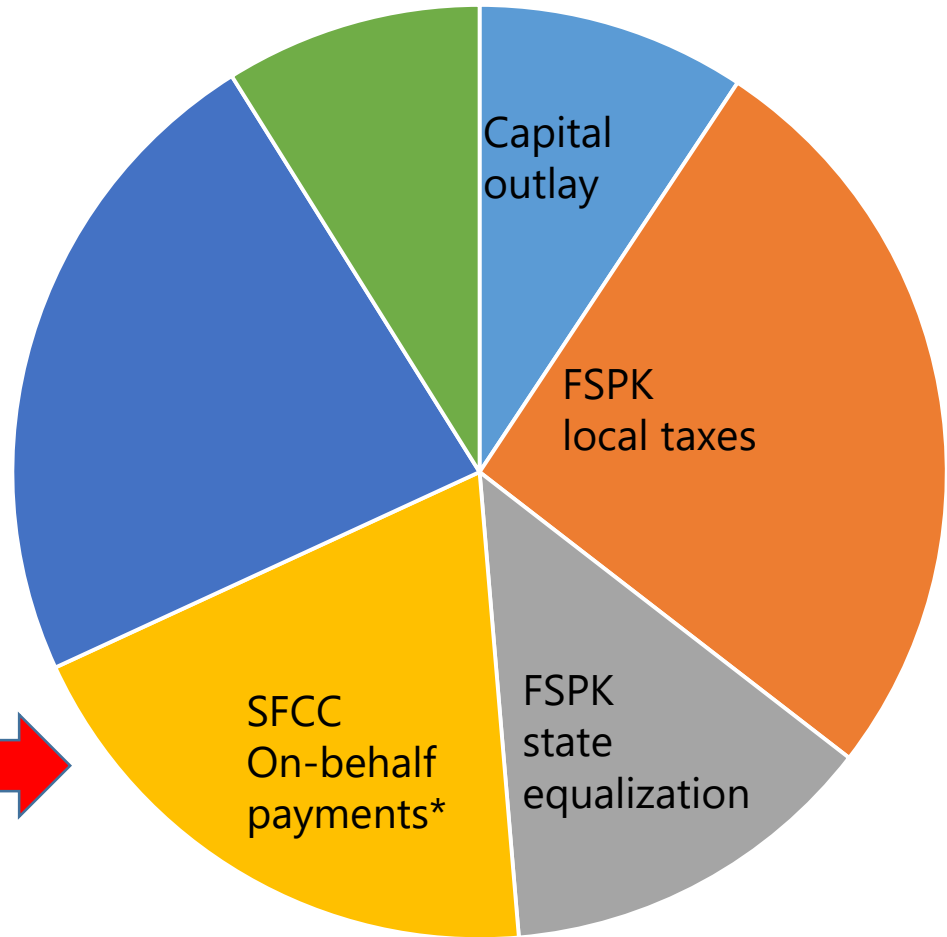
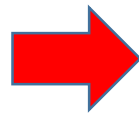
## State Total: \$639 million



\*As explained on previous slide, the six wealthiest districts take in slightly more FSPK revenue because of local tax revenue.

