School Facility Needs And Funding Mechanisms In Kentucky

Presentation to the
Education Accountability and Assessment Review Subcommittee and the
Interim Joint Committee on Education by the
Office of Education Accountability
November 9, 2026

Outline

- **Major Findings And Background**
- State And District Revenue Trends
- Kentucky Facilities Inventory And Classification System
- Efficiency Issues
- Recommendations

Major Findings
Facility Funding

- Statewide, facility funding increases outpaced construction costs in last decade and unmet facility need declined
  - Increases driven by additional “nickel” taxes
  - Funding decreased in 1/3 of districts

- State facility funding has been critical in addressing property-wealth and facility need disparities among districts
  - State equalization of additional local “nickel” taxes
  - School Facility Construction Commission “bridge” funding

} Distribution mechanisms merit reexamination

- Kentucky Facilities Inventory And Classification System (KFICS)
  - Progress made—contains systems inventory for 91% of schools
  - School score may not reflect actual condition
  - May need clarification and third party verification to support funding decisions

Major Findings
Efficiency Concerns

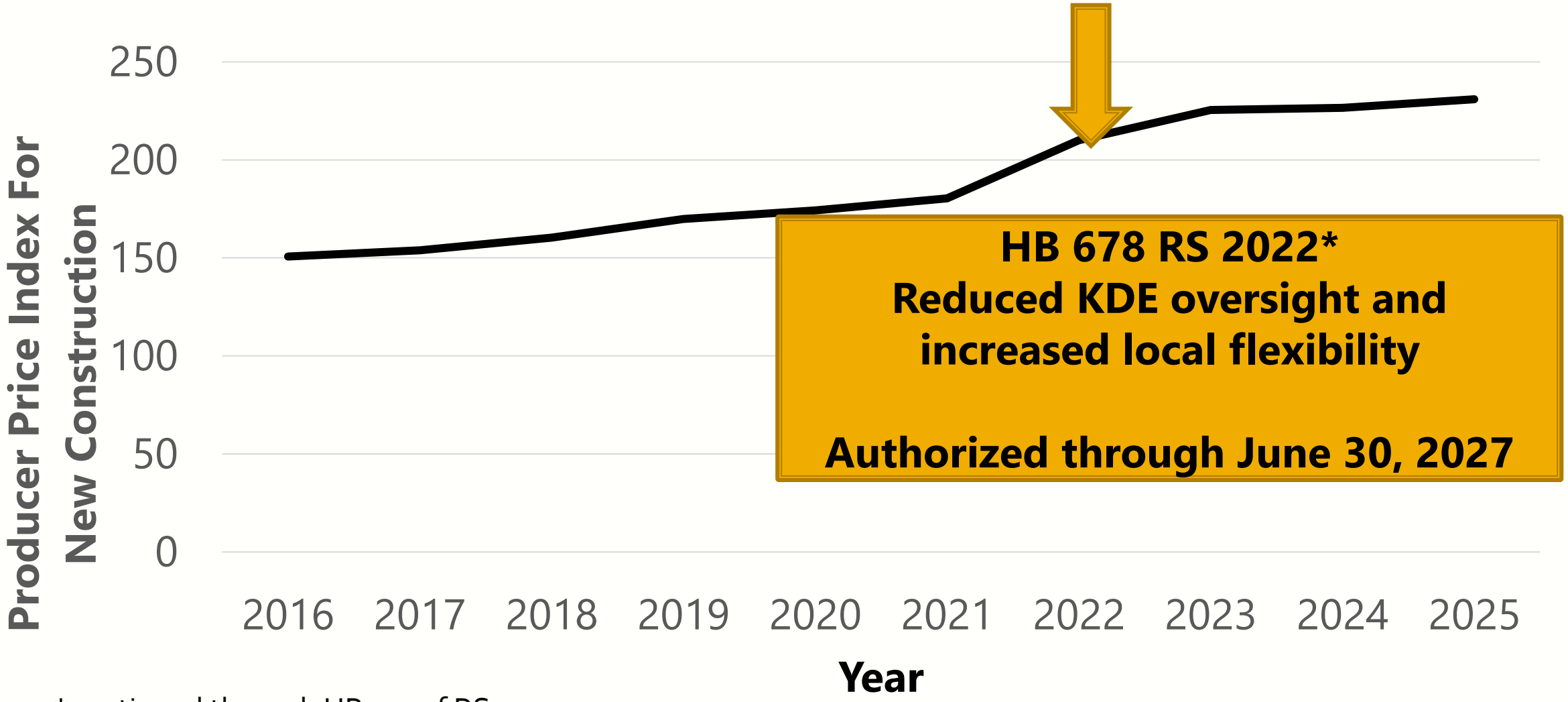
- More than ¼ of schools are under-enrolled at <80 percent building capacity
  - Closure and consolidation may not be feasible in most cases, but opportunities exist in some districts

- Some construction cost reduction efforts in other states may be beneficial in commonwealth

Data Sources

- Kentucky Department of Education (KDE)
  - State and local facility revenue
  - District Facility Plans
  - Construction documents
  - KFICS data
- School Facilities Construction Commission (SFCC)
  - District facility need and unmet need
- Office of Education Accountability (OEA)
  - Survey of all districts*
  - Interviews of staff from KDE and SFCC
  - *OEA received responses from 121 of 171 districts. Respondents included superintendents or district facility staff.

