

1 AN ACT relating to education.

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

3 ➔Section 1. KRS 160.210 is amended to read as follows:

4 (1) In independent school districts, the members of the school board shall be elected
5 from the district at large. In county school districts, members shall be elected from
6 divisions.

7 (2) The board of education of each county school district shall~~, not later than July 1,~~
8 ~~1940,~~ divide its district into five (5) divisions containing integral voting precincts
9 and as equal in population insofar as is practicable. In~~first~~ dividing the county
10 district into divisions the board shall, if more than one (1) of its members reside in
11 one (1) division, determine by lot which member from that division shall represent
12 that division, and which members shall represent the divisions in which no member
13 resides. The members so determined to represent divisions in which no member
14 resides shall be considered the members from those divisions until their terms
15 expire, and thereafter the members from those divisions shall be nominated and
16 elected as provided in KRS 160.200 and 160.220 to 160.250.

17 (3) Any changes made in division boundary lines shall be to make divisions as equal in
18 population and containing integral voting precincts insofar as is practical. No
19 change may be made in division boundary lines less than five (5) years after the last
20 change in any division lines, except in case of merger of districts, a change in
21 territory due to annexation, a district meeting the provisions of subsection (5) of
22 this section, or to allow compliance with KRS 117.055(2).

23 (4) (a) Notwithstanding the provisions of subsection (3) of this section, if one
24 hundred (100) residents of a county school district division petition the
25 Kentucky Board of Education stating that the school district divisions are not
26 divided as nearly equal in population as can reasonably be expected, the chief
27 state school officer shall cause an investigation to determine the validity of the

1 petition, the investigation to be completed within thirty (30) days after receipt
2 of the petition.

3 (b) If the investigation reveals the school district to be unequally divided
4 according to population, the Kentucky Board of Education, upon the
5 recommendation of the chief state school officer, shall order the local board of
6 education to make changes in school district divisions as are necessary to
7 equalize population within the five (5) school divisions.

8 (c) If any board fails to comply with the order of the Kentucky Board of
9 Education within thirty (30) days or prior to August 1 in any year in which
10 any members of the board are to be elected, members shall be elected from
11 the district at large until the order of the Kentucky Board of Education has
12 been complied with.

13 (d) No change shall be made in the boundary of any division under the provisions
14 of this subsection after August 1 in the year in which a member of the school
15 board is to be elected from any division.

16 (5) Notwithstanding the provisions of subsection (2) of this section, in county school
17 districts having reached an end-of-year enrollment of twenty-five thousand
18 (25,000) or more students~~counties containing a city of the first class wherein a~~
19 ~~merger pursuant to KRS 160.041 shall have been accomplished~~]:

20 (a) ~~{,}~~There shall be:

21 1. Seven (7) divisions as equal in population as is practicable, with one (1)
22 member appointed~~members elected~~ from each of the divisions by the
23 chief executive officer of the county and confirmed by the legislative
24 body of the county in accordance with paragraph (c) of this
25 subsection. The county board of education shall determine the
26 divisions. To be eligible to be appointed~~elected~~ from a division, a
27 candidate must reside in that division; and

1 2. Four (4) members from the district at large appointed by the chief
2 executive officer of the county in accordance with paragraph (b) of
3 this subsection and confirmed by the legislative body of the county in
4 accordance with paragraph (c) of this subsection;

5 5. (b) Appointments to the county board of education under this subsection shall
6 reflect no less than proportional representation of the two (2) leading
7 political parties of the Commonwealth based on the county's voter
8 registration and the political affiliation of each appointee as of December
9 31 of the year preceding the date of his or her appointment. A particular
10 political party affiliation shall not be a prerequisite to appointment to the
11 board generally, however, if any person is appointed to the board who is not
12 affiliated with either of the two (2) leading political parties of the
13 Commonwealth, the proportional representation by political party affiliation
14 requirement shall be determined and satisfied based on the total number of
15 members on the board less any members not affiliated with either of the two
16 (2) leading political parties;[. The divisions, based upon 1970 United States
17 Census Bureau Reports on total population by census tracts for Jefferson
18 County, Kentucky shall be as follows: Division One shall include census
19 tracts 1-28; Division Two shall include census tracts 29-35, 47-53, 57-74, 80-
20 84, 93, 129, 130; Division Three shall include census tracts 75-79, 85-88, 98-
21 106, 107.01, 108; Division Four shall include census tracts 121.01, 123-128;
22 Division Five shall include census tracts 36-46, 56, 90, 120, 121.02, 122;
23 Division Six shall include census tracts 54, 55, 91, 92, 94, 95, 110.02, 113,
24 114, 117.01, 117.02, 118, 119; Division Seven shall include census tracts 89,
25 96, 97, 107.02, 109, 110.01, 111, 112, 115, 116, 117.03, 131, 132.]