# School Facilities Construction Commission On-Behalf Payments

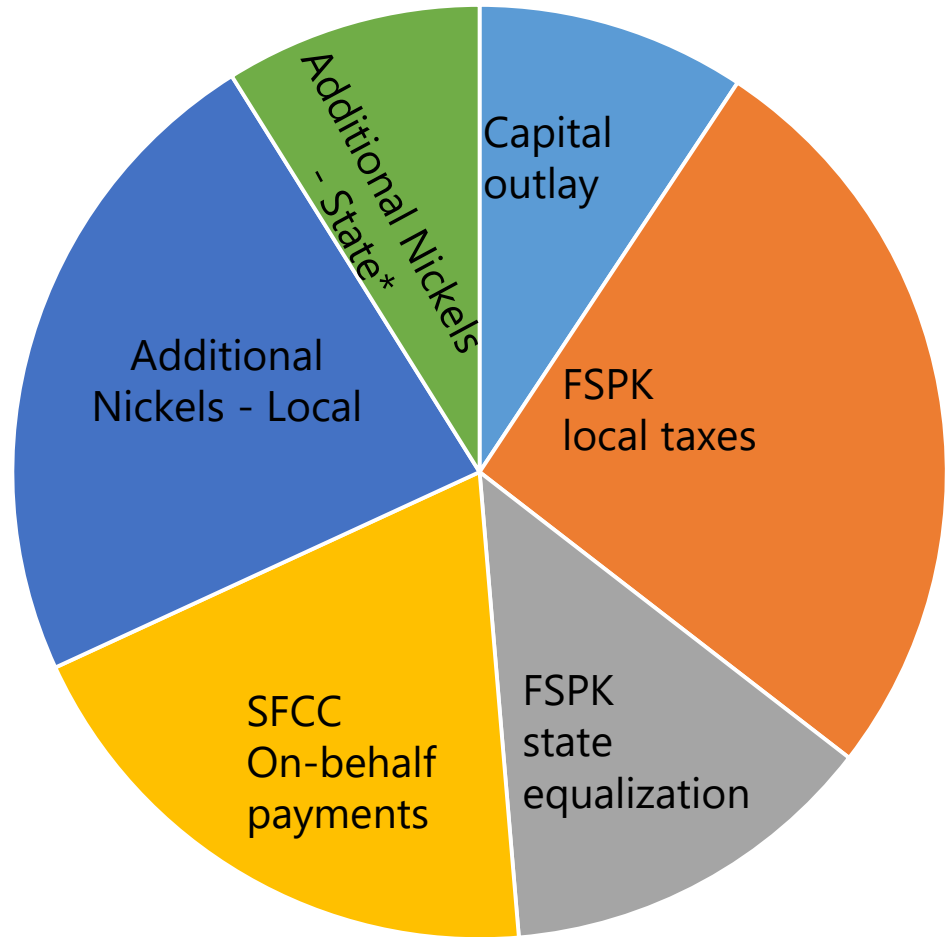
All districts are eligible for SFCC funding. Per-pupil funding amount varies based on district-reported need on DFPs.



\*SFCC makes offers of assistance that districts can use to support construction bonds. Revenue reported here come from on-behalf payments made by SFCC on bonds taken out by districts based on previous offers of assistance.

# School Facilities Construction Commission On-Behalf Payments

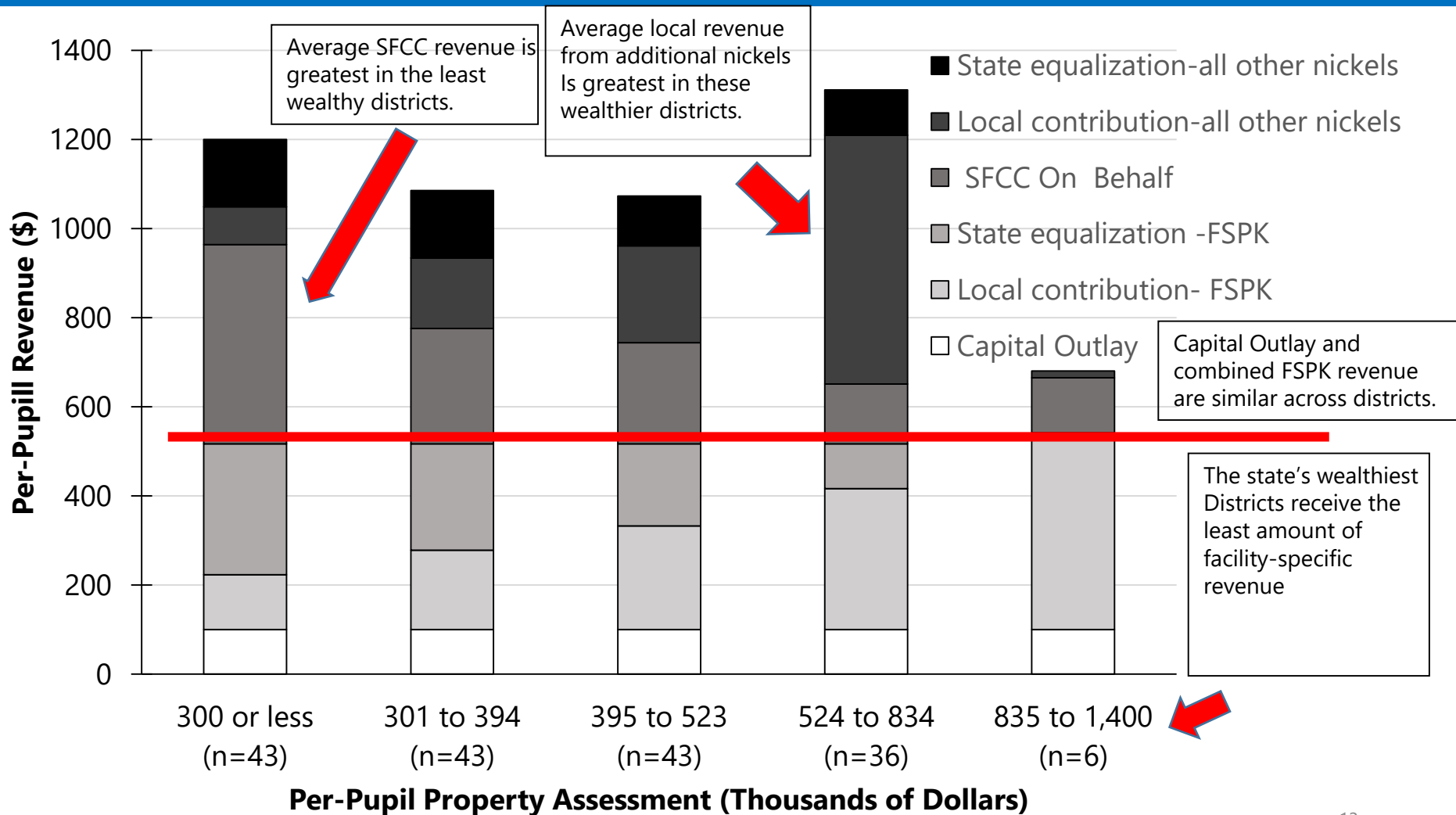
Additional nickels are based on eligibility criteria or local political will. 109 districts collect one or more additional nickels.