Construction Cost Increases And Increased Flexibility For Districts



*continued through HB 727 of RS 24

District Facility Plans
Athletic/Extracurricular Projects

- Restricted facility funds must be spent on projects outlined in a district facility plan (DFP)
  - DFP project totals are district facility “need”, used in SFCC funding calculation
  - Funds must be spent on school major renovations of new construction or other DFP priority items (1-4)
  - Athletic/extracurricular considered discretionary (5)
- HB 678 allowed athletic/extracurricular to be included in any priority item (therefore also included in facility need)
- Athletic projects range greatly in scope and are not subject to limits in the Kentucky School Facilities Planning Manual

Restricted Facility Fund
*Use For Projects**

- Facility funds—also sometimes called "capital funds" must be kept in restricted accounts
  - Capital outlay fund ($100 per AADA)
  - Building fund (nickel revenue)

- HB 678 permitted districts to ***use*** funds from the capital outlay ***funds for projects*** without commissioner approval, as is usually required**

- In SY 2025 districts transferred $95 million from restricted funds to the general fund
  - Of those, most ($74 million) were from the building fund

* Bolded italicized text added to the original slide in yourer clarity and accuracy
**Flexibility had to be accepted by resolution of local board

Capital Fund Transfers

- HB 678 (2022) and HB 727 (2024) allow for broad interpretation
  - Rapid construction cost increases
  - Removed commissioner approval
- Prior budget language
  - Utilize **any** capital funds (Capital Outlay and Building Funds)
- HB 678 and HB 727
  - Use of the district's capital outlay funds