26 6. (c) For confirmation of appointments to county boards of education under this
27 subsection, if the legislative body of the county declines to:

- 1 1. Consider an appointee within ninety (90) calendar days, the position
2 shall become vacant at that time and the appointee shall not be
3 reappointed to the county board of education for a period of two (2)
4 years from that date; and
- 5 2. Confirm the appointee, the position shall become vacant upon the date
6 the legislative body of the county declines to confirm the appointment
7 and the appointee shall not be reappointed to the county board of
8 education for a period of two (2) years from that date; and

9 (d) The terms of the members[to be elected], KRS 160.044 notwithstanding,
10 shall be four (4) years[and the election for the initial four (4) year terms shall
11 be as follows: The election of the members from Divisions Two, Four and
12 Seven shall be held at the next regular November election following the
13 effective date of the merger pursuant to KRS 160.041, and the election of the
14 members from Divisions One, Three, Five and Six shall be held at the regular
15 November election two (2) years thereafter].

16 (6) [In counties containing cities of the first class,]Responsibility for the establishment
17 and[or] the changing of county school board division boundaries shall be with the
18 county[local] board of education, subject to the review and approval of the county
19 board of elections, or in the case of a county school district having reached an
20 end-of-year enrollment of twenty-five thousand (25,000) or more students, subject
21 to the review and approval of the legislative body of the county. Where division

22 and census tract boundaries do not coincide with existing election precinct

23 boundaries, school board divisions shall be redrawn to comply with precinct

24 boundaries. In no instance shall precinct boundaries be redrawn nor shall a precinct

25 be divided to accommodate the drawing of school board division lines. [Precinct

26 boundaries nearest existing school board division boundaries shall become the new

27 division boundary.] All changes under this section[statute] shall be completed on or

1 before [January 1, 1979, and on or before] January 1 in any [succeeding] year in
2 which a member of the [school] board is to be elected **or appointed** from any
3 division. A record of all changes in division lines shall be kept in the offices of the
4 county board of education [and the county board of elections]. The board of
5 education shall publish all changes pursuant to KRS Chapter 424. A copy of the
6 newspaper in which the notice is published shall be filed with the chief state school
7 officer within ten (10) days following its publication.

8 ➔ Section 2. KRS 160.160 is amended to read as follows:

9 (1) **As used in Sections 1, 2, 4, and 6 of this Act, for counties containing a county**
10 **school district having reached an end-of-year enrollment of twenty-five thousand**
11 **(25,000) or more students, "chief executive officer" means the:**
12 (a) **Mayor of a consolidated local government;**
13 (b) **Mayor of an urban-county government; or**
14 (c) **County judge/executive of the county for counties not organized under the**
15 **forms of government listed in paragraph (a) or (b) of this subsection.**

16 (2) Each school district shall be under the management and control of a board of
17 education consisting of five (5) members, except in **county school districts having**
18 **reached an end-of-year enrollment of twenty-five thousand (25,000) or more**
19 **students** [counties containing a city of the first class wherein a merger pursuant to
20 KRS 160.041 shall have been accomplished] which shall have **eleven (11)**
21 **members, including** seven (7) members **appointed by the chief executive**
22 **officer** [elected] from [the] divisions and **four (4) members appointed by the chief**
23 **executive officer from the district at large** in the manner prescribed by **Section 1 of**
24 **this Act** [KRS 160.210(5)], to be known as the "Board of Education of,
25 Kentucky." Each board of education shall be a body politic and corporate with
26 perpetual succession. It may sue and be sued; make contracts; expend funds
27 necessary for liability insurance premiums and for the defense of any civil action

1 brought against an individual board member in his or her official or individual
2 capacity, or both, on account of an act made in the scope and course of his or her
3 performance of legal duties as a board member; purchase, receive, hold, and sell
4 property; issue its bonds to build and construct improvements; and do all things
5 necessary to accomplish the purposes for which it is created. Each board of
6 education shall elect a chair[chairman] and vice chair[chairman] from its
7 membership in a manner and for a term prescribed by the board not to exceed two
8 (2) years.

