

1 AN ACT amending the 2016-2018 executive branch biennial budget, making an
2 appropriation therefor, and declaring an emergency.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔Section 1. 2016 Kentucky Acts Chapter 149, Part I, Operating Budget; A.
5 General Government; 29. Teachers' Retirement System, at page 1054, is amended to read
6 as follows:

7 **29. TEACHERS' RETIREMENT SYSTEM**

	2016-17	2017-18
9 General Fund	779,248,000	744,837,200
10 Restricted Funds	12,934,000	13,515,000
11 TOTAL	792,182,000	758,352,200

12 **(1) State Medical Insurance Fund Financing:** Notwithstanding KRS 161.420
13 and 161.550, a portion of the state employer contribution in a sufficient amount shall be
14 allocated to the Teachers' Retirement System Medical Insurance Fund instead of the State
15 Accumulation Fund.

16 **(2) Additional Employer Contribution for Pension Fund:** Included in the
17 above General Fund appropriation is \$453,869,600 in fiscal year 2016-2017 and
18 \$430,056,700 in fiscal year 2017-2018 to be applied to the unfunded pension liability of
19 the Kentucky Teachers' Retirement System, of which \$9,598,200 in fiscal year 2016-2017
20 and \$19,288,600 in fiscal year 2017-2018 represent lesser debt service funding
21 requirements for bonds previously issued for the Kentucky Teachers' Retirement System.

22 **(3) Debt Service:** Included in the above General Fund appropriation is
23 \$106,838,400 in fiscal year 2016-2017 and \$97,148,000 in fiscal year 2017-2018 for debt
24 service on previously issued bonds.

25 **(4) State Annual Appropriations Deficit:** Pursuant to KRS 161.550(6), the
26 Kentucky Teachers' Retirement System has identified a \$24,613,400 deficit for fiscal
27 years 2013-2014 and 2014-2015. A portion of this deficit shall be funded from

1 \$11,624,800 from the state medical insurance fund stabilization contribution for fiscal
2 year 2015-2016 within the General Fund appropriation specified in 2014 Ky. Acts ch.
3 117, Part I, A., 29., and identified as the excess amount of the state medical insurance
4 fund stabilization contribution by the Kentucky Teachers' Retirement System. Included
5 in the above General Fund appropriation is \$12,988,600 in fiscal year 2016-2017 for the
6 remaining portion of the deficit.

7 **(5) Administrative Costs:** In accordance with KRS 161.420, in each fiscal year
8 an amount not greater than four percent of the receipts of the state accumulation fund
9 shall be set aside in the expense fund or expended for the administration of the retirement
10 system.

11 **(6) Amortization of Sick Leave:** Included in the above General Fund
12 appropriation is \$5,623,500 in fiscal year 2016-2017 and \$11,660,200 in fiscal year 2017-
13 2018 to provide the cost of amortizing the requirements of KRS 161.155, relating to sick
14 leave, for members retiring during the 2016-2018 biennium.

15 **(7) Contribution for Retiree Medical Insurance:** Included in the above General
16 Fund appropriation is \$46,545,800 in fiscal year 2016-2017 and \$53,948,400 in fiscal
17 year 2017-2018 to support the state's contribution for the cost of retiree health insurance
18 for members not eligible for Medicare, who have retired since July 1, 2010, pursuant to
19 KRS 161.550.

20 **(8) Direct Appropriation for Pension Liability:** Included in the above General
21 Fund appropriation is \$44,668,000 in each fiscal year to be applied to the unfunded
22 pension liability of the Kentucky Teachers' Retirement System.

23 **(9) Dependent Subsidy for Retirees under age 65: Notwithstanding KRS**
24 **161.675(4)(a) and (b), from July 1, 2017, through June 30, 2018, for all retirees under**
25 **the age of 65 who participate in the Kentucky Group Health Insurance Program**
26 **through the Kentucky Teachers' Retirement System, the Kentucky Teachers'**
27 **Retirement System Board of Trustees shall have the authority to pay the same**

1 dependent subsidy that Executive Branch agencies pay for their active employees who
 2 have similar coverage. The dependent subsidy is not subject to KRS 161.714. If the
 3 Board of Trustees provides the dependent subsidy for Plan Year 2018, the Board shall
 4 submit a report to the Interim Joint Committee on Appropriations and Revenue stating
 5 the cost of such action for those retirees who retired before July 1, 2010, and the cost
 6 of such action for those retirees who retired on or after July 1, 2010, and providing the
 7 effect on the actuarial unfunded liability of the system. If the report is not submitted by
 8 September 15, 2017, the authority to pay the dependent subsidy shall be voided for Plan
 9 Year 2018.

