

1 AN ACT relating to education.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 156 IS CREATED TO
4 READ AS FOLLOWS:

5 *The General Assembly hereby finds and declares that locally driven innovation in*
6 *public education can improve school operations and student outcomes. It is the intent*
7 *of the General Assembly that Sections 2, 3, and 4 of this Act provide local boards of*
8 *education with flexibility to depart from statutory and administrative requirements that*
9 *may constrain improvement, in order to pilot, implement, and refine innovative*
10 *practices, particularly in schools serving students with unmet academic needs, where*
11 *such practices are informed by promising approaches implemented in other public*
12 *education settings, while maintaining appropriate safeguards for student welfare and*
13 *academic achievement.*

14 ➔Section 2. KRS 156.161 is amended to read as follows:

15 (1) *Except as provided in Section 3 of this Act or otherwise provided in statute,* the
16 Kentucky Board of Education, upon the request of the local board of education of a
17 school district, may grant a waiver from the requirements of an administrative
18 regulation promulgated by the state board or from a statute over which the state
19 board has authority to enforce. *The state board may also grant a waiver from the*
20 *requirements of an administrative regulation promulgated by the Education*
21 *Professional Standards Board or from a statute over which the Education*
22 *Professional Standards Board has authority to enforce, after consultation with*
23 *the Education Professional Standards Board.* A waiver granted by the state board
24 shall expire on June 30 of the third full school year after the request was first
25 approved, regardless of subsequent amendment, unless the state board renews the
26 waiver prior to expiration. *However, a waiver granted for specific school district*
27 *facility projects, such as the waiver of requirements for the construction or*

1 renovation of school buildings or the acquisition or disposition of property, shall
 2 not expire unless the state board specifically provides for expiration when
 3 granting the waiver. The state board shall not approve any waiver request to
 4 overturn a certification determination of a specific individual by the Education
 5 Professional Standards Board. The state board shall not waive any statute or
 6 administrative regulation:

- 7 (a) Relating to health and safety, including required criminal background checks
 8 for staff and volunteers specified in KRS 160.380 and 161.148;
- 9 (b) Relating to civil rights;
- 10 (c) Required by federal law;
- 11 (d) Relating to compulsory attendance requirements under KRS 158.030 and
 12 158.100, or the recording of data necessary for participation in the fund to
 13 support education excellence in Kentucky;
- 14 (e) Establishing certification requirements for teachers~~[in core academic areas]~~,
 15 except a waiver may authorize up to twenty-five percent (25%) of the
 16 teaching staff of a school may be employed without teacher certification if the
 17 individual possesses a:
 18 1. Baccalaureate or graduate degree in the subject the individual is hired to
 19 teach; or
 20 2. Recognized industry credential in the technical education area the
 21 individual is hired to teach;
- 22 (f) Requiring students' participation in state assessment of student performance as
 23 required under KRS 158.6453;
- 24 (g) Financial audits, audit procedures, and audit requirements under KRS
 25 156.265;
- 26 (h) Open records and open meeting requirements under KRS Chapter 61;
- 27 (i) Purchasing requirements and limitations under KRS Chapter 45A and KRS

- 1 156.074 and 156.480; or
- 2 (j) Requiring instructional time that is at least equivalent to the student
- 3 instructional year specified in KRS 158.070.
- 4 (2) A waiver request under subsection (1) of this section shall:
- 5 (a) Identify the specific statutes and administrative regulations for which the local
- 6 board is seeking a waiver;
- 7 (b) Specify the schools or programs within the district to which the waiver shall
- 8 apply;
- 9 (c) Explain how the waiver for the schools or programs of each specific statute or
- 10 administrative regulation will improve operations or student academic
- 11 achievement; and
- 12 (d) Include any evidence the district wishes to submit to support the request.
- 13 (3) *A local board may request the Kentucky Department of Education to assist in the*
- 14 *development of a waiver request. To receive assistance, a local board shall*
- 15 *provide the department with a list of innovative practices the local board intends*
- 16 *to submit in a waiver request. The department shall provide a timely analysis of*
- 17 *the list to the local board that identifies which statutes and administrative*
- 18 *regulations under the authority of the state board or the Education Professional*
- 19 *Standards Board, if any, would need to be waived to allow the innovative practice.*
- 20 (4) *The department may provide the state board an analysis of a waiver request to*
- 21 *assist the state board with consideration of the waiver request. However, if the*
- 22 *waiver request was previously analyzed by the department while assisting under*
- 23 *subsection (3) of this section and has not been modified, then the analysis for the*
- 24 *state board shall be consistent with the completed analysis for the local board.*
- 25 *The department and the commissioner shall not recommend approval or denial to*
- 26 *the state board, but may provide the benefits and disadvantages of approving the*
- 27 *waiver request.*