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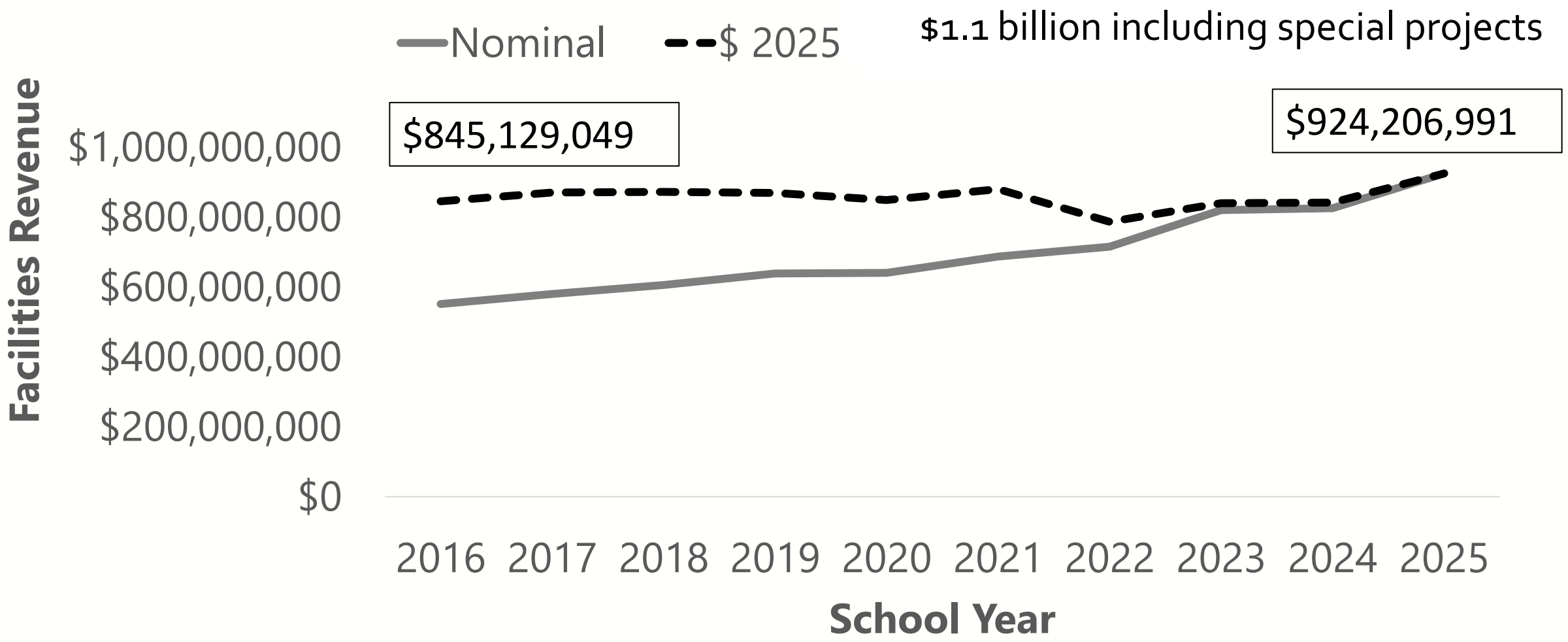
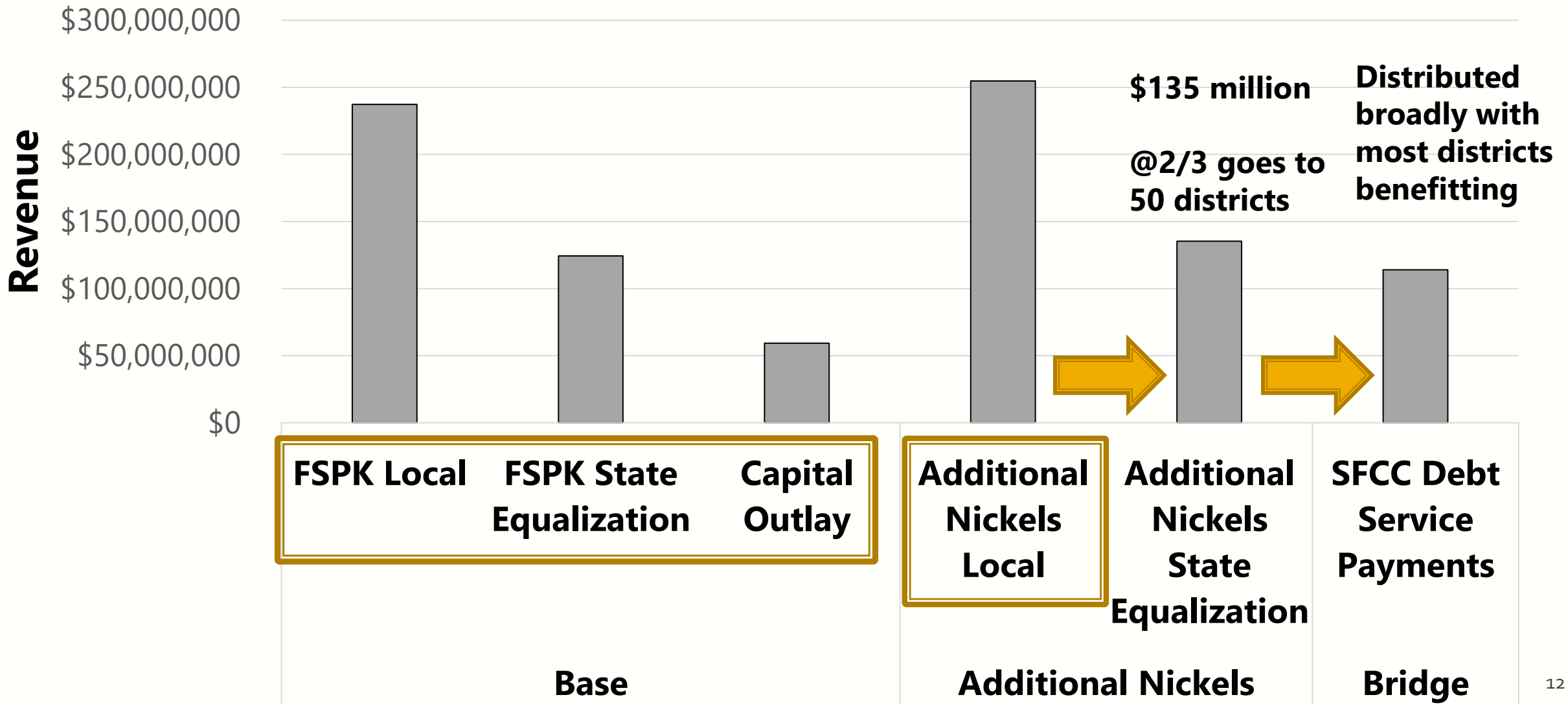
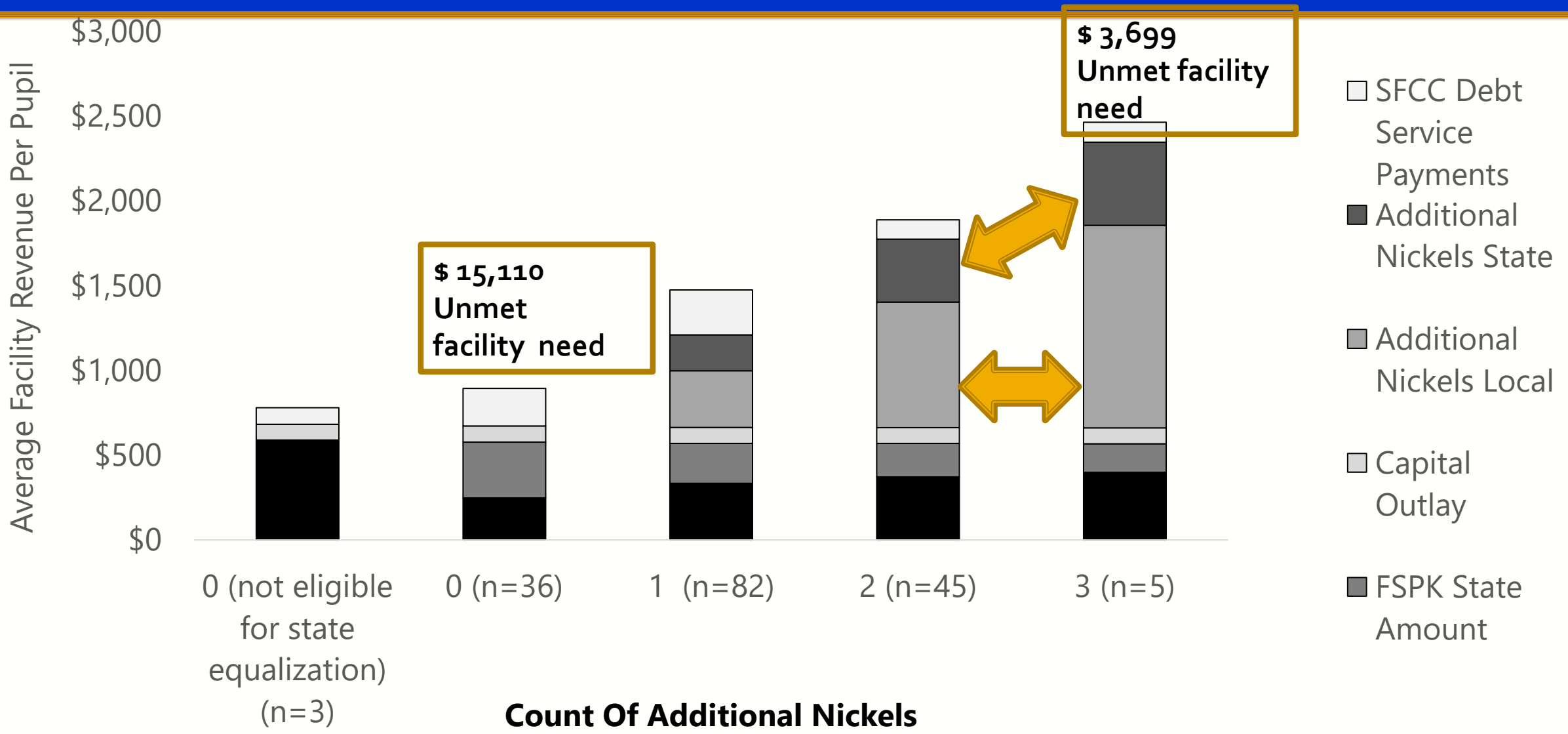
Facilities Revenue By School Year
Nominal And Cost-Adjusted, 2025 Dollars