10 ➔Section 2. 2016 Kentucky Acts Chapter 149, Part I, Operating Budget; C.
 11 Department of Education; 1. Support Education Excellence in Kentucky (SEEK), at pages
 12 1056 to 1058, is amended to read as follows:

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

	2016-17	2017-18
16 General Fund	3,035,747,400	3,024,776,100

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

19 **(2) Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above
 20 General Fund appropriation to the base SEEK Program is intended to provide a base
 21 guarantee of \$3,981 per student in average daily attendance in fiscal year 2016-2017 and
 22 \$3,981 per student in average daily attendance in fiscal year 2017-2018 as well as to meet
 23 the other requirements of KRS 157.360.

24 Funds appropriated to the SEEK Program shall be allotted to school districts in
 25 accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall
 26 not exceed the appropriations for this purpose, except as provided in this Act. The total
 27 appropriation for the SEEK Program shall be measured by, or construed as, estimates of

1 the state expenditures required by KRS 157.310 to 157.440. If the required expenditures
2 exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon
3 the written request of the Commissioner of Education and with the approval of the
4 Governor, may increase the appropriation by such amount as may be available and
5 necessary to meet, to the extent possible, the required expenditures under the cited
6 sections of the Kentucky Revised Statutes, but any increase of the total appropriation to
7 the SEEK Program is subject to Part III, General Provisions, of this Act and KRS Chapter
8 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of
9 money required under KRS 157.310 to 157.440, allotments to local school districts may
10 be reduced in accordance with KRS 157.430. Notwithstanding KRS 45.229, any
11 unexpended SEEK funds shall not lapse and shall carry forward into fiscal year 2017-
12 2018 to be used for pupil transportation and distributed in accordance with KRS
13 157.370~~[be transferred to the Kentucky Teachers' Retirement System to be applied to the~~
14 ~~system's unfunded pension liability].~~

15 **(3) Base SEEK Allotments:** Notwithstanding KRS 157.420(2), included in the
16 above General Fund appropriation is \$2,101,558,200 in fiscal year 2016-2017 and
17 \$2,089,985,500 in fiscal year 2017-2018 for the base SEEK Program as defined by KRS
18 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in
19 accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall
20 not exceed the appropriations for this purpose except as provided in this Act.
21 Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK
22 Program is \$214,752,800 in each fiscal year for pupil transportation.

23 **(4) Tier I Component:** Included in the above General Fund appropriation is
24 \$174,548,800 in fiscal year 2016-2017 and \$170,111,400 in fiscal year 2017-2018 for the
25 Tier I component as established by KRS 157.440.

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

1 **(6) Secondary Vocational Education:** Included in the above General Fund
2 appropriation is \$22,881,900 in fiscal year 2016-2017 and \$22,881,900 in fiscal year
3 2017-2018 to provide secondary vocational education in state-operated vocational
4 schools.

5 **(7) Teachers' Retirement System Employer Match:** Included in the above
6 General Fund appropriation is \$388,817,000 in fiscal year 2016-2017 and \$397,482,500
7 in fiscal year 2017-2018 to enable local school districts to provide the employer match for
8 qualified employees as provided for by KRS 161.550.

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

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

22 **(10) SEEK Adjustment Factors:** Funds allocated for the SEEK base and its
23 adjustment factors that are not needed for the base or a particular adjustment factor may
24 be allocated to other adjustment factors, if funds for that adjustment factor are not
25 sufficient.

26 **(11) Facilities Support Program of Kentucky/Equalized Nickel Levies:**
27 Included in the above General Fund appropriation is \$80,109,500 in fiscal year 2016-

1 2017 and \$78,002,400 in fiscal year 2017-2018 to provide facilities equalization funding
2 pursuant to KRS 157.440 and 157.620.

3 **(12) Growth Levy Equalization Funding:** Included in the above General Fund
4 appropriation is \$17,234,200 in fiscal year 2016-2017 and \$16,414,200 in fiscal year
5 2017-2018 to provide facilities equalization funding pursuant to KRS 157.440 and
6 157.620, for districts meeting the eligibility requirements of KRS 157.621(1) and (4).