- 1 **(5)** Upon the majority vote of a local board approving a waiver request, the
 2 superintendent of the district **or the local board's designee** shall submit the waiver
 3 request to the state board. The state board shall consider the waiver of each statute
 4 or administrative regulation included in the request at ~~a~~**the next regularly**
 5 ~~scheduled~~ meeting **occurring no later than thirty (30) calendar days** after
 6 submission and shall either approve or deny the request. In considering approval for
 7 each statute or administrative regulation identified in a waiver request, the state
 8 board shall grant the request if, **when considered in conjunction with the findings**
 9 **and declarations of Section 1 of this Act, the waiver request reasonably**
 10 **demonstrates**~~it demonstrates~~ that **approval**~~the waiver~~ is more likely than not:
- 11 (a) To improve that school's or program's operation without hindering student
 12 academic achievement; or
 - 13 (b) To improve student academic achievement at that school or program.
- 14 ~~(6)~~**(4)** In submitting a waiver request **for consideration** under subsection ~~(5)~~**(3)** of
 15 this section, a local board may seek to identify the school or program that is the
 16 subject of the request as a school of innovation **for the purposes of providing**
 17 **innovative educational opportunities to students. An application for identification**
 18 **as a school of innovation may also incorporate any waivers previously approved**
 19 **and in effect under this section or Section 3 of this Act**~~In addition to any other~~
 20 ~~waivers granted for the school or program, a school of innovation shall be granted a~~
 21 ~~waiver from all statutes and administrative regulations that would prevent the~~
 22 ~~district from entering into an agreement with an education service provider to assist~~
 23 ~~in the management and operation of the school or program]. The state board shall~~
 24 approve the **request to be identified as a** school of innovation ~~request~~ if the
 25 request demonstrates that **all the approved waivers under this section and Section**
 26 **3 of this Act attempt to improve student outcomes in a manner that would be**
 27 **difficult or impossible without the approved waivers. Notwithstanding any**

1 **previous expiration date, the waivers incorporated in the** identification as a school
 2 of innovation **shall expire on June 30 of the third full school year after the**
 3 **identification is made**~~[is more likely than not to improve either that school's or~~
 4 ~~program's operation or student academic achievement].~~

5 ~~(7)~~~~(5)~~ A local board whose request to waive a statute or administrative regulation
 6 under subsection ~~(5) or (6)~~~~(3) or (4)~~ of this section was denied may amend the
 7 original request for reconsideration at the state board's next regularly scheduled
 8 meeting~~[. A local board may request assistance from the Kentucky Department of~~
 9 ~~Education in the development of the local board's waiver request or an amendment].~~

10 ~~(8)~~~~(6)~~ A local board may seek to amend a previously approved waiver request by
 11 submitting the amendment for approval by the state board under the same
 12 procedures as the original request.

13 ~~(9)~~~~(7)~~ A local board that is granted a waiver under subsection ~~(5) or (6)~~~~(3) or (4)~~ of
 14 this section may submit a request to renew the waiver to the state board. A renewal
 15 request shall be submitted no earlier than six (6) months prior to that waiver's
 16 expiration. The renewal request shall include evidence of the operational
 17 improvement of the school or program that is subject to the waiver, the academic
 18 achievement of the students enrolled in the schools or program, comparisons of
 19 those students with similar students across the state, and any other evidence of the
 20 waiver's benefit to student academic achievement. If the state board finds that the
 21 waiver has had a positive impact on the school's or program's operation or the
 22 academic achievement of students, then the renewal request shall be approved. An
 23 approved renewal request shall extend the waiver for an additional three (3) school
 24 years. **However, a waiver related to school district facility projects, as identified in**
 25 **subsection (1) of this section, shall not expire unless the state board specifically**
 26 **provides for expiration when granting the waiver.**

27 ~~(10)~~~~(8)~~ Any school that is subject to a waiver shall admit any and all children eligible

1 to attend the school subject to the local board's policies.

