

# FREE CONFERENCE COMMITTEE REPORT

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The Free Conference Committee on **HB 510** has met as provided in the Rules of the House and Senate and hereby reports the following to be adopted:

\_\_\_\_\_ GA X SCS2 \_\_\_\_\_ HCS

For the above-referenced bill, with these amendments (if applicable):

Committee (list by chamber and number): \_\_\_\_\_;

Floor (list by chamber and number): \_\_\_\_\_; and

The following Free Conference Committee action:

On page 23, delete lines 14 through 17 and insert the following in lieu thereof:

"➔Section 9. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; C. Department of Education; 1. Support Education Excellence in Kentucky (SEEK) Program, at pages 625 to 628, is amended to read as follows:

**1. SUPPORT EDUCATION EXCELLENCE IN KENTUCKY (SEEK) PROGRAM**

	<b>2014-15</b>	<b>2015-16</b>
General Fund	2,972,270,700	3,009,490,600

**(1) Common School Fund Earnings:** Accumulated earnings for the Common School Fund shall be transferred in each fiscal year to the SEEK Program.

**(2) Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above General Fund and Federal Funds appropriations to the base SEEK Program are intended to provide a base guarantee of \$3,911 per student in average daily attendance in fiscal year 2014-2015 and \$3,981 per student in average daily attendance in fiscal year 2015-2016 as well as to meet the other requirements of KRS 157.360. In accordance with KRS 157.390(3), \$100 of the base per pupil guarantee shall be for capital outlay purposes.

1 Funds appropriated to the SEEK Program shall be allotted to school districts in accordance  
2 with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the  
3 appropriations for this purpose, except as provided in this Act. The total appropriation for the  
4 SEEK Program shall be measured by, or construed as, estimates of the state expenditures  
5 required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the  
6 Secretary of the Finance and Administration Cabinet, upon the written request of the  
7 Commissioner of Education and with the approval of the Governor, may increase the  
8 appropriation by such amount as may be available and necessary to meet, to the extent possible,  
9 the required expenditures under the cited sections of the Kentucky Revised Statutes, but any  
10 increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions,  
11 of this Act and KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to  
12 provide the amount of money required under KRS 157.310 to 157.440, allotments to local school  
13 districts may be reduced in accordance with KRS 157.430.

14 **(3) Local School District Certified and Classified Employee Pay Increases:**  
15 Notwithstanding KRS 157.420(2), local school districts shall provide all certified and classified  
16 staff a salary or compensation increase of not less than one percent in fiscal year 2014-2015, and  
17 an additional salary or compensation increase of not less than two percent in fiscal year 2015-  
18 2016. The salary increase for certified staff shall be in addition to the normal rank and step  
19 increase attained by certified personnel employed by local school districts. Classified staff  
20 employed by a local board of education that work less than full-time shall receive a pro rata share  
21 of the salary increase based on terms of their employment.

22 **(4) Base SEEK Allotments:** Notwithstanding KRS 157.420(2), included in the above  
23 General Fund appropriation is \$2,069,514,800 in fiscal year 2014-2015 and \$2,103,805,900 in  
24 fiscal year 2015-2016 for the base SEEK Program as defined by KRS 157.360. Funds  
25 appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS  
26 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations  
27 for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in

1 the appropriation for the base SEEK Program is \$214,752,800 in each fiscal year for pupil  
2 transportation.

3 **(5) Tier I Component:** Included in the above General Fund appropriation is  
4 \$170,476,000 in fiscal year 2014-2015 and \$168,116,200 in fiscal year 2015-2016 for the Tier I  
5 component as established by KRS 157.440.

6 **(6) Vocational Transportation:** Included in the above General Fund appropriation is  
7 \$2,416,900 in each fiscal year for vocational transportation.

8 **(7) Secondary Vocational Education:** Included in the above General Fund  
9 appropriation is \$22,866,900 in fiscal year 2014-2015 and \$22,881,900 in fiscal year 2015-2016  
10 to provide secondary vocational education in state-operated vocational schools.