9 (3){(2)} No board of education shall participate in any financing of school buildings,
10 school improvements, appurtenances thereto, or furnishing and equipment,
11 including education technology equipment without:

12 (a) First establishing the cost of the project in advance of financing, based on the
13 receipt of advertised, public, and competitive bids for such project, in
14 accordance with KRS Chapter 424; and

15 (b) Establishing the cost of financing in advance of the sale of any bonds,
16 certificates of participation in any leases, or other evidences of financial
17 commitments issued by or on behalf of such board. Any bonds, leases,
18 participations, or other financial arrangements shall not involve a final
19 commitment of the board until the purchaser or lender involved shall have
20 been determined by public advertising in accordance with KRS Chapter 424.

21 (4){(3)} No board of education shall make a mortgage, lien, or other encumbrance
22 upon any school building owned by the board, or transfer title to any such school
23 building as part of any financing arrangement, without the specific approval of the
24 Department of Education, and without the transaction being entered into pursuant to
25 a detailed plan or procedure specifically authorized by Kentucky statute.

26 (5){(4)} Without the approval of the Department of Education, no board may lease, as
27 lessee, a building or public facility that has been or is to be financed at the request

1 of the board or on its behalf through the issuance of bonds by another public body
2 or by a nonprofit corporation serving as an agency and instrumentality of the board,
3 or by a leasing corporation. Any lease, participation, or other financial arrangement
4 shall not involve a final commitment of the board unless and until the purchaser or
5 lender involved in same shall have been determined by public advertising in
6 accordance with KRS Chapter 424. No transaction shall be entered into by the
7 board except upon the basis of public advertising and competitive bidding in
8 accordance with KRS Chapter 424.

9 ~~(6)~~⁽⁵⁾ A school district may issue general obligation bonds in accordance with KRS
10 Chapter 66.

11 ~~(7)~~⁽⁶⁾ Rental payments due by a board under a lease approved by the Department of
12 Education in accordance with subsection ~~(5)~~⁽⁴⁾ of this section, and debt service
13 payments under a general obligation bond issued in accordance with this section,
14 shall be due and payable not less than ten (10) days prior to the interest due date for
15 the bonds, notes, or other debt obligations issued to finance the building or public
16 facility. If a board fails to make a rental payment when due under a lease or a debt
17 service payment when due for a general obligation bond issue, upon notification to
18 the Department of Education by the paying agent, bond registrar, or trustee for the
19 bonds not less than three (3) days prior to the interest due date, the Department of
20 Education shall withhold or intercept any funds then due the board to the extent of
21 the amount of the required payment on the bonds and remit the amount to the
22 paying agent, bond registrar, or trustee as appropriate. Thereafter, the Department
23 of Education shall resolve the matter with the board and adjust remittances to the
24 board to the extent of the amount paid by the Department of Education on the
25 board's behalf.

26 ~~(8)~~⁽⁷⁾ Bonds, notes, or leases negotiated to provide education technology shall not
27 be sold for longer than seven (7) years or the useful life of the equipment as

1 established by the state technology master plan, whichever is less.

2 (9)(8) Notwithstanding any requirements of public advertising, competitive bidding,
3 or approval by the Department of Education, or any administrative regulation
4 promulgated pursuant to KRS 156.160(1)(o), a local board may authorize the
5 transfer or sale of the district's real or personal property to another governmental or
6 quasi-governmental agency in exchange for money or a similar type of property that
7 equals or exceeds the fair market value of the district property as determined by an
8 independent appraisal conducted by:

13 ➔ Section 3. KRS 160.170 is amended to read as follows:

14 Every person elected or appointed to a board of education shall, before assuming the
15 duties of the office, take the following oath, in addition to the constitutional oath:

16 "State of Kentucky,

17 "County of

18 "_____, being duly sworn, says that he or she is eligible under the law
19 to serve as a member of the board of education, and that he or she will, while serving as a
20 member of such board, carry out all duties prescribed by law and remain eligible for
21 membership on the board of education.