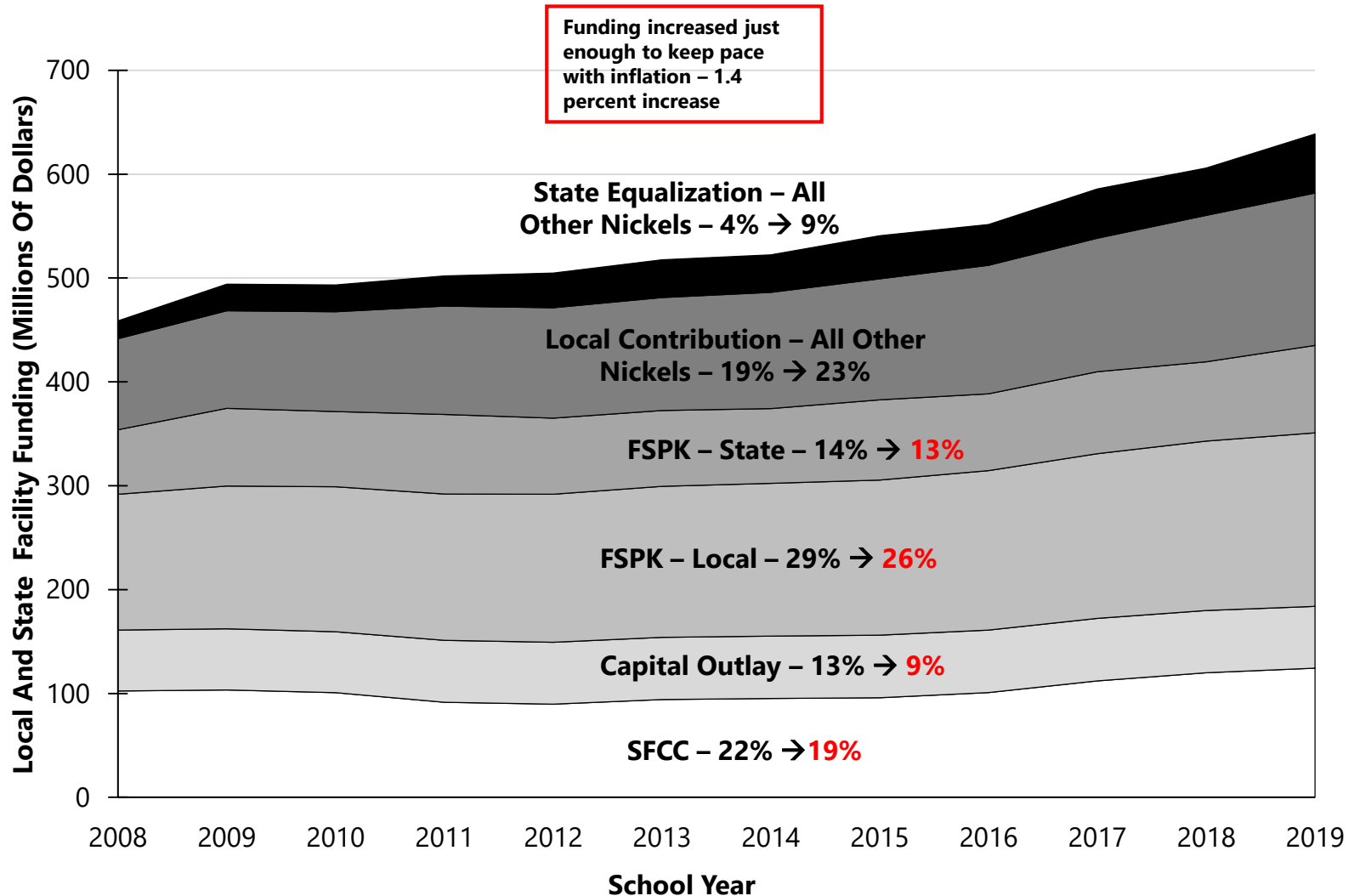
\*Because the state's six wealthiest districts are not eligible for state equalization, they do not collect additional nickel taxes. On average, these wealthy districts take in less facility-specific revenue than do less wealthy districts.

