

160.125 School of innovation pilot project -- Fund -- Applications -- Distribution of funds -- Report -- Matching funds -- Termination of participation.

- (1) There is hereby established the school of innovation pilot project to provide school districts with the opportunity to explore innovative school operation models.
- (2)
 - (a) There is hereby established in the State Treasury a trust and agency account to be known as the school of innovation pilot project fund. The fund shall consist of moneys received from state appropriations, gifts, grants, and federal funds.
 - (b) The fund shall be administered by the Kentucky Department of Education.
 - (c) Amounts deposited in the fund shall be used to support the school of innovation pilot project under this section and no other purpose.
 - (d) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward into the next fiscal year.
- (3) The school of innovation pilot project shall begin August 1, 2026, and end June 30, 2028, and shall consist of:
 - (a) Beginning with the first year of the pilot project, any school of innovation established by Covington Independent School District; and
 - (b) To the extent funds are available and beginning with the 2027-2028 school year, a cohort of two (2) schools of innovation chosen from applications submitted by local boards of education that meet the following criteria:
 1. The applicant has previously or concurrently been approved under KRS 156.161 for a school of innovation;
 2. The school of innovation is not a virtual program as defined in KRS 157.320;
 3. The application proposes a significant innovative educational opportunity to improve student outcomes, school operations, or both through approaches that would be difficult or impractical to implement under existing statutory or regulatory requirements; and
 4. The applicant identifies matching moneys consisting of district revenues, philanthropic contributions, or other funds that are to be dedicated for the operation of the school of innovation until the end of the pilot project and which shall be eligible to serve as matching funds under subsection (4) of this section.
- (4) The Kentucky Board of Education shall:
 - (a) Establish an annual timeline for application submission and approval for each year of the pilot project; and
 - (b) Review and approve two (2) applications under subsection (3) of this section for admission into the pilot project under subsection (3)(b) of this section to the extent that funds are available during the operation of the pilot project. The department shall distribute funds from the school of innovation pilot project fund to an approved applicant in amounts that match the funds dedicated by the approved applicant under subsection (3) of this section. The funds shall be distributed on a regular schedule to the approved applicant so long as the applicant operates the school of innovation as outlined in the

approved application. An approved applicant may submit an amended application so long as the amended application continues to meet the minimum requirements of subsection (3) of this section. Both the matching funds and the pilot project funds shall be restricted to the operation and support of the school of innovation, unless granted a waiver from the Kentucky Board of Education.

- (5) At the end of each school year, a school district participating in the pilot project shall submit to the Kentucky Department of Education a report which shall be compiled by the department and submitted to the Legislative Research Commission for referral to the Interim Joint Committee on Education. The report shall include:
 - (a) A description of the district's school of innovation activities during the school year and how the school is innovating, including innovations through the waiving of statute or administrative regulation;
 - (b) The education service providers and any other entities the school district has partnered with for the operation of the school of innovation;
 - (c) A general accounting of how the district and matching pilot project funds have been used;
 - (d) The academic programs offered by the school of innovation;
 - (e) The enrollment details of the school of innovation;
 - (f) What student and school performance factors the district shall use to determine success of the school of innovation and the current status on those factors; and
 - (g) What hindrances to innovation the district may have encountered.
- (6) Matching funds for the pilot project may include contributions from one (1) or more private or philanthropic entities, including nonprofit organizations that partner with school districts to support the design or implementation of schools of innovation.
- (7) An application under subsection (3) of this section:
 - (a) May be submitted collectively by two (2) or more local boards of education; and
 - (b) Shall identify the waivers applicable to each school district, the responsibilities of each school district in operating the school of innovation, and the matching funds each school district shall provide to support the school of innovation.
- (8) If the Kentucky Board of Education at any time finds by a two-thirds (2/3) majority vote that the operation of the school of innovation under this subsection has endangered students, impeded student academic achievement, or supported financial malfeasance or criminal activity, then the school of innovation's participation in the long-term component of the school of innovation pilot project shall be terminated and no further funds shall be distributed.

Effective: July 15, 2026

History: Created 2026 Ky. Acts ch. 180, sec. 5, effective July 15, 2026.

Legislative Research Commission Note (7/15/2026). 2026 Ky. Acts ch. 180, sec. 6, provides: "For the school of innovation under [KRS 160.125(3)(a)]:

- (1) By August 1, 2026, the board of education of Covington Independent Schools shall submit the district's collection of waivers pursuant to [KRS 156.161] for establishing any school of innovation within the district to the Kentucky Board of Education for inclusion under [KRS 160.125(3)(a)];
- (2) Notwithstanding any requirement of KRS 156.161 to the contrary, within thirty days of the submission under subsection (1) of this section, the Kentucky Board of Education shall approve any waiver requested for a school of innovation that satisfies the requirements of [KRS 156.161(1)].
- (3) Any distribution of funds shall be to Educate NKY Inc. to support the establishment of schools of innovation within the Covington Independent School District and shall be conditioned upon an agreement between Educate NKY Inc. and the Covington Independent School District for the support and operation of schools of innovation; and
- (4) Funds distributed shall only be used for the operation of the schools of innovation within the Covington Independent School District."