22 " "

23 "Subscribed and sworn to before me this _____ day of _____
24 " "

25 The oath shall be kept on record by the board.

26 ➔ Section 4. KRS 160.190 is amended to read as follows:

27 (1) (a) *Except as provided in paragraph (b) of this subsection*, any vacancy in any

1 board of education shall be filled by a majority vote of the remaining
2 members of the local board within sixty (60) days after the vacancy occurs.
3 Within thirty (30) days of the vacancy, the local board shall, for two (2)
4 weeks, have solicited applications by posting a notice announcing the vacancy
5 on the district's website and by placing an advertisement in the newspaper of
6 the largest general circulation in the county. An applicant shall file a letter of
7 intent with the local board affirming that the applicant meets the eligibility
8 requirements as established by KRS 160.180 and shall submit with the
9 application a transcript evidencing completion of the twelfth grade or results
10 of a twelfth grade equivalency examination. After the two (2) weeks of
11 advertisement on the district's website and in the newspaper, the local board
12 shall select from the applicants under this subsection to fill the vacancy.

13 **(b) In county school districts having reached an end-of-year enrollment of**
14 **twenty-five thousand (25,000) or more students, any vacancy in the county**
15 **board of education shall be filled for the remainder of the unexpired term**
16 **by the chief executive officer of the county within sixty (60) days after the**
17 **vacancy occurs and in accordance with subsection (5) of Section 1 of this**
18 **Act.**

19 (2) If the local board or chief executive officer, as applicable, fails to make an
20 appointment under subsection (1) of this section, then the chief state school officer
21 shall fill the vacancy within sixty (60) days of the failure.

22 (3) The member appointed[chosen] under this section shall meet the eligibility
23 requirements as established by KRS 160.180 and shall hold office until his or her
24 successor is elected or appointed, and has qualified.

25 (4) Any vacancy of an elected position having an unexpired term of one (1) year or
26 more on August 1 after the vacancy occurs shall be filled for the unexpired term by
27 an election to be held at the next regular election after the vacancy occurs. The

1 elected member shall succeed the member chosen under subsection (1) or (2) of this
2 section to fill the vacancy. Nominating petitions shall be filed with the county clerk
3 not later than the second Tuesday in August preceding the day for holding the
4 regular election for the unexpired term. Declarations of intent to be a write-in
5 candidate shall be filed with the county clerk in accordance with KRS 117.265.

6 (5) (a) If no candidate files a petition of nomination or declaration of intent to be a
7 write-in candidate to fill an unexpired term on a local board of education
8 under subsection (4) of this section, then a new vacancy shall exist on
9 November 1 and the vacancy shall be filled according to subsection (1) of this
10 section.
11 (b) If no candidate files a petition of nomination or declaration of intent to be a
12 write-in candidate for a new term on a local board of education opening
13 pursuant to KRS 118.315 and 118.365, then a vacancy shall exist on January 1
14 and the vacancy shall be filled according to subsection (1) of this section.

15 ➔Section 5. KRS 160.180 is amended to read as follows:

16 (1) As used in this section, "relative" means father, mother, brother, sister, husband,
17 wife, son, and daughter.
18 (2) A person shall only be eligible for membership on a board of education if the
19 person:
20 (a) Has attained the age of twenty-four (24) years;
21 (b) Has been a citizen of Kentucky for at least three (3) years preceding the
22 election and is a voter of the district for which he or she is elected;
23 (c) Has completed at least the twelfth grade or has been issued a High School
24 Equivalency Diploma, as evidenced by:
25 1. An affidavit signed under penalty of perjury certifying completion of the
26 twelfth grade or the equivalent that has been filed with the nominating
27 petition required by KRS 118.315; or

1 2. A transcript evidencing completion of the twelfth grade or the results of
2 a twelfth grade equivalency examination that has been filed with the
3 nominating petition required by KRS 118.315;

4 (d) Does not hold any elective federal, state, county, or city office;

5 (e) Is not, at the time of his or her election or appointment, directly or indirectly
6 interested in the sale to the board of books, stationery, or any other property,
7 materials, supplies, equipment, or services for which school funds are
8 expended;

9 (f) Has not been removed from membership on a board of education for cause;
10 and

11 (g) Does not have a relative employed by the school district, in the case of a
12 person elected or appointed after July 13, 1990. This shall not apply to a
13 board member holding office on July 13, 1990, whose relative was not
14 initially hired by the district during the tenure of the board member.