7 **(13) Retroactive Equalized Facility Funding:** Included in the above General
8 Fund appropriation is \$16,377,200 in fiscal year 2016-2017 and \$15,973,300 in fiscal
9 year 2017-2018 to provide equalized facility funding pursuant to KRS 157.440 and
10 157.620 to districts meeting the eligibility requirements of KRS 157.621(2) and (4). In
11 addition, a local board of education that levied a tax rate subject to recall by January 1,
12 2014, in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that
13 committed the receipts to debt service, new facilities, or major renovations of existing
14 facilities shall be eligible for equalization funds from the state at 150 percent of the
15 statewide average per pupil assessment. Revenue to generate the five cent equivalent levy
16 may be obtained from levies on property, motor vehicles, or the taxes authorized by KRS
17 160.593 to 160.597, 160.601 to 160.633, and 160.635 to 160.648 if the levy was
18 dedicated to facilities funding at the time of the levy. The equalization funds shall be used
19 as provided in KRS 157.440(1)(b). For the 2016-2018 fiscal biennium, school districts
20 that levied the tax rate subject to recall prior to January 1, 2014, shall be equalized at 100
21 percent of the calculated equalization funding, and school districts that levied the tax rate
22 subject to recall after January 1, 2014, and before January 1, 2016, and began collecting
23 the tax by fiscal year 2016-2017, shall be equalized at 25 percent of the calculated
24 equalization funding in each fiscal year. It is the intent of the 2016 General Assembly that
25 any local school district receiving partial equalization under this subsection in the 2016-
26 2018 fiscal biennium shall receive full calculated equalization in the 2018-2020 fiscal
27 biennium and thereafter.

1 **(14) Equalized Facility Funding:** Included in the above General Fund
2 appropriation is \$6,829,600 in fiscal year 2016-2017 and \$6,658,300 in fiscal year 2017-
3 2018 to provide equalized facility funding pursuant to KRS 157.420 and 157.620 to
4 districts meeting the eligibility requirements of KRS 157.621(3) and (4).

5 **(15) BRAC Equalized Facility Funding:** Included in the above General Fund
6 appropriation is \$1,832,000 in fiscal year 2016-2017 and \$1,764,100 in fiscal year 2017-
7 2018 to provide equalized facility funding to school districts meeting the eligibility
8 requirements of KRS 157.621(1)(c) pursuant to KRS 157.440 and 157.620.

9 **(16) Equalization Funding for Critical Construction Needs Schools:** Included
10 in the above General Fund appropriation is \$5,639,300 in fiscal year 2016-2017 and
11 \$5,532,800 in fiscal year 2017-2018 to school districts in accordance with 2010 (1st
12 Extra. Sess.) Ky. Acts ch. 1, Part I, C., 4., (18).

13 **(17) Hold-Harmless Guarantee:** A modified hold-harmless guarantee is
14 established in fiscal biennium 2016-2018 which provides that every local school district
15 shall receive at least the same amount of Support Education Excellence in Kentucky
16 (SEEK) state funding per pupil as was received in fiscal year 1991-1992. If funds
17 appropriated to the SEEK Program are insufficient to provide the amount of money
18 required under KRS 157.310 to 157.440, and allotments to local school districts are
19 reduced in accordance with KRS 157.430, allocations to school districts subject to this
20 provision shall not be reduced.

21 **(18) Residential Youth-at-Risk Programs:** In accordance with KRS 157.360, no
22 funds from the SEEK Program shall be distributed to the programs operated by the
23 Kentucky Guard Youth Challenge Division of the Department of Military Affairs.
24 Notwithstanding KRS 157.350, 157.360, 157.410, and any other statute to the contrary,
25 any nonresident school district providing educational services to students enrolled in
26 programs operated by the Kentucky Guard Youth Challenge Division of the Department
27 of Military Affairs shall be paid for those services from the General Fund appropriation in

1 Part I, A., 8. of this Act.

2 **(19) Additional SEEK Funding:** If the General Fund appropriation contained in
3 2014 Ky. Acts ch. 117, Part I, C., 1. is not sufficient to fully fund the SEEK Program,
4 including any adjustments pursuant to KRS 157.360 in fiscal year 2015-2016, or if the
5 above General Fund appropriation is not sufficient to fully fund the SEEK Program,
6 including any adjustments pursuant to KRS 157.360 in fiscal year 2016-2017 or fiscal
7 year 2017-2018, the Kentucky Department of Education may request up to \$10,000,000
8 in each fiscal year, which shall be deemed a necessary government expense and shall be
9 paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust
10 Fund Account (KRS 48.705).

11 ➔Section 3. 2016 Kentucky Acts Chapter 149, Part II, Capital Projects Budget; J.
12 Postsecondary Education; 8. University of Kentucky, at page 1122, is amended by
13 inserting the following after project 192.:

14 **193. Lease - Warren County - College of Medicine 1**

15 ➔Section 4. There is hereby appropriated to the Council on Postsecondary
16 Education supplemental General Fund moneys in the amount of \$298,000 in fiscal year
17 2017-2018 to fully fund 164 veterinary medicine and 44 optometry slots in the Contract
18 Spaces Program.

19 ➔Section 5. Whereas the provisions of this Act provide ongoing support for
20 programs funded in the 2016-2018 executive branch biennial budget, an emergency is
21 declared to exist, and this Act takes effect upon its passage and approval by the Governor
22 or upon it otherwise becoming law.