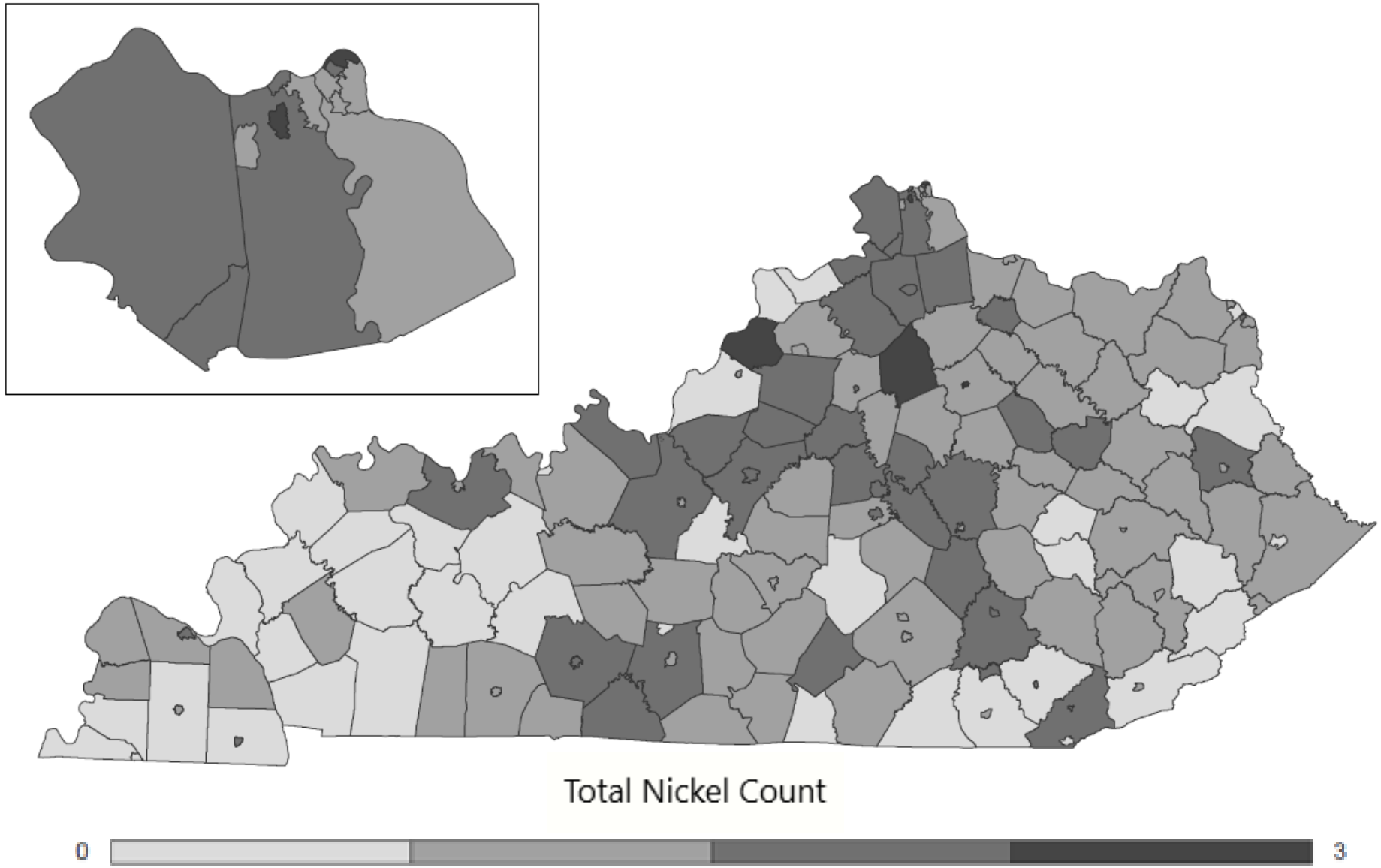
Facility Revenue SY 2025



Per Pupil Revenue By Source
By Number Of Additional Nickels Levied
SY 2025 School Year



Number Of Additional Nickels By District, SY 2025



Number Of Additional Nickels By District, SY 2025



Historical nickels include:
Growth Nickels (1994, 2003)
Category 5 (2010)

All districts may levy recallable nickel, with local support.