15 (3) (a) An elected[A] member of a board of education shall be subject to removal
16 from office pursuant to KRS 415.050 and 415.060, and an appointed member
17 shall be subject to removal from office pursuant to subsection (2) of Section
18 6 of this Act, if[,] after the election or appointment the member:

19 1. Becomes interested in any contract with or claims against the board, of
20 the kind mentioned in subsection (2)(e) of this section;

21 2. Moves his or her residence from the division for which he or she was
22 chosen;

23 3. Attempts to influence the employment of any school employee, except
24 the superintendent or school board attorney;

25 4. Is convicted of a felony;

26 5. Performs acts of malfeasance in performance of duties prescribed by
27 law;

- 1 6. Willfully misuses, converts, or misappropriates public property or funds;
- 2 or
- 3 7. Does anything that would render the member ineligible for reelection **or**
- 4 **reappointment.**
- 5 (b) In accordance with KRS 7.410, the Office of Education Accountability shall
- 6 have the duty and responsibility to investigate current local board of education
- 7 members for allegations of conduct prohibited by paragraph (a) of this
- 8 subsection. After review and investigation, the Office of Education
- 9 Accountability shall refer appropriate matters to the Attorney General.
- 10 (4) A member of a board of education shall be eligible for reelection **or reappointment**
- 11 unless he or she becomes disqualified.
- 12 (5) The annual in-service training requirements for all members of boards of education
- 13 **serving**~~in office~~ as of December 31, 2014, shall be as follows:
 - 14 (a) Twelve (12) hours for members with zero to three (3) years of experience;
 - 15 (b) Eight (8) hours for members with four (4) to seven (7) years of experience;
 - 16 and
 - 17 (c) Four (4) hours for members with eight (8) or more years of experience.

18 The Kentucky Board of Education shall identify the criteria for fulfilling this

19 requirement.

- 20 (6) (a) For all members of boards of education who begin their initial service on or
- 21 after January 1, 2015, the in-service training requirements shall be:
 - 22 1. Twelve (12) hours for members with zero to eight (8) years of
 - 23 experience each year, which shall include a minimum of:
 - 24 a. One (1) hour of ethics training each year; and
 - 25 b. One (1) hour of open meetings and open records training within
 - 26 the first twelve (12) months of initial service and at least once
 - 27 every four (4) years thereafter; and

1 2. Eight (8) hours for members with more than eight (8) years of
2 experience each year, which shall include a minimum of:
3 a. One (1) hour of ethics training each year; and
4 b. One (1) hour of open meetings and open records training at least
5 once every four (4) years.
6 (b) Training topics for members under this subsection with less than two (2) years
7 of consecutive service shall include three (3) hours of finance and one (1)
8 hour of superintendent evaluation within the first two (2) years of service. The
9 Kentucky Board of Education shall identify criteria for fulfilling this
10 requirement.

11 ➔ Section 6. KRS 156.132 is amended to read as follows:

12 (1) (a) As used in this subsection[section], except in paragraph (b) of this
13 subsection[(1)], "public school officer" means a person who previously
14 served as a superintendent of schools or as an appointed member of a county
15 board of education during which time charges were brought against him or
16 her under this section.

17 (b)[(1)] The chief state school officer shall recommend, by written charges to the
18 proper school authorities having immediate jurisdiction, the removal of any
19 superintendent of schools, principal, teacher, member of a school council,
20 appointed member of a county board of education, or other public school
21 officer as to whom he or she has reason to believe is guilty of immorality,
22 misconduct in office, incompetency, willful neglect of duty, or nonfeasance.
23 In the case of a member of a school council or appointed member of a county
24 board of education, the written charges shall be provided to the local board of
25 education.

26 (c)[(2)] The chief state school officer shall recommend by written charges the
27 suspension by the Kentucky Board of Education of any superintendent of

1 schools or other public school officer whom he or she has reason to believe is
2 guilty of immorality, misconduct in office, incompetency, willful neglect of
3 duty, or nonfeasance. If the charges brought under this paragraph[subsection]
4 represent an immediate threat to the public health, safety, or welfare, the
5 Kentucky Board of Education shall summarily suspend the person against
6 whom the charges are made. The action by the Kentucky Board of Education
7 may be taken upon a recommendation of the chief state school officer, or the
8 action may be taken by a majority vote of the Kentucky Board of Education
9 without recommendation from the chief state school officer.