11 **(8) Teachers' Retirement System Employer Match:** Included in the above General  
12 Fund appropriation is \$372,278,100 in fiscal year 2014-2015 and \$380,489,300 in fiscal year  
13 2015-2016 to enable local school districts to provide the employer match for qualified employees  
14 as provided for by KRS 161.550.

15 **(9) Salary Supplements for Nationally Certified Teachers:** Notwithstanding KRS  
16 157.395, included in the above General Fund appropriation is \$2,750,000 in each fiscal year for  
17 the purpose of providing salary supplements for public school teachers attaining certification by  
18 the National Board for Professional Teaching Standards. Notwithstanding the provisions of KRS  
19 157.395, if the appropriation is insufficient to provide the mandated salary supplement for  
20 teachers who have obtained this certification, the Department of Education is authorized to pro  
21 rata reduce the supplement.

22 **(10) Final SEEK Calculation:** Notwithstanding KRS 157.410, on or before March 1 of  
23 each year, the Commissioner of Education shall determine the exact amount of the public  
24 common school fund to which each district is entitled, and the remainder of the amount due each  
25 district for the year shall be distributed in equal installments beginning the first month after  
26 completion of final calculation and for each successive month thereafter.

27 **(11) SEEK Adjustment Factors:** Funds allocated for the SEEK base and its adjustment

1 factors that are not needed for the base or a particular adjustment factor may be allocated to other  
2 adjustment factors, if funds for that adjustment factor are not sufficient.

3 **(12) Facilities Support Program of Kentucky/Equalized Nickel Levies:** Included in the  
4 above General Fund appropriation is \$76,315,900 in fiscal year 2014-2015 and \$73,953,700 in  
5 fiscal year 2015-2016 to provide facilities equalization funding pursuant to KRS 157.440 and  
6 157.620.

7 **(13) Growth Levy Equalization Funding:** Included in the above General Fund  
8 appropriation is \$16,823,600 in fiscal year 2014-2015 and \$16,659,300 in fiscal year 2015-2016  
9 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620, for districts  
10 meeting the eligibility requirements of KRS 157.621(1) and (4).

11 **(14) Retroactive Equalized Facility Funding:** Included in the above General Fund  
12 appropriation is \$10,753,400 in fiscal year 2014-2015 and \$10,741,700 in fiscal year 2015-2016  
13 to provide equalized facility funding pursuant to KRS 157.440 and 157.620 to districts meeting  
14 the eligibility requirements of KRS 157.621(2) and (4). In addition, a local board of education  
15 that levied a tax rate subject to recall by January 1, 2014, in addition to the five cents levied  
16 pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new facilities, or  
17 major renovations of existing facilities shall be eligible for equalization funds from the state at  
18 150 percent of the statewide average per pupil assessment. Revenue to generate the five cent  
19 equivalent levy may be obtained from levies on property, motor vehicles, or the taxes authorized  
20 by KRS 160.593 to 160.597, 160.601 to 160.633, and 160.635 to 160.648 if the levy was  
21 dedicated to facilities funding at the time of the levy. The equalization funds shall be used as  
22 provided in KRS 157.440(1)(b). For the 2014-2016 fiscal biennium, school districts that levied  
23 the tax rate subject to recall prior to September 1, 2012, and began collecting the tax in fiscal  
24 year 2012-2013 shall be equalized at 100 percent of the calculated equalization funding, and  
25 school districts that levied the tax rate subject to recall after September 1, 2012, and began  
26 collecting the tax in the following fiscal year shall be equalized at 25 percent of the calculated  
27 equalization funding in each fiscal year. It is the intent of the 2014 General Assembly that any

1 local school district receiving partial equalization under this subsection in the 2014-2016 fiscal  
2 biennium shall receive full calculated equalization in the 2016-2018 fiscal biennium and  
3 thereafter.

4 **(15) Equalized Facility Funding:** Included in the above General Fund appropriation is  
5 \$6,271,500 in fiscal year 2014-2015 and \$6,096,100 in fiscal year 2015-2016 to provide  
6 equalized facility funding pursuant to KRS 157.420 and 157.620 to districts meeting the  
7 eligibility requirements of KRS 157.621(3) and (4).