<b>Nickel Type</b>	<b>Reason</b>	<b>Number of Districts</b>	<b>How equalized</b>
Growth	Increased enrollment	34	Not equalized
2 <sup>nd</sup> Growth	Increased enrollment	22	KRS 157.621
Recallable	Political will of district	68	Budget process
Equalized Facility Funding	Assist districts with limited state facility funding	15	Budget process
BRAC	Anticipated base	1	Budget process
Category 5	Poor building conditions	9	Budget process

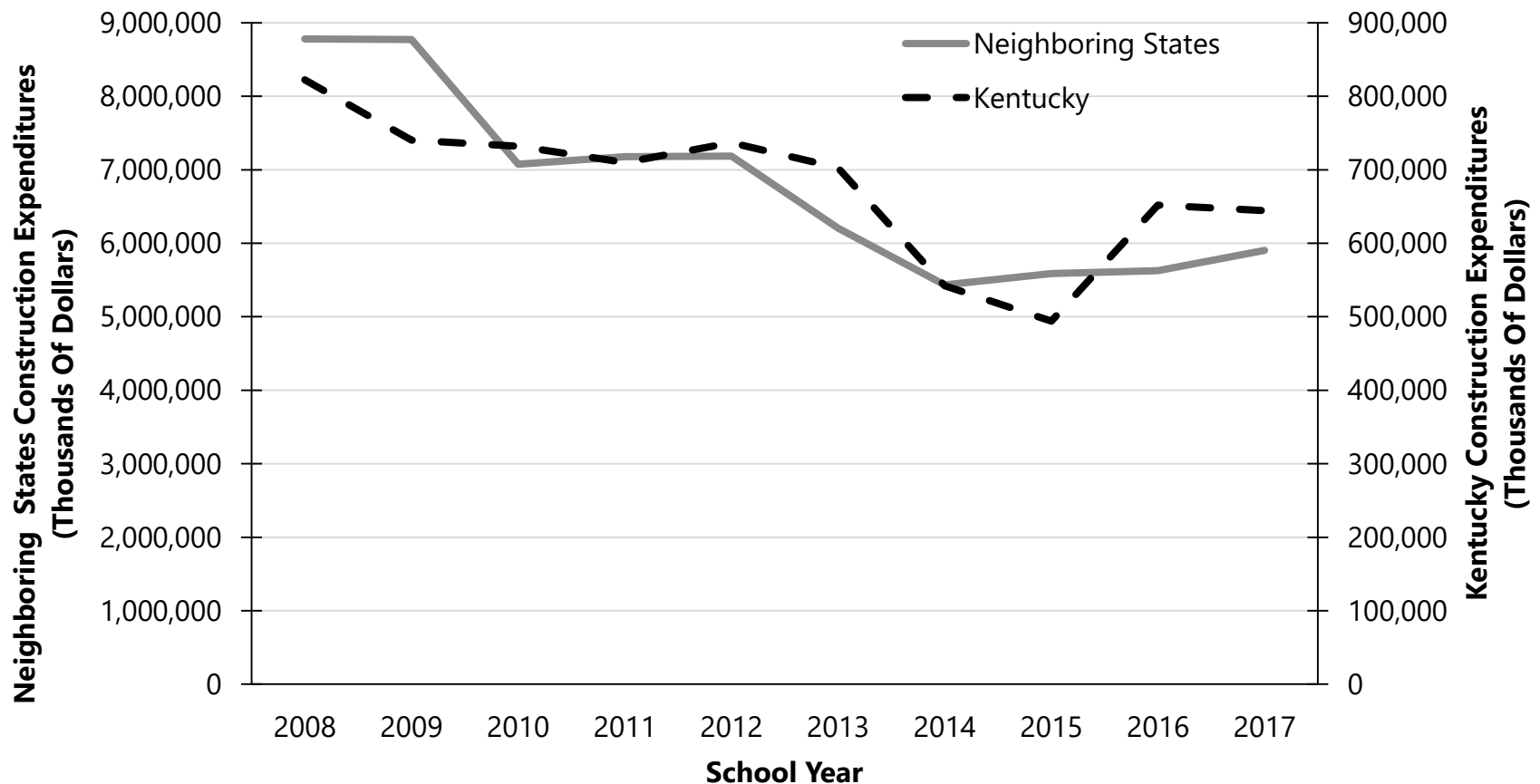
# Average Per-Pupil Facilities Revenue By Source and District Wealth, 2019