10 **(d)**{(3)} The Kentucky Board of Education may suspend a district superintendent
11 of schools or other public school officer under paragraph (c) of this
12 subsection[subsection (2) of this section] or remove him or her pursuant to
13 paragraph (f) of this subsection[(5) of this section] only if, after thirty (30)
14 days of receipt of the written charges specified in subsection (1) of this
15 section, the proper school authorities having immediate jurisdiction, either the
16 superintendent or the district board of education, have refused to act, have
17 acted in bad faith, arbitrarily, or capriciously, or if a recommendation to the
18 district board would have been futile.

19 **(e)**{(4)} Any officer suspended by the Kentucky Board of Education under
20 paragraph (c) of this subsection[(2) of this section] shall be furnished with
21 an emergency order specifying in detail the reasons for suspension and
22 notifying the officer of his or her right to appeal the action and have an
23 emergency hearing pursuant to KRS 13B.125.

24 **(f)**{(5)} As an alternative to first seeking suspension, the chief state school
25 officer may recommend by written charges the removal by the Kentucky
26 Board of Education of any superintendent of schools or other public school
27 officer whom he or she has reason to believe is guilty of immorality,

1 misconduct in office, incompetency, willful neglect of duty, or nonfeasance.
2 The officer against whom the written charges are issued by the chief state
3 school officer shall be furnished with the written charges and notice of
4 procedural rights conferred under KRS Chapter 13B. Within twenty (20) days
5 after receipt of the charges, the officer may notify the Kentucky Board of
6 Education of his or her intention to appear and answer the charges. Upon
7 appeal, an administrative hearing shall be conducted in accordance with KRS
8 Chapter 13B. If the officer fails to notify the board of his or her intention to
9 appear and answer the charges, the Kentucky Board of Education may remove
10 the officer by a majority vote, and the dismissal shall be final.

11 (g){(6)} The hearing shall be public or private at the discretion of the accused
12 former or current superintendent and shall be public when testimony is taken
13 for board members.

14 (h){(7)} The Kentucky Board of Education may meet in closed session to
15 consider the evidence and may by a majority vote remove the officer. If the
16 board votes to remove the officer, the board shall prepare final order
17 specifying which charge or charges it found to be the basis for removal. If
18 within ninety (90) days from the date of suspension if applicable, the state
19 board has not removed the officer, or has dismissed the charges, the
20 suspended officer shall be reinstated and shall be paid his or her full salary for
21 the period of suspension.

22 (i){(8)} The officer shall have a right to appeal on the record to the Circuit Court
23 located in the county of the school district in accordance with KRS Chapter
24 13B. If the decision of the court is against removal, the officer shall be paid
25 his or her full salary from the date of suspension. The payment shall be made
26 from funds appropriated to the State Department of Education.

27 (i){(9)} If a superintendent of schools is removed from office or resigns while

1 charges are pending pursuant to this section[~~after July 15, 1994~~], any
2 continuing contract pursuant to KRS 161.720 to 161.810 shall be terminated.
3 If the removal is reversed upon appeal, the continuing contract shall be
4 restored and he or she shall be paid his or her full salary for the period of
5 suspension.

6 (2) In county school districts having reached an end-of-year enrollment of twenty-
7 five thousand (25,000) or more students, the chief executive officer of the county
8 may remove a member of the board of education appointed in accordance with
9 subsection (5) of Section 1 of this Act for cause, including but not limited to
10 malfeasance, misfeasance, incompetence, or gross neglect of duty.

11 ➔ Section 7. KRS 160.240 is amended to read as follows:

12 [(1)] The general election laws shall apply to all elections of school board members[.]
13 (2) In school districts embracing designated cities, the expense of the election shall be
14 paid by the city from its general funds. In all other districts the expense shall be
15 paid by the fiscal court out of its general funds.
16 (3) As used in this section, "designated city" has the same meaning as in KRS
17 160.020].