8 **(16) BRAC Equalized Facility Funding:** Included in the above General Fund  
9 appropriation is \$1,719,100 in fiscal year 2014-2015 and \$1,658,800 in fiscal year 2015-2016 to  
10 provide equalized facility funding to school districts meeting the eligibility requirements of KRS  
11 157.621(1)(c) pursuant to KRS 157.440 and 157.620.

12 **(17) Instructional Days:** Notwithstanding KRS 158.070, the school term for fiscal year  
13 2014-2015 and fiscal year 2015-2016 shall include the equivalent of 177 six-hour instructional  
14 days. Districts may exceed 177 six-hour instructional days.

15 **(18) Hold-Harmless Guarantee:** A modified hold-harmless guarantee is established in  
16 fiscal biennium 2014-2016 which provides that every local school district shall receive at least  
17 the same amount of Support Education Excellence in Kentucky (SEEK) state funding per pupil  
18 as was received in fiscal year 1991-1992. If funds appropriated to the SEEK Program are  
19 insufficient to provide the amount of money required under KRS 157.310 to 157.440, and  
20 allotments to local school districts are reduced in accordance with KRS 157.430, allocations to  
21 school districts subject to this provision shall not be reduced.

22 **(19) Equalization Funding for Critical Construction Needs Schools:** (a) Included in the  
23 above General Fund appropriation is \$5,331,800 in fiscal year 2014-2015 and \$5,168,000 in  
24 fiscal year 2015-2016 to provide equalization funding for school districts that have school  
25 facilities classified as Category 5 on May 18, 2010, by the Department of Education; Sheldon  
26 Clark High School in Martin County, which has been determined to be structurally unsound by a  
27 certified engineer; Magoffin County Schools, which have serious space limitations as a result of

1 tornado damage; Carlisle County Elementary School, which is the A1 school determined to be in  
2 the poorest condition in the state according to the Parsons/MGT Report of November 2011; and  
3 school districts that have levied an additional five cents equivalent tax rate for debt service, new  
4 construction, and major renovation beyond the five cents equivalent tax rate required by KRS  
5 157.440(1)(b), except as provided in paragraph (c) of this subsection. Equalization shall be  
6 provided at 150 percent of the statewide average per pupil assessment beginning in the fiscal year  
7 following the fiscal year in which the levy is imposed. This levy shall be subject to the recall  
8 provisions of KRS 132.017. Local school districts that have schools rated in poor condition in the  
9 Parsons/MGT Report of November 2011 are encouraged to levy an additional five cents  
10 equivalent tax rate for debt service, new construction, and major renovation beyond the five cents  
11 equivalent tax rate required by KRS 157.440(1)(b), except as provided in paragraph (c) of this  
12 subsection in anticipation of receiving equalization funding during the 2016-2018 fiscal  
13 biennium.

14 (b) If the total revenue generated in the 2014-2016 fiscal biennium by the additional five  
15 cents equivalent tax levy, the equalization funds, and any escrowed or additional offers of  
16 assistance from the School Facilities Construction Commission is insufficient to cash fund the  
17 project or to sufficiently support the required annual debt service for the entirety of the capital  
18 project, the school district shall be awarded additional funds equal to the amount of annual debt  
19 service necessary to complete the project in its entirety. Any funds included in paragraph (a) of  
20 this subsection not necessary to provide equalization in each fiscal year shall be used for this  
21 purpose. If the total funds appropriated in paragraph (a) of this subsection are insufficient, the  
22 School Facilities Construction Commission is authorized to make additional offers of assistance  
23 not to exceed the debt service for \$7,300,000 for Carlisle County, not to exceed the debt service  
24 for \$5,000,000 for Magoffin County, and not to exceed the debt service for \$14,000,000 for  
25 Martin County.

26 (c) If the school district utilizes the equalization funds appropriated in paragraph (a) of this  
27 subsection to support a bond issue for construction purposes, equalization funds shall be

1 provided for 20 years or until the bonds are retired, whichever is less.