2 ~~(11)~~⁽⁹⁾ If the state board at any time finds by a two-thirds (2/3) majority vote that a
3 specific waiver previously granted has hindered school or program operations,
4 endangered students, impeded student academic achievement, or supported
5 financial malfeasance or criminal activity, then the waiver shall be rescinded. The
6 existence of a waiver shall not negate the legal duties or professional
7 responsibilities of a district employee.

8 **(12) The Kentucky Board of Education, the commissioner of education, and the**
9 **Kentucky Department of Education shall not penalize a school district for an**
10 **action that violates a statute or administrative regulation if:**

11 **(a) The action was described in a request for assistance under subsection (3) of**
12 **this section; and**

13 **(b) The analysis of the request for assistance submitted to the district by the**
14 **department:**

15 **1. Indicated that the action would not violate any statute or**
16 **administrative regulation in existence at the time of the analysis; or**

17 **2. Did not include the statute or administrative regulation in existence at**
18 **the time of the analysis and the exact request for assistance was**
19 **approved as a waiver request by the Kentucky Board of Education.**

20 ~~(13)~~⁽¹⁰⁾ The state board shall promulgate administrative regulations in accordance
21 with KRS Chapter 13A to adopt a standardized waiver request form and establish
22 any procedures for processing waiver requests in compliance with this section.

23 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 156 IS CREATED TO
24 READ AS FOLLOWS:

25 **(1) Notwithstanding any provision of Section 2 of this Act to the contrary, the**
26 **Kentucky Board of Education shall establish and maintain a list of expedited**
27 **waivers that a local board of education may submit to the commissioner of**

1 education for approval. The list of expedited waivers shall include a waiver of all
2 statutes and administrative regulations that prohibit a district from entering into
3 an agreement with an education service provider to assist in the management and
4 operation of a school or program. The waiver authority delegated to the
5 commissioner of education by the state board shall be subject to the same
6 limitations established in subsection (1) of Section 2 of this Act.

7 (2) The commissioner shall consider an expedited waiver submitted under subsection
8 (1) of this section and shall either approve or deny the request within ten (10)
9 business days. The commissioner shall approve the request unless he or she
10 determines that the expedited waiver would substantially:

11 (a) Hinder the operation of the district's schools or programs that are the
12 subject of the waiver; or

13 (b) Impede student academic achievement within the schools or programs that
14 are the subject of the waiver.

15 (3) An expedited waiver granted by the commissioner shall expire on June 30 of the
16 third full school year after the request was first approved, regardless of
17 subsequent amendment, unless the commissioner renews the waiver prior to
18 expiration. The state board may extend the duration of specific expedited waivers
19 on the list for a longer time or permanently.

20 (4) If the commissioner at any time finds that a specific expedited waiver previously
21 granted under this section has substantially hindered school or program
22 operations, endangered students, impeded student academic achievement, or
23 supported financial malfeasance or criminal activity, then the waiver shall be
24 rescinded. The existence of a waiver shall not negate the legal duties or
25 professional responsibilities of district employees.

26 (5) A local board may appeal the denial of an expedited waiver by the commissioner
27 to the state board. To be considered by the state board, the appeal shall be filed

1 within thirty (30) days of the denial. The state board shall consider the appeal
2 within thirty (30) days of the appeal being filed.

3 (6) By July 1 of each year, the Kentucky Board of Education shall annually review
4 the numbers and types of expedited waivers approved under this section and
5 wavers granted under Section 2 of this Act to determine if any amendments to or
6 repeals of administrative regulations are necessary. The review shall also include
7 the operation of schools of innovation under Section 2 of this Act. The state
8 board may also recommend statutory changes to the General Assembly to reduce
9 unnecessary burdens on school districts and any new best practices observed
10 from schools of innovation that would benefit schools across the Commonwealth.