18 ➔ Section 8. KRS 304.48-250 is amended to read as follows:

19 (1) If the assets of a liability self-insurance group are at any time insufficient to enable
20 the group to discharge its legal liabilities, other obligations, and to maintain the
21 required reserves under this subtitle, the group shall immediately levy an
22 assessment upon its members for the amount necessary to make up the deficiency.
23 (2) If there is a deficiency in any fund year, the deficiency shall be made up
24 immediately, from the following:
25 (a) Surplus from a fund year other than the current fund year after prior notice of
26 the transfer has been given to the commissioner;
27 (b) Administrative funds;

- (c) Assessment of membership; or
- (d) Alternate methods as the commissioner may direct or approve.

(3) If a liability self-insurance group fails to assess its members within thirty (30) days to make up a deficit, the commissioner shall order it to do so. This subsection shall not apply to liability self-insurance groups formed by governmental entities which do not have joint and several liability.

(4) If a liability self-insurance group fails to make the required assessment of its members within thirty (30) days after the commissioner orders it to do so, or if the deficiency is not fully made up within sixty (60) days after the date on which the assessment is made, or within a longer period of time as may be permitted by the commissioner, the group shall be determined to be insolvent and may be placed in delinquency proceedings as an insurer pursuant to Subtitle 33 of this chapter.

(5) (a) Governmental entities that:

- 1. Participate or have participated in a liability self-insurance group authorized by this subtitle; and
- 2. Are assessed by the liability self-insurance group to cover an accrued deficit;

may finance the payment of the assessment over a period not to exceed twenty (20) years.

(b) Financing obtained pursuant to paragraph (a) of this subsection may be accomplished by:

- 1. The issuance of bonds, notes, or other obligations; or
- 2. A lease, installment payment agreement, or other similar agreement.

(c) If the governmental entity fails to make a scheduled payment on the financing obtained pursuant to paragraph (a) of this subsection, any payments due to that governmental entity shall be withheld or intercepted using the process established in *subsection (7) of Section 2 of this Act* [KRS 160.160(6)].

1 (6) Except as provided in subsection (5) of this section, all other provisions of the
2 Kentucky Revised Statutes applying to any financing obtained by a governmental
3 entity shall apply.

4 ➔Section 9. KRS 304.50-055 is amended to read as follows:

5 (1) As used in this section, "nationally recognized statistical rating organization" or
6 "NRSRO" means a credit rating agency approved by the United States Securities
7 and Exchange Commission to provide assessments of the creditworthiness of
8 financial instruments.

9 (2) A workers' compensation self-insured group shall establish plans for premium
10 payment, determination and collection of assessments, and for declaration and
11 payment of dividends or other disbursements, which shall be filed for prior
12 approval with the commissioner. Any change in the plans for premium payment,
13 assessments, or dividends shall be filed for prior approval with the commissioner.
14 Approval of plans for assessments and dividends does not constitute approval of
15 any particular assessment or dividend by the commissioner.

16 (3) Prior to the inception of each group member's self-insurance year, the trustees shall
17 collect from that member at least twenty-five percent (25%) of the estimated
18 premium for the ensuing year, except that in the case of a self-insured group formed
19 by governmental entities twenty-five percent (25%) of the estimated premium for
20 the ensuing year shall be collected no later than thirty (30) days after the beginning
21 of the self-insured group's self-insurance year. The balance of the estimated
22 premium shall be collected in either quarterly or monthly installments as set forth in
23 the enabling documents described in KRS 304.50-030(2)(b) or 304.50-060(2)(b).
24 Each group member's payroll shall be audited annually and an adjustment to
25 premium shall be made accordingly.

26 (4) A disbursement from a workers' compensation self-insured group fund shall be for
27 a purpose related to the self-insured group. A dividend shall not be approved or

1 paid until at least thirty-six (36) months after the expiration of the self-insurance
2 year and shall be paid from surplus funds not required for payment of claims or
3 other liabilities. The dividends shall be paid or credited to members according to the
4 reasonable classifications the trustees may establish. A dividend shall not be paid
5 which unfairly discriminates between members of the same classifications. A
6 dividend plan shall specify whether past group members are eligible for the
7 dividend. Payment of a dividend under a dividend plan shall not be made unless the
8 self-insured group has notified the commissioner of its intent to make a dividend
9 payment at least thirty (30) days prior to the payment, and the commissioner has not
10 disapproved the payment within that time.