# Local And State Facilities Funding Per Source, 2008 to 2019



# Reported Construction Expenditures Comparison To Neighboring States



# Revenues And Expenditures Summary

- Local and state facility funding kept pace with inflation
- Reported expenditures for construction and existing structures decreased for Kentucky and its neighboring states
- Growth in facility funding primarily driven by additional nickels
  - The growing share of additional nickels has widened the gap between districts at the top and bottom of the funding distribution
  - As the share of additional nickels increase, the share from FSPK, capital outlay, and SFCC will continue to decrease



# Outline

- Background
- Revenue and Expenditures
- **District Facility Plans (DFPs)**
  - **Process**
  - **Relationship with facility funding and spending**
  - **Data**
  - **Concerns**
- Kentucky Facilities Inventory and Classification System (KFICS)
- Conclusions and Recommendations

# District Facility Plans (DFPs)

## Functions

- Master plan that includes inventory of facility projects listed in priority order
- Guides spending of all restricted building funds
- Used to calculate district facilities need used in SFCC funding
- Updated every 4 years (8 years with waiver)

# District Facility Plans (DFPs)

## Process

- Developed by a local planning committee comprised of district and school administrators, parents, teachers, community leader, local building/zoning official, central office staff, local board member, and local building official; assisted by architect/engineer
- Review condition of buildings, educational needs, demographic trends, equity concerns
- Prioritize highest need projects based on data and considering life safety, handicapped accessibility
- Multiple opportunities for public input and review

## Approval Process

- Must be approved by Local Board of Education, reviewed by KDE, and approved by KBE

# DFP Priorities

Highest Priority  First Biennium	1a	New construction- student capacity
	1b	New construction – inadequate spaces
	1c	Major renovation
	1d	*KERA Strands
	1e	Life safety
	1f	Handicapped accessibility
2a-f		Same as priority 1a-f but completed after biennium
3		Non-educational additions (such as gyms, cafeterias)
4		Management support areas (such as central office, bus garage)
5		Discretionary (additions/renovations too new to be replaced and extracurricular facilities)

# DFP Funding Source Usage

## SFCC

- Priority projects 1 through 4
- All projects within a numbered category are equal

## Restricted Funds

- Capital Outlay and Building Funds (or nickels)
- Priority projects 1 through 4 in any order
- Can use on priority 5 projects if no need in projects 1 through 4

## District General Fund

- Any priority projects 1 through 5 in any order
- Can do construction projects not listed on plan

\*Critical needs do not have to be addressed first when using any funding

# Data Concerns

## DFPs

- KDE understating/overstating district need
- KDE overstating state unmet need by \$66 million