11 ➔Section 4. KRS 157.360 is amended to read as follows:

12 (1) (a) In determining the cost of the program to support education excellence in
13 Kentucky, the statewide guaranteed base funding level, as defined in KRS
14 157.320, shall be computed by dividing the amount appropriated for this
15 purpose by the prior year's statewide average daily attendance.

16 (b) When determining the biennial appropriations for the program, the average
17 daily attendance for each fiscal year shall include an estimate of the number
18 of students graduating early under the provisions of KRS 158.142.

19 (2) Each district shall receive an amount equal to the base funding level for each pupil
20 in average daily attendance in the district in the previous year, except a district shall
21 receive an amount equal to one-half (1/2) of the state portion of the average
22 statewide per pupil guaranteed base funding level for each student who graduated
23 early under the provisions of KRS 158.142. Each district's base funding level shall
24 be adjusted by the following factors:

25 (a) The number of at-risk students in the district. At-risk students shall be
26 identified as those approved for the free lunch program under state and federal
27 guidelines. The number of at-risk students shall be multiplied by a factor to be

1 established by the General Assembly. Funds generated under this paragraph
2 may be used to pay for:

3 1. Alternative programs for students who are at risk of dropping out of
4 school before achieving a diploma; and

5 2. A hazardous duty pay supplement as determined by the local board of
6 education to the teachers who work in alternative programs with
7 students who are violent or assaultive;

8 (b) The number and types of exceptional children in the district as defined by
9 KRS 157.200. Specific weights for each category of exceptionality shall be
10 used in the calculation of the add-on factor for exceptional children; and

11 (c) Transportation costs. The per-pupil cost of transportation shall be calculated
12 as provided by KRS 157.370. Districts which contract to furnish
13 transportation to students attending nonpublic schools may adopt any payment
14 formula which ensures that no public school funds are used for the
15 transportation of nonpublic students.

16 (3) Beginning with the 2015-2016 school year and each year thereafter, the General
17 Assembly shall annually allocate funds equal to one-half (1/2) of the state portion
18 of the average statewide per pupil guaranteed base funding level for each student
19 who graduated early under the provisions of KRS 158.142 the previous school year
20 to the Kentucky Higher Education Assistance Authority for deposit in the early
21 graduation scholarship trust fund.

22 (4) The program to support education excellence in Kentucky shall be fully
23 implemented by the 1994-95 school year.

24 (5) (a) Except for those schools which have implemented school-based decision
25 making, the commissioner of education shall enforce maximum class sizes for
26 every academic course requirement in all grades except in vocal and
27 instrumental music, and physical education classes. Except as provided in

1 subsection (6) of this section, the maximum number of pupils enrolled in a
2 class shall be as follows:

- 3 1. Twenty-four (24) in primary grades (kindergarten through third grade);
- 4 2. Twenty-eight (28) in grade four (4);
- 5 3. Twenty-nine (29) in grades five (5) and six (6);
- 6 4. Thirty-one (31) in grades seven (7) to twelve (12).

7 (b) Except for those schools which have implemented school-based decision
8 making, class size loads for middle and secondary school:

- 9 1. Classroom teachers shall not exceed the equivalent of one hundred fifty
10 (150) pupil hours per day; and
- 11 2. Virtual program teachers shall not exceed the equivalent of three
12 hundred (300) pupil hours per day.

13 (c) The commissioner of education, upon approval of the Kentucky Board of
14 Education, shall adopt administrative regulations for enforcing this provision.
15 These administrative regulations shall include procedures for a superintendent
16 to request an exemption from the Kentucky ~~Department~~Board of Education
17 when unusual circumstances warrant an increased class size for an individual
18 class. A request for an exemption shall include specific reasons for the
19 increased class size with a plan for reducing the class size prior to the
20 beginning of the next school year. A district shall not receive in any one (1)
21 year exemptions for more classes than enroll twenty percent (20%) of the
22 pupils in the primary grades and grades four (4) through eight (8).