2 (d) If a school district receives an allotment under paragraph (a) of this subsection and  
 3 subsequently, as the result of litigation or insurance, receives funds for the original facility, the  
 4 school district shall reimburse the Commonwealth an amount equal to that received pursuant to  
 5 paragraph (a) of this subsection. If the litigation or insurance receipts are less than the amount  
 6 received pursuant to paragraph (a) of this subsection, the district shall reimburse the  
 7 Commonwealth an amount equal to that received as a result of litigation or insurance less the  
 8 district's costs and legal fees in securing the judgment or payment. Any funds received in this  
 9 manner shall be deposited in the Budget Reserve Trust Fund Account (KRS 48.705).

10 *(20) Additional SEEK Funding: If the above General Fund appropriation is not*  
 11 *sufficient to fully fund the SEEK Program including any adjustments pursuant to KRS*  
 12 *157.360 in fiscal year 2014-2015, the Kentucky Department of Education may request up to*  
 13 *\$10,000,000 in fiscal year 2014-2015, which shall be deemed a necessary government expense*  
 14 *and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget*  
 15 *Reserve Trust Fund Account (KRS 48.705).*

16 ➔Section 10. 2014 Kentucky Acts Chapter 117, Part V, Funds Transfer; I. Personnel  
 17 Cabinet, 3. Public Employees Health Trust Fund, at page 748, is amended to read as follows:

18 **3. Public Employee Health Trust Fund**

19 Enterprise Fund -0- 93,000,000 63,500,000~~[-0-]~~  
 20 (KRS 18A.2254(3))

21 *(1) The*~~This~~ fund transfer *of \$93,000,000* to the General Fund *in fiscal year 2014-2015*  
 22 partially supports the salary increases for Local School District Certified and Classified  
 23 employees as recommended in Part I, C., 1., (3) of this Act and for full-time and part-time  
 24 employees of the Executive Branch as set out in Part IV, 3. of this Act.

25 *(2) The fund transfer of \$63,500,000 to the General Fund in fiscal year 2015-2016*  
 26 *shall be appropriated to the Budget Reserve Trust Fund Account (KRS 48.705).*

27 ➔Section 11. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; after M.

1 Tourism, Arts and Heritage Cabinet, at page 664, is amended by inserting the following:

2 **N. BUDGET RESERVE TRUST FUND**

	<u>2014-15</u>	<u>2015-16</u>
3 <b><u>General Fund</u></b>	<b><u>-0-</u></b>	<b><u>63,500,000</u></b>

4  
5 ➔Section 12. 2014 Kentucky Acts Chapter 117, Part V, Funds Transfer; E. Energy and  
6 Environment Cabinet; 3. Environmental Protection, at page 746, is amended to read as follows:

7 **3. Environmental Protection**

8 **a.** Insurance Administration Fund -0- 7,477,000 7,723,000  
9 (KRS 224.60-130, 224.60-140, ~~and~~ 224.60-145, **and 224.60-150**)

10 **b. Insurance Administration Fund** -0- **3,000,000** -0-  
11 **(KRS 224.60-130, 224.60-140, 224.60-145, and 224.60-150)**

12 **In fiscal year 2014-2015, \$3,000,000 shall be transferred to the General Fund to**  
13 **support the County Road Aid Program and Municipal Road Aid Program as detailed in 2014**  
14 **Ky. Acts ch. 127, I, A., 7., (1)(b) and (3)(b).**

15 ➔Section 13. 2014 Kentucky Acts Chapter 127, Part I, Operating Budget; A.  
16 Transportation Cabinet; 7. Revenue Sharing, at page 791, is amended to read as follows:

17 **7. REVENUE SHARING**

	<b>2014-15</b>	<b>2015-16</b>
18 <b><u>General Fund</u></b>	<b><u>7,800,000</u></b>	<b><u>-0-</u></b>
19 Road Fund	396,861,000	390,753,800
20 <b><u>TOTAL</u></b>	<b><u>404,661,000</u></b>	<b><u>390,753,800</u></b>

21  
22 **(1) County Road Aid Program: (a)** Included in the above Road Fund appropriation is  
23 \$149,967,100 in fiscal year 2014-2015 and \$147,643,000 in fiscal year 2015-2016 for the County  
24 Road Aid Program in accordance with KRS 177.320, 179.410, 179.415, and 179.440.  
25 Notwithstanding KRS 177.320(2), the above amounts have been reduced by \$38,000 in each  
26 fiscal year, which has been appropriated to the Highways budget unit for the support of the  
27 Kentucky Transportation Center.