## Building and Grounds Form (BG-5)

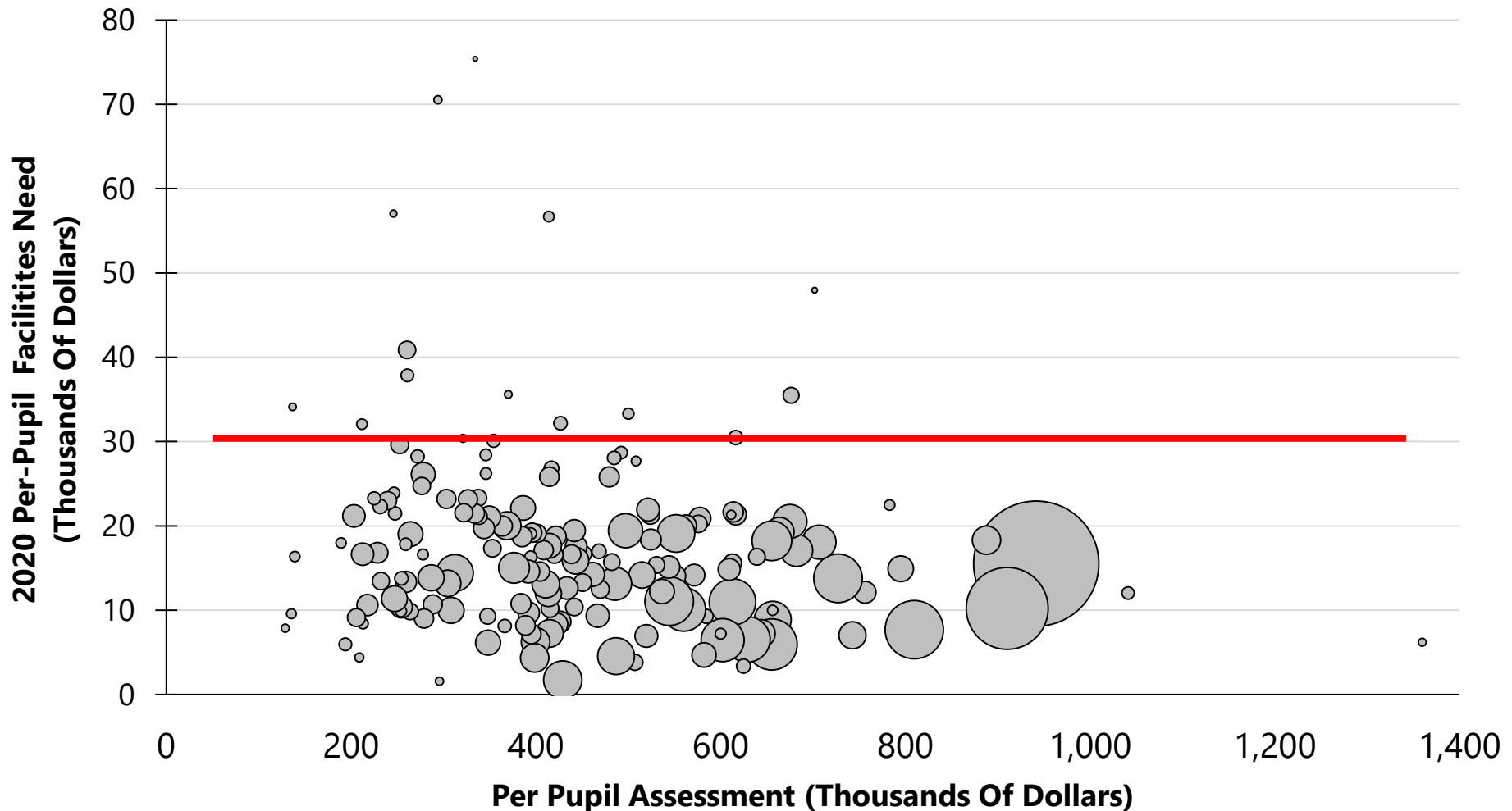
- Compliance using restricted funds
- Timely submission