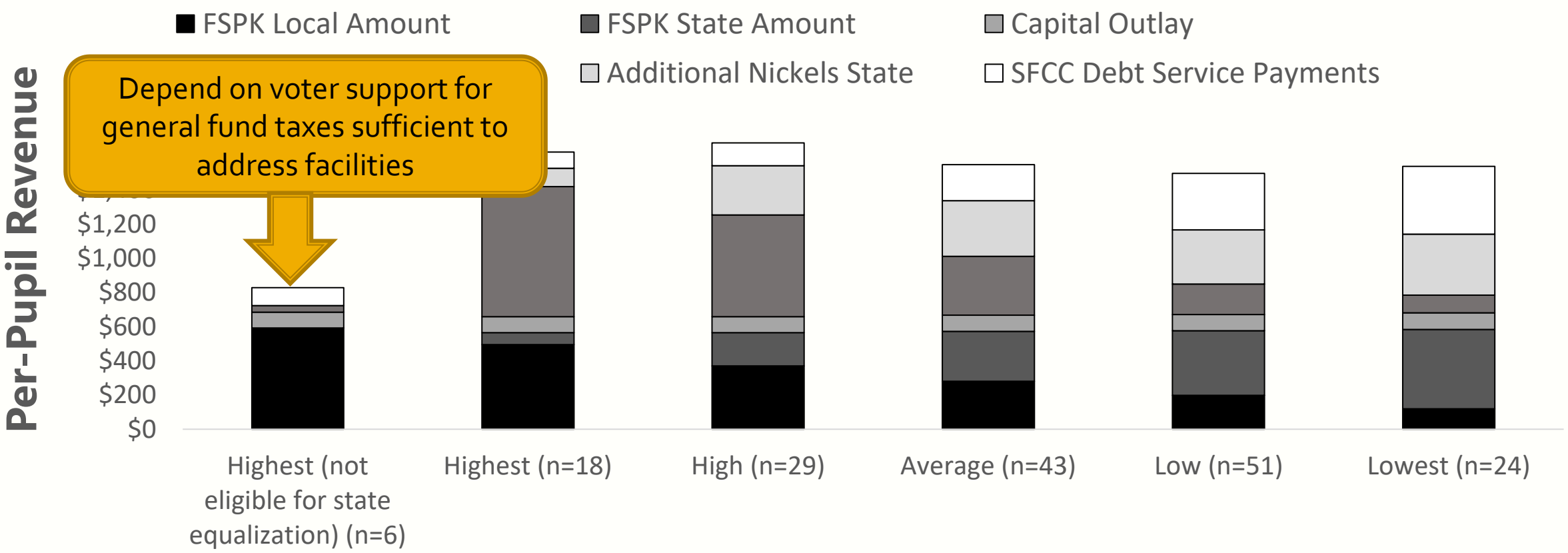
Some districts are unsuccessful at passing a recallable nickel, even after multiple attempts.

Most nickels have not been passed as time- or project- bound. Some districts have been collecting growth nickels for decades and are no longer growing.

Total Nickel Count

0 3

Per Pupil Facilities Revenue
By District Property Wealth, SY2025



Ineligible districts SY2025: Anchorage Ind., Bellevue Ind., Campbell Co., Jefferson Co., Livingston Co., and Lyon Co..

SFCC Funding Based On Difference Between DFP Facility Need And Local Available Revenue

DISTRICT NEED

- Calculated from projects listed on DFP plan by district local planning committee
- Urgency of projects listed by districts may vary considerably

LOCAL AVAILABLE REVENUE

- Based primarily on restricted building funds
- Does not take into account
  - facility fund transfers
  - local efforts to generate revenue
  - general fund balance

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- Major Findings And Background
- State And District Revenue Trends
- **Kentucky Facilities Inventory And Classification System**
- Efficiency Issues
- Recommendations

Kentucky Facilities Inventory And Classification System (KFICS)

- Required by KRS 157.420
- Standardized process for evaluating the overall quality and condition of all school buildings across the state
- Consistent categorization of buildings for local planning purposes and for the distribution of state general fund moneys for capital construction

Kentucky Facilities Inventory And Classification System (KFICS) Benefits

- Approximately 91% of A1 schools were entered in SY 2025
  - 117 districts entered all schools
  - 16 districts entered no schools
- Inventory of building age, additions, age of all major systems
- Software has applications for local planning

KFICS Limitation:
Weak Alignment of KFICS Score & Building Condition

- KFICS score is based primarily on the age of building systems
  - KFICS is an inventory
- Systems of very different ages are counted in the same in the score
- Industry standard for HVAC replacement is 16 years
  - A 16 or 50 year old HVAC counts the same in the Kentucky school score
- A building with a very low KFICS ranking is not necessarily in poor condition
  - 39% of buildings categorized as in critical condition by KFICS had no urgent need
  - The General Assembly lacks a source of information about which Kentucky schools have truly critical needs