1       **(b) Included in the above General Fund appropriation is \$5,490,000 in fiscal year**  
2 **2014-2015 for the County Road Aid Program in accordance with KRS 177.320, 179.410,**  
3 **179.415, and 179.440. Notwithstanding any statute to the contrary, no county shall be denied**  
4 **its apportionment of the funds contained in this paragraph for failure to comply with the**  
5 **provisions of KRS 65.900 to 65.925. It shall be the responsibility of each county government to**  
6 **ensure that the money hereby allocated in this paragraph is used exclusively for the**  
7 **construction, reconstruction, improvement, and maintenance of county roads and bridges.**

8       **(2) Rural Secondary Program:** Included in the above Road Fund appropriation is  
9 \$181,927,400 in fiscal year 2014-2015 and \$179,108,000 in fiscal year 2015-2016 for the Rural  
10 Secondary Program in accordance with KRS 177.320, 177.330, 177.340, 177.350, and 177.360.  
11 Notwithstanding KRS 177.320(1), the above amounts have been reduced by \$46,000 in each  
12 fiscal year, which has been appropriated to the Highways budget unit for the support of the  
13 Kentucky Transportation Center.

14       **(3) Municipal Road Aid Program: (a)** Included in the above Road Fund  
15 appropriation is \$63,100,900 in fiscal year 2014-2015 and \$62,123,000 in fiscal year 2015-2016  
16 for the Municipal Road Aid Program in accordance with KRS 177.365, 177.366, and 177.369.  
17 Notwithstanding KRS 177.365(1), the above amounts have been reduced by \$16,000 in each  
18 fiscal year, which has been appropriated to the Highways budget unit for the support of the  
19 Kentucky Transportation Center.

20       **(b) Included in the above General Fund appropriation is \$2,310,000 in fiscal year**  
21 **2014-2015 for the Municipal Road Aid Program in accordance with KRS 177.365, 177.366(1)**  
22 **- (7), and 177.369. It shall be the responsibility of each municipal government to ensure that**  
23 **the money hereby allocated in this paragraph is used exclusively for the construction,**  
24 **reconstruction, and maintenance of city roads and bridges.**

25       **(4) Energy Recovery Road Fund:** Included in the above Road Fund appropriation is  
26 \$903,000 in each fiscal year for the Energy Recovery Road Fund in accordance with KRS  
27 177.977, 177.9771, 177.9772, 177.978, 177.979, and 177.981.

1           ➔Section 14. Whereas the provisions of this Act provide ongoing support for programs  
2 funded in the 2014-2016 executive branch and transportation cabinet biennial budgets, an  
3 emergency is declared to exist, and this Act takes effect upon its passage and approval by the  
4 Governor or upon it otherwise becoming law."

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1           Amend title to read "AN ACT amending the 2014-2016 executive branch and  
2 transportation cabinet biennial budgets, making an appropriation therefor, and declaring an  
3 emergency."  
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**Senate Members**

**House Members**

Paul Hornback \_\_\_\_\_

Rick Rand \_\_\_\_\_

Stan Humphries \_\_\_\_\_

Thomas McKee \_\_\_\_\_

Rita Smart \_\_\_\_\_

Wilson Stone \_\_\_\_\_

Sannie Overly \_\_\_\_\_

Steven Rudy \_\_\_\_\_

The above-named members, in separate votes by house, all concur in the provisions of this report.

DATE

3/24/2015

For Clerk's Use:

Adopted: \_\_\_\_\_

Repassage Vote: \_\_\_\_\_