23 (d) In all schools the commissioner of education shall enforce the special
24 education maximum class sizes set by administrative regulations adopted by
25 the Kentucky Board of Education. A superintendent or school council may
26 request an exemption pursuant to paragraph (c) of this subsection. ~~A local~~
27 ~~school council may request a waiver relating to maximum class size pursuant~~

1 to ~~KRS 156.161 in the same manner as a local board of education.~~ An
2 exemption or waiver shall not be granted if the increased class size will
3 impede any exceptional child from achieving his or her individual education
4 program in the least restrictive environment.

5 (6) In grades four (4) through six (6) with combined grades, the maximum class size
6 shall be the average daily attendance upon which funding is appropriated for the
7 lowest assigned grade in the class. There shall be no exceptions to the maximum
8 class size for combined classes. In combined classes other than the primary grades,
9 no ungraded students shall be placed in a combined class with graded students. In
10 addition, there shall be no more than two (2) consecutive grade levels combined in
11 any one (1) class in grades four (4) through six (6). However, this shall not apply to
12 schools which have implemented school-based decision making.

13 (7) If a local school district, through its admission and release committee, determines
14 that an appropriate program in the least restrictive environment for a particular child
15 with a disability includes either part-time or full-time enrollment with a private
16 school or agency within the state or a public or private agency in another state, the
17 school district shall count as average daily attendance in a public school the time
18 that the child is in attendance at the school or agency, contingent upon approval by
19 the commissioner of education.

20 (8) Pupils attending a center for child learning and study established under an
21 agreement pursuant to KRS 65.210 to 65.300 shall, for the purpose of calculating
22 average daily attendance, be considered as in attendance in the school district in
23 which the child legally resides and which is party to the agreement. For purposes of
24 subsection (1) of this section, teachers who are actually employees of the joint or
25 cooperative action shall be considered as employees of each school district which is
26 a party to the agreement.

27 (9) Program funding shall be increased when the average daily attendance in any

1 district for the first two (2) months of the current school year is greater than the
2 average daily attendance of the district for the first two (2) months of the previous
3 school year. The program funds allotted the district shall be increased by the
4 percent of increase. The average daily attendance in kindergarten is the
5 kindergarten full-time equivalent pupils in average daily attendance.

6 (10) If the average daily attendance for the current school year in any district decreases
7 by ten percent (10%) or more than the average daily attendance for the previous
8 school year, the average daily attendance for purposes of calculating program
9 funding for the next school year shall be increased by an amount equal to two-thirds
10 ($2/3$) of the decrease in average daily attendance. If the average daily attendance
11 remains the same or decreases in the succeeding school year, the average daily
12 attendance for purposes of calculating program funding for the following school
13 year shall be increased by an amount equal to one-third ($1/3$) of the decrease for the
14 first year of the decline.

15 (11) If the percentage of attendance of any school district shall have been reduced more
16 than two percent (2%) during the previous school year, the program funding
17 allotted the district for the current school year shall be increased by the difference in
18 the percentage of attendance for the two (2) years immediately prior to the current
19 school year less two percent (2%).

20 (12) (a) Instructional salaries for vocational agriculture classes shall be for twelve (12)
21 months per year. Vocational agriculture teachers shall be responsible for the
22 following program of instruction during the time period beyond the regular
23 school term established by the local board of education: supervision and
24 instruction of students in agriculture experience programs; group and
25 individual instruction of farmers and agribusinessmen; supervision of student
26 members of agricultural organizations who are involved in leadership training
27 or other activity required by state or federal law; or any program of vocational

1 agriculture established by the Department of Education. During extended
2 employment, no vocational agriculture teacher shall receive salary on a day
3 that the teacher is scheduled to attend an institution of higher education class
4 which could be credited toward meeting any certification requirement.

5 (b) Each teacher of agriculture employed shall submit an annual plan for summer
6 program to the local school superintendent for approval. The summer plan
7 shall include a list of tasks to be performed, purposes for each task, and time
8 to be spent on each task. Approval by the local school superintendent shall be
9 in compliance with the guidelines developed by the Department of Education.
10 The supervision and accountability of teachers of vocational agriculture's
11 summer programs shall be the responsibility of the local school
12 superintendent. The local school superintendent shall submit to the
13 commissioner of education a completed report of summer tasks for each
14 vocational agriculture teacher. Twenty percent (20%) of the approved
15 vocational agriculture programs shall be audited annually by the State
16 Department of Education to determine that the summer plan has been properly
17 executed.