KFICS 2025 Official State Report

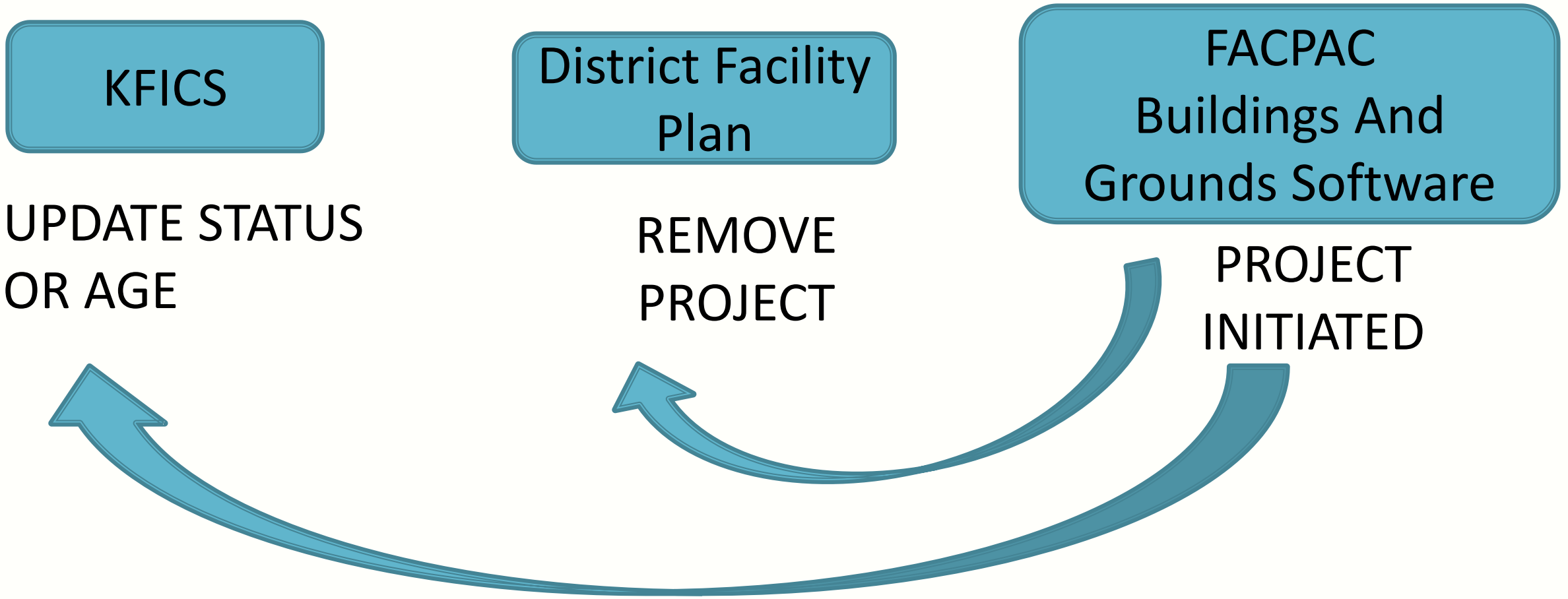
Rank	Year Built	Number of Additions	Gross Area (GSF)	Kentucky School Score	Condition Index	Educational Suitability	Costs to Replace Urgent Actions	Costs to Replace High Actions	Costs to Replace Medium Actions	Total Budget Costs to Replace
1	1973	3	79,711	14.21%	15.67%	9.84%	$ 16,877,798	$ 7,400,307	$ 147,077	$ 24,425,182
2	1979	1	50,039	17.95%	21.08%	8.56%	$ 911,130	$ 12,739,880	$ 394,866	$ 14,045,876
4	1979	1	50,039	23.78%	26.34%	16.08%	$ 190,841	$ 12,551,831	$ 367,239	$ 13,109,911
6	1989	2	159,812	26.78%	31.50%	12.64%	$ 8,570,070	$ 33,927,300		$ 42,497,370
7	1964	2	31,483	27.43%	29.29%	21.86%	$ 3,555,456	$ 4,256,346	$ 106,923	$ 7,918,725
11	1979	1	39,048	30.20%	25.57%	44.07%	$ 4,620,787	$ 5,018,975	$ 697,305	$ 10,337,066
12	1965	1	43,425	30.21%	32.38%	23.69%		$ 9,809,392	$ 634,972	$ 10,444,364
13	1966	2	87,295	30.35%	34.70%	17.33%		$ 10,871,604	$ 9,841,650	$ 20,713,255
15	1930	1	58,840	31.56%	31.41%	32.01%	$ 3,670,620	$ 11,433,561	$ 563,166	$ 15,667,348
17	1971	3	70,950	32.01%	37.78%	14.72%		$ 14,353,157	$ 1,686,572	$ 16,039,729
18	1991	1	271,514	32.82%	33.69%	30.20%	$ 9,319,576	$ 55,776,157	$ 4,798,323	$ 69,894,055
19	1992	1	56,520	33.04%	35.26%	26.38%	$ 2,911,090	$ 10,104,901		$ 13,015,991
21	1987	1	60,011	33.53%	37.63%	21.26%	$ 4,780,773	$ 8,533,002		$ 13,313,775
22	1957	2	47,098	33.55%	43.40%	4.00%	$ 3,119,077	$ 6,362,534		$ 9,481,611
23	1902	6	94,098	33.76%	34.83%	30.56%	$ 16,408,080	$ 3,572,777	$ 3,824,451	$ 23,805,309
25	1999	1	127,000	34.44%	31.64%	42.84%	$ 4,775,482	$ 5,983,320	$ 20,123,198	$ 30,882,000
26	1967	2	128,629	34.52%	33.26%	38.31%	$ 2,329,047	$ 22,309,537	$ 8,688,011	$ 33,326,596
28	1952	3	57,894	34.90%	39.08%	22.37%	$ 21,718	$ 12,792,463		$ 12,814,181
31	1971	1	104,161	35.70%	34.04%	40.68%	$ 1,416,592	$ 25,254,486		$ 26,671,078
32	1968	2	141,950	35.80%	33.83%	41.71%		$ 13,657,792	$ 22,807,512	$ 36,465,304
33	1970	3	33,899	35.85%	33.22%	43.76%	$ 1,035,603	$ 6,993,512	$ 23,403	$ 8,052,518

