

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **1875**

HOUSE BILL NUMBER **541**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to public school funding.**

SPONSOR **Representative Derrick Graham**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **SEEK**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE’S PURPOSE: HB 541 creates an exemption from the local required effort portion of the SEEK formula for districts with high rates of tax-exempt property.

PROVISIONS/MECHANICS: HB 541 amends KRS 157.360 to exempt a local school district from contributing any funds toward the local required effort portion of SEEK's base funding formula if its tax-exempt property assessment is 60% or more of the total property assessment in that district.

FISCAL EXPLANATION: Based on the property assessments reported to the Department of Education and the Finance and Administration Cabinet, no county exceeds the 60% threshold for tax-exempt property. However, the records submitted for tax-exempt properties do not break out property assessments for independent school districts, making it difficult to determine if districts in counties with independent school districts may exceed the 60% threshold.

Given the abundance of tax-exempt property in the state capital, it is very possible that Frankfort Independent Schools would qualify for this exemption. For the 2016-2018 Budget, the potential exemption is forecast to be \$755,887 in Fiscal Year 2016 -2017 and \$775,023 in Fiscal Year

2017-2018. As a result, additional state funding equal to the exempted local funding would be required to increase by those amounts in order to fully fund the SEEK formula. Otherwise, all 173 districts would be required to absorb a pro rata reduction.

Any district that qualified for this exemption would be required to contribute the local share of Tier I funding under KRS 157.440, which is not amended by this bill.

DATA SOURCE(S): Kentucky Department of Education, Kentucky Department of Revenue

PREPARER: Chuck Truesdell NOTE NUMBER: 115 REVIEW: JRS DATE: 3/1/2016