18 (13) (a) In allotting program funds for home and hospital instruction, statewide
19 guaranteed base funding, excluding the capital outlay, shall be allotted for
20 each child in average daily attendance in the prior school year who has been
21 properly identified according to Kentucky Board of Education administrative
22 regulations. Attendance shall be calculated pursuant to KRS 157.270 and shall
23 be reported monthly on forms provided by the Department of Education; and

24 (b) Pursuant to administrative regulations of the Kentucky Board of Education,
25 local school districts shall be reimbursed for home and hospital instruction for
26 pupils unable to attend regular school sessions because of short-term health
27 impairments. A reimbursement formula shall be established by administrative

1 regulations to include such factors as a reasonable per hour, per child
2 allotment for teacher instructional time, with a maximum number of funded
3 hours per week, a reasonable allotment for teaching supplies and equipment,
4 and a reasonable allotment for travel expenses to and from instructional
5 assignments, but the formula shall not include an allotment for capital outlay.
6 Attendance shall be calculated pursuant to KRS 157.270 and shall be reported
7 annually on forms provided by the Department of Education.

8 (14) Except for those schools which have implemented school-based decision making
9 and the school council has voted to waive this subsection and for virtual programs,
10 kindergarten aides shall be provided for each twenty-four (24) full-time equivalent
11 kindergarten students enrolled.

12 (15) Effective July 1, 2001, there shall be no deduction applied against the base funding
13 level for any pupil in average daily attendance who spends a portion of his or her
14 school day in a program at a state-operated career and technical education or
15 vocational facility.

16 (16) During a fiscal year, a school district may request that the Department of Education
17 recalculate its funds allocated under this section if the current year average daily
18 attendance for the twenty (20) day school month as defined in KRS 158.060(2) that
19 contains the most days within the calendar month of January exceeds the prior year
20 adjusted average daily attendance plus growth by at least one percent (1%). Any
21 adjustments in the allotments approved under this subsection shall be proportional
22 to the remaining days in the school year and subject to available funds under the
23 program to support education excellence in Kentucky.

24 (17) To calculate the state portion of the program to support education excellence in
25 Kentucky for a school district, the Department of Education shall subtract the local
26 effort required under KRS 157.390(5) from the calculated base funding under the
27 program to support education excellence in Kentucky, as required by this section.

1 The value of the real estate used in this calculation shall be the lesser of the current
2 year assessment or the prior year assessment increased by four percent (4%) plus
3 the value of current year new property. The calculation under this subsection shall
4 be subject to available funds.

5 (18) Notwithstanding any other statute or budget of the Commonwealth language to the
6 contrary, time missed due to shortening days for emergencies may be made up by
7 lengthening school days in the school calendar without any loss of funds under the
8 program to support education excellence in Kentucky.

9 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 160 IS CREATED TO
10 READ AS FOLLOWS:

11 (1) There is hereby established the school of innovation pilot project to provide
12 school districts with the opportunity to explore innovative school operation
13 models.

14 (2) (a) There is hereby established in the State Treasury a trust and agency
15 account to be known as the school of innovation pilot project fund. The
16 fund shall consist of moneys received from state appropriations, gifts,
17 grants, and federal funds.

18 (b) The fund shall be administered by the Kentucky Department of Education.

19 (c) Amounts deposited in the fund shall be used to support the school of
20 innovation pilot project under this section and no other purpose.

21 (d) Notwithstanding KRS 45.229, fund amounts not expended at the close of a
22 fiscal year shall not lapse but shall be carried forward into the next fiscal
23 year.