KFICS Potential To Assess Actual Condition

- Actual condition data for each system is entered in the system (poor, fair, good, critical)
  - Scoring methodology not easily accessible

- If the General Assembly desired for the KFICS score to align with condition, it might clarify the statute and consider periodic third-party checks of some schools, especially when funding is considered

Data Systems Not Automatically Integrated



Updating relies on manual data input at the local and state level.

District Perception Of KFICS

44% agree
KFICS is a valuable tool to monitor facility needs

22% disagree*
that KFICS Is a valuable tool

Positive features

- Centralized information
- Age of Facility Systems
- "One stop shop" for building data

Shortcomings

- Too Complex
- May be less valuable to smaller districts
- Not integrated with other local software

* The remainder did not agree or disagree

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- State And District Revenue Trends
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- **Efficiency Issues**
  - **Maximizing efficient distribution of students among schools**
  - **Construction cost challenges**
- Recommendations

Challenges Under-Enrolled Schools

- Under-enrolled schools are expensive to maintain
- As districts lose enrollment, school consolidation is an important consideration for school district financial health
- The National Center for Education Statistics defines optimal enrollment as between 95-105 percent of building capacity
  - A minority of Kentucky schools fall in this range
- Report focuses on severely under- or over-enrolled schools

Under- Or Over-Enrolled Schools

Severely Under-Enrolled = <80 % of building capacity



22% of elementary schools
35% of middle schools
18% of high schools

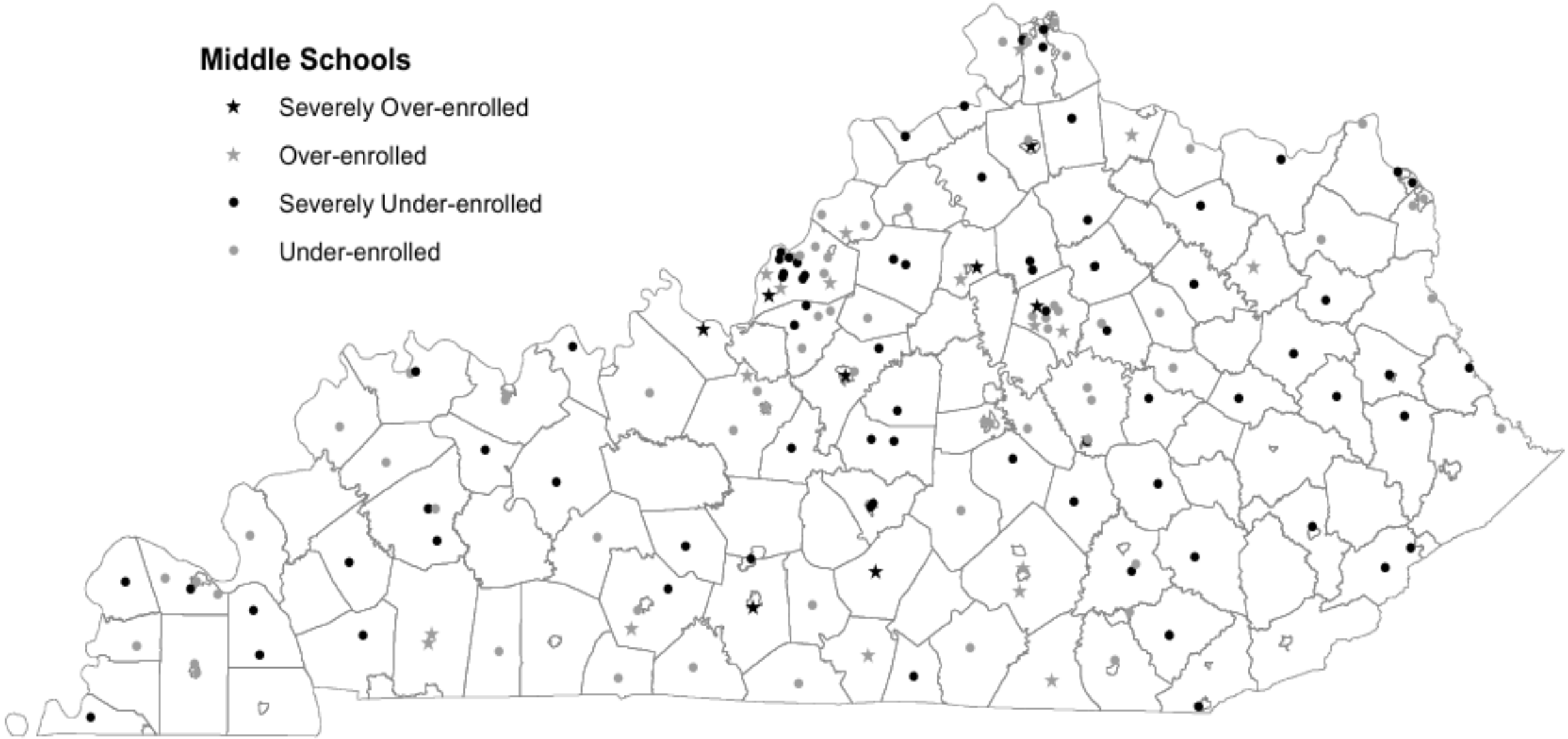
Severely Over-Enrolled = >130 % of building capacity