# District Facility Plan Need

## School Year 2020

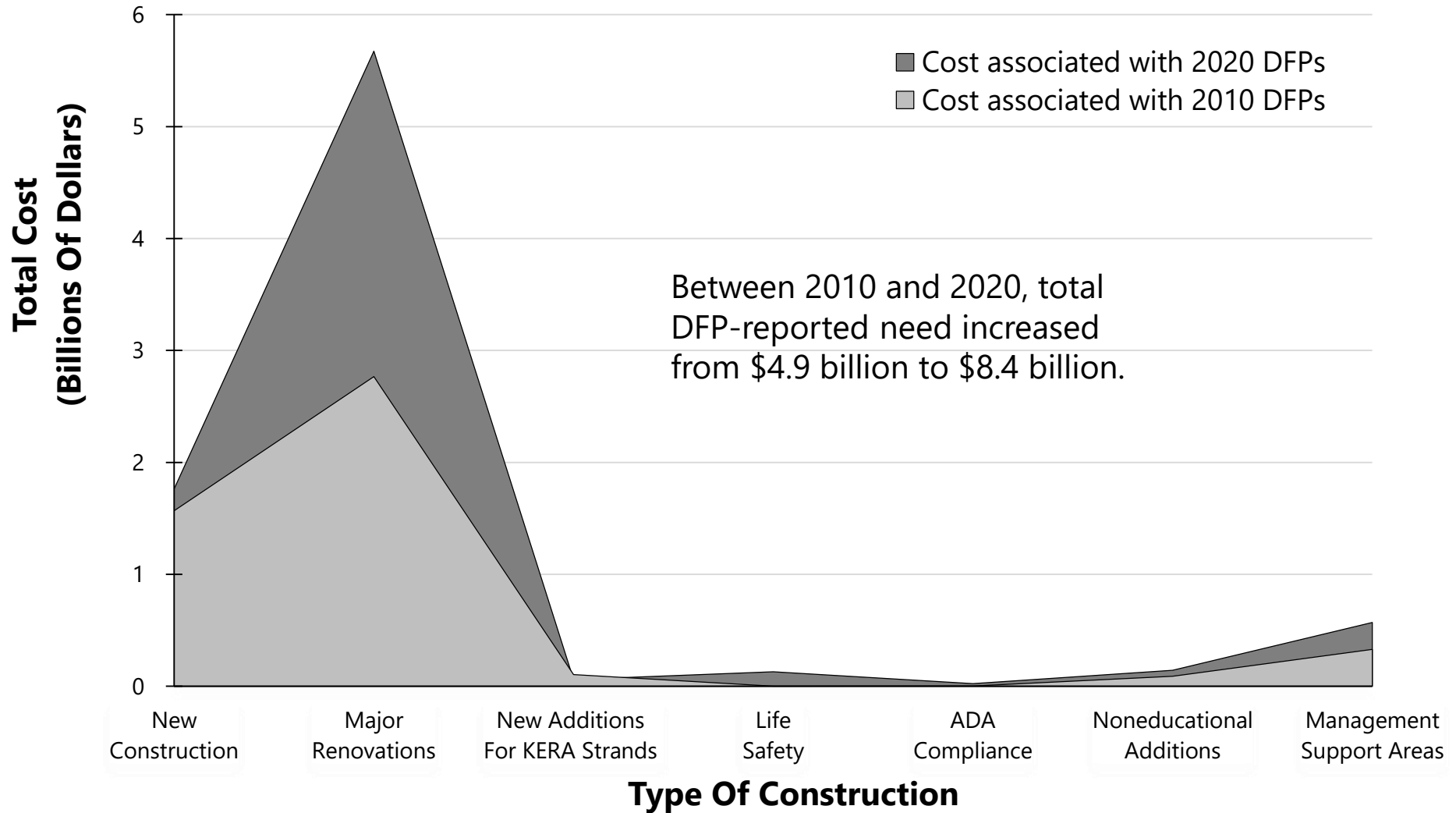
Priority	Description	Costs On DFPs Effective 2020	Percent of 2020 Need
<b>1a</b>	New construction: Capacity	\$446,203,815	5.3%
<b>1b</b>	Inadequate facilities	526,349,812	6.3
<b>1c</b>	Major renovation	1,976,091,001	23.6
<b>1d</b>	KERA strands	12,161,711	0.1
<b>1e</b>	Life safety	62,642,573	0.7
<b>1f</b>	Handicapped accessibility	4,478,467	0.1
<b>2a</b>	New construction: Capacity	394,859,091	4.7
<b>2b</b>	Inadequate facilities	396,206,982	4.7
<b>2c</b>	Major renovation	3,697,148,203	44.2
<b>2d</b>	KERA strands	48,261,681	0.6
<b>2e</b>	Life safety	66,958,774	0.8
<b>2f</b>	Handicapped accessibility	19,164,110	0.2
<b>3</b>	Non-educational additions	142,959,203	1.7
<b>4</b>	Management support facilities	569,972,905	6.8
<b>Total</b>		8,363,458,328	100.0

# Per-Pupil District Need 2020 and District Per-Pupil Property Assessments





# DFP-Reported Need Priorities 1 Through 4 2010 to 2020



# Hypothetical DFP Comparison

<b>District X DFP priorities and cost</b>	
Priority 1c – Major renovation to remove asbestos, roof, a/c, electric, and ADA	\$7,943,629
Priority 1d – 6 new preschool rooms	\$1,609,353
Priority 1e – fire alarms, sprinkler, emergency exits, security cameras and glass	\$1,576,062
Priority 1f – High School ADA upgrades	\$1,288,973
<b>Total DFP Need</b>	<b>\$12,418,017</b>

<b>District Y DFP priorities and cost</b>	
Priority 2c – renovate elem. school	\$5,352,400
Priority 4 – renovate central office	\$3,706,146
Priority 4 – new maintenance building	\$2,023,632
Priority 4 – new bus garage	\$1,188,973
<b>Total DFP Need</b>	<b>\$12,271,151</b>