24 (3) The school of innovation pilot project shall begin August 1, 2026, and end June
25 30, 2028, and shall consist of:

26 (a) Beginning with the first year of the pilot project, any school of innovation
27 established by Covington Independent School District; and

1 (b) To the extent funds are available and beginning with the 2027-2028 school
2 year, a cohort of two (2) schools of innovation chosen from applications
3 submitted by local boards of education that meet the following criteria:

4 1. The applicant has previously or concurrently been approved under
5 Section 2 of this Act for a school of innovation;

6 2. The school of innovation is not a virtual program as defined in KRS
7 157.320;

8 3. The application proposes a significant innovative educational
9 opportunity to improve student outcomes, school operations, or both
10 through approaches that would be difficult or impractical to
11 implement under existing statutory or regulatory requirements; and

12 4. The applicant identifies matching moneys consisting of district
13 revenues, philanthropic contributions, or other funds that are to be
14 dedicated for the operation of the school of innovation until the end of
15 the pilot project and which shall be eligible to serve as matching funds
16 under subsection (4) of this section.

17 (4) The Kentucky Board of Education shall:

18 (a) Establish an annual timeline for application submission and approval for
19 each year of the pilot project; and

20 (b) Review and approve two (2) applications under subsection (3) of this section
21 for admission into the pilot project under subsection (3)(b) of this section to
22 the extent that funds are available during the operation of the pilot project.

23 The department shall distribute funds from the school of innovation pilot
24 project fund to an approved applicant in amounts that match the funds
25 dedicated by the approved applicant under subsection (3) of this section.

26 The funds shall be distributed on a regular schedule to the approved
27 applicant so long as the applicant operates the school of innovation as

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

7 (5) At the end of each school year, a school district participating in the pilot project
8 shall submit to the Kentucky Department of Education a report which shall be
9 compiled by the department and submitted to the Legislative Research
10 Commission for referral to the Interim Joint Committee on Education. The report
11 shall include:

12 (a) A description of the district's school of innovation activities during the
13 school year and how the school is innovating, including innovations
14 through the waiving of statute or administrative regulation;

15 (b) The education service providers and any other entities the school district
16 has partnered with for the operation of the school of innovation;

17 (c) A general accounting of how the district and matching pilot project funds
18 have been used;

19 (d) The academic programs offered by the school of innovation;

20 (e) The enrollment details of the school of innovation;

21 (f) What student and school performance factors the district shall use to
22 determine success of the school of innovation and the current status on
23 those factors; and

24 (g) What hindrances to innovation the district may have encountered.

25 (6) Matching funds for the pilot project may include contributions from one (1) or
26 more private or philanthropic entities, including nonprofit organizations that
27 partner with school districts to support the design or implementation of schools of

1 innovation.

2 (7) An application under subsection (3) of this section:

3 (a) May be submitted collectively by two (2) or more local boards of education;

4 and

5 (b) Shall identify the waivers applicable to each school district, the
6 responsibilities of each school district in operating the school of innovation,

7 and the matching funds each school district shall provide to support the
8 school of innovation.

9 (8) If the Kentucky Board of Education at any time finds by a two-thirds (2/3)
10 majority vote that the operation of the school of innovation under this subsection
11 has endangered students, impeded student academic achievement, or supported
12 financial malfeasance or criminal activity, then the school of innovation's
13 participation in the long-term component of the school of innovation pilot project
14 shall be terminated and no further funds shall be distributed.

15 ➔Section 6. For the school of innovation under subsection (3)(a) of Section 5 of
16 this Act:

17 (1) By August 1, 2026, the board of education of Covington Independent Schools
18 shall submit the district's collection of waivers pursuant to Section 2 of this Act for
19 establishing any school of innovation within the district to the Kentucky Board of
20 Education for inclusion under subsection (3)(a) of Section 5 of this Act;

21 (2) Notwithstanding any requirement of KRS 156.161 to the contrary, within
22 thirty days of the submission under subsection (1) of this section, the Kentucky Board of
23 Education shall approve any waiver requested for a school of innovation that satisfies the
24 requirements of subsection (1) of Section 2 of this Act;

25 (3) Any distribution of funds shall be to Educate NKY Inc. to support the
26 establishment of schools of innovation within the Covington Independent School District
27 and shall be conditioned upon an agreement between Educate NKY Inc. and the

1 Covington Independent School District for the support and operation of schools of
2 innovation; and

3 (4) Funds distributed shall only be used for the operation of the schools of
4 innovation within the Covington Independent School District.