Should be in KFICS, but is not



2% of elementary schools
4% of middle schools
9% of high schools


Middle Schools
Severely Over-enrolled
Over-enrolled
Severely Under-enrolled
Under-enrolled

Under-Enrolled Schools Within Ten Travel Miles Of District School With Capacity To Consolidate

Under-Enrolled Schools	School Level	Schools Potentially Consolidated*
306	Elementary	15
129	Middle	25
79	High	11

*Count is of schools with potential to consolidate, not the total number that could be closed or consolidated

Efforts In Other States
Prototype Plans

- Protype plans are school plans that may be reused for other schools with similar needs in similar locations
  - Potentially great savings on architectural and engineering fees; these can range from 7 to 20 percent of project cost
- Many make plans available but few require their use
  - Florida and Georgia under very specific circumstances
- Most beneficial in rapidly growing populations with multiple similar school builds
  - Miami-Dade, FL and Wake County, NC
- Cost savings decrease as plan adjustments increase

Efforts In Other States
Design/Build

- Design build contracts allow clients to contract with a single entity for both design and construction services
  - Aids in timely completion
  - Price guarantees
- Districts lack statutory authority in KY to use a design build process
  - Believed to have risks for school districts in transparency and quality compromises
- All of Kentucky's surrounding states have permitted a modified "progressive" design-build
  - Firms vetted
  - Project requirements outlined (performance criteria, professional oversight)

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Future Facility Funding Considerations

- Link future funding to specific projects and consider a variety of measures that indicate whether a district has sufficient revenue available, including property wealth, local tax effort, facility funds transferred.

KFICS And Data System Considerations

- Amend KRS 157.420 to align requirements of the KFICS to meet the General Assembly's expectations
  - relationship between KFICS score and actual building condition
  - potential third-party evaluation of projects considered for funding
  - vendor responsibilities for transparency in scoring methodology and responsiveness to stakeholder needs

- Require the Kentucky Department of Education to implement a school facility funding data system that integrates and automatically updates all relevant facility information and follows data industry best-practice standards

Efficiency

- Require KDE to identify severely under-enrolled schools; consider school facility funding links

- Request information from other states and national organization about construction-cost reduction efforts, including document benefits and unintended consequences

END

Recommendations

Recommendation 1.1

The Kentucky Department of Education should revise the Kentucky School Facilities Planning Manual to update methods to determine building cost estimates; update model school requirements; and incorporate stakeholder feedback and any actions taken by the General Assembly.

Recommendation 3.1

In considering allocation of state facility revenue to districts beyond base facility funding, the General Assembly may wish to further define criteria according to which the need for state facility funding would be evaluated. Criteria could include specific projects for which state support may be requested; verification of building condition for requested projects; and consideration of a variety of measures that indicate whether a district has sufficient revenue available and whether it has made a reasonable effort to generate that revenue.

Recommendations

Recommendation 4.1

If the General Assembly elects to continue permitting inclusion of athletic or extracurricular projects in any priority, it may wish to indicate whether conditions for those projects should be established for inclusion in calculations of districts' facility needs or regulated through the Kentucky School Facilities Planning Manual.

Recommendation 4.2

The General Assembly may wish to consider amending KRS 157.420(9) to clarify the goals of the system and its required components. Clarifications might include whether the system should assess actual condition of buildings; whether all available information must be consolidated in a single source; whether the system should contain additional information such as a building's status as transitional or permanent or its enrollment relative to capacity; and whether the system should include any proposed construction to replace critical need buildings or accommodate growth in student populations.

Recommendations

Recommendation 4.3

The General Assembly may wish to consider amending KRS 157.420(9) to require that any contract associated with the system include transparent information about the methodology and scoring of the system; solicitation of periodic feedback from stakeholders; and adjustments to the system based on feedback.

Recommendation 4.4

The General Assembly may wish to consider amending KRS 157.420(9) to require periodic, on-site third-party verification of KFICS data for a sample of schools and any being considered for state funding due to critical condition.

Recommendations

Recommendation 4.5

The General Assembly may wish to consider legislation requiring KDE to implement a school facility data system that integrates information from all relevant sources; updates the KFICS and DFPs with relevant information in real time; and follows best practices for data entry.

Recommendation 5.1

The General Assembly may consider requiring KDE to develop criteria for identifying severely under-enrolled schools that have the potential to consolidate with other schools. Criteria might include travel time, transportation costs, and receiving-school capacity. The General Assembly may also wish to include potential school consolidation as a criterion for consideration of state facility funding.

Recommendations

Recommendation 5.2

The General Assembly may wish to solicit information about construction-cost reduction efforts from national organizations and those familiar with such efforts in other states. Information should include documented benefits as well as potential unintended consequences of these efforts.