# Interpreting DFP-Reported Need:

- DFP need varies in districts
- District-reported need is increasing
- Facilities spending has been decreasing
- Districts are reallocating restricted facilities funds for general fund operating expenses

# General Fund Balance Percentage Comparison For Districts That Requested Capital Funds Request Relative To Those That Did Not School Year 2013 to 2019

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

\*Capital Funds requests totaled \$347 million from 2013-2019

# Interpreting DFP-Reported Need Differences Among Districts

- Differences among districts in building needs appear extreme
- Some differences may be explained by what districts choose to include on their plans
- Districts do not always need to demonstrate urgency
  - Major renovations can include single 15-year old building systems, regardless of demonstrated need for replacement
  - KDE recommends that renovations last at least 30 years
- No time limit on future-planned projects
  - Project completion rates vary

# Priority 4 Projects Completed 2010 to 2020

<b>Project</b>	<b>On 2010 DFPs</b>	<b>Not On 2020 DFPs</b>	<b>Percent Assumed Completed</b>
School Buildings	126	86	68%
Bus Garages	99	15	15
Central Storage Buildings	57	28	49
Central Offices	111	11	10
Maintenance Buildings	29	12	41

# Outline

- Background
- Revenue and Expenditures
- District Facility Plans
- **Kentucky Facilities Inventory and Classification System (KFICS)**
  - **Statutory goals and funding**
  - **Implementation schedule**
  - **Preliminary data**
- Conclusions and Recommendations

# KFICS

## Statutory Goals And Funding

KRS 157.420 (9) requires KDE to

“standardize the process for evaluating the overall quality and condition of all school buildings across the state ”

to produce a

“consistent categorization of buildings for local planning purposes and for the distribution of state general fund moneys designated for capital construction.”

The statute specifies several indicators related to building condition, educational suitability, and life safety

In 2016, the General Assembly appropriated \$2 million for KDE to develop “a maintainable and updateable process to assess the physical quality of and condition of K-12 public school buildings.”



# KFICS Implementation

- KDE has contracted with Ameresco to develop software to assess building conditions and to train district staff, local architects, and engineers
- Data can be entered on site on mobile devices and updated
- The number of schools entered in KFICS has grown each year
- KDE set as a Phase II goal that all data from most schools would be entered by 2019
- As of September 2020, less than half of schools were in KFICS

# Percentage of Schools Entered in KFICS By District, 2020

<b>Percent Of District's Schools Entered Into KFICS*</b>	<b>Number Of Districts</b>
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<b>0</b>	<b>67</b>
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<b>1 to 24</b>	<b>10</b>
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<b>25 to 49</b>	<b>19</b>
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<b>50 to 69</b>	<b>22</b>
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<b>70 to 89</b>	<b>24</b>
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<b>90 to 100</b>	<b>30</b>
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\*Based on KFICS data available as of August 2020.

# Alignment of KFICS and DFP

- KFICS could potentially standardize data used to inform district need on DFPs
- KRS 157.420 requires KBE to develop a regulation to implement the system
- In a 2017 report to LRC, KDE set goal of aligning and incorporating KFICS into DFP process
- The required regulation has not been promulgated and the Kentucky Facilities Planning Manual (702 KAR 4:180) has not been updated since 2008
- The DFP and KFICS processes are operating as parallel processes
- To fully align with DFP, KFICS would need to incorporate data on future construction; this function not incorporated in current costs and contracts

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- **Conclusions and Recommendations**

# DFP-Reported Needs Raise Questions About Comparability Of Data

## Trends

- DFP reported need increased substantially
- Extreme differences among districts

## Concerns about Comparability

- Total reported need increasing but:
  - Expenditures decreasing
  - Many districts requesting reallocation of facilities funding
- **District discretion on DFPs**
  - Urgent versus long-term projects

# Kentucky Facilities Inventory and Classification System (KFICS) Important Implementation Lagging

- Standardized, objective, comprehensive, current data necessary to inform state and local funding decisions
- KFICS
  - Funded since 2016; software implemented and staff trained
  - Implementation lagging

# Districts Prioritize Critical Facility Needs But Not Always Required To Observe Priorities

- Critical needs prioritized on DFPs
- In spending majority of facility funds, districts are not required to follow priority order
- KFICS could inform state and local decision makers of current critical needs when making decisions about facility projects

# 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.



# Recommendations

## **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.

# Recommendations

## **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.

# Recommendations

## **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.

# Recommendations

## **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.

END