11 (5) The formula to be used for collection of assessments shall be determined by the
12 trustees and approved by the commissioner. Assessments shall be fair and equitable
13 and shall not unfairly discriminate between members of the same classification.

14 (6) A trustee, fiscal agent, or service organization shall not utilize an asset of the self-
15 insured group for a purpose unrelated to workers' compensation. The trustees shall
16 maintain cash or cash equivalent accounts as may be prudently necessary to pay
17 expenses without having to liquidate long-term investments.

18 (7) The trustees may invest funds in:

19 (a) United States Government bonds, United States Treasury notes, Treasury
20 bills, or other direct obligations guaranteed by the full faith and credit of the
21 United States Government or its agencies;

22 (b) Tax exempt and taxable obligations issued by any state or any of its agencies,
23 counties, cities, municipalities, districts, political subdivisions, or other legal
24 authorities within the United States of America with a minimum rating of
25 "BBB" by any NRSRO, except that no less than fifty percent (50%) of the
26 investments made under this paragraph shall be in obligations issued by the
27 Commonwealth, its agencies, or a county, city district, municipality, political

1 subdivision, or other legal authority within the Commonwealth;

2 (c) Investment share accounts in a savings and loan association in the

3 Commonwealth whose deposits are insured by a federal agency;

4 (d) Certificates of deposit if issued by a duly chartered commercial bank;

5 (e) 1. At the time of purchase, equity securities actively traded on the New

6 York or NASDAQ Stock Exchanges or other registered national

7 securities exchanges with no individual equity holding comprising

8 greater than ten percent (10%) of the equity portion of the portfolio

9 reflected on the most recent quarterly or annual statement of financial

10 condition on file with the commissioner.

11 2. An investment in an individual equity holding shall not represent at the

12 time of purchase more than five percent (5%) of the total market value

13 of the security.

14 3. At the time of purchase, investments in equity securities shall not exceed

15 twenty percent (20%) of the total market value of the investment

16 portfolio of the self-insured group reflected on the most recent quarterly

17 or annual statement of financial condition on file with the commissioner;

18 (f) Corporate bonds if:

19 1. The bond is issued, assumed, or guaranteed by a solvent institution

20 created or existing under the laws of the United States, or a state,

21 province, district, or territory;

22 2. At the time of purchase, the corporate bond investments do not exceed

23 twenty-five percent (25%) of the total market value of the investment

24 portfolio reflected on the most recent quarterly or annual statement of

25 financial condition on file with the commissioner; and

26 3. The bond has a minimum rating of "BBB" by any NRSRO;

27 (g) At the time of purchase, mutual funds and exchange traded funds if the

1 investments do not exceed twenty percent (20%) of the total market value of
2 the investment portfolio reflected on the most recent quarterly or annual
3 statement of financial condition on file with the commissioner; and

4 (h) Asset-backed securities if:

5 1. The bond is issued, assumed, or guaranteed by a solvent institution
6 created or existing under the laws of the United States, or a state,
7 province, district, or territory;

8 2. The asset-backed security investments do not exceed ten percent (10%)
9 of the total market value of the investment portfolio reflected on the
10 most recent quarterly or annual statement of financial condition on file
11 with the commissioner; and

12 3. The bond has a minimum rating of "BBB" by any NRSRO.

13 (8) Of the aggregate investments made by the trustees of the self-insured group under
14 this section:

15 (a) Not less than fifty percent (50%) of the total market value of the entire
16 investment portfolio shall be held in cash, cash equivalents, or securities as
17 described in subsection (7)(a) to (d) of this section; and

18 (b) A minimum of five percent (5%) of the total investment portfolio value shall
19 be maintained in cash or cash equivalent accounts or United States Treasury
20 and Federal Agency Securities with a remaining maturity of one (1) year or
21 less.

22 (9) In the event that any security investment authorized by subsection (7) of this section
23 is downgraded below "BBB," the workers' compensation self-insurance group shall
24 divest itself of that investment as prudently as possible without incurring
25 unnecessary losses.

26 (10) The commissioner may permit variation from the requirements of this section for
27 good cause.

1 (11) (a) Governmental entities that:

2 1. Participate or have participated in a workers' compensation self-insured
3 group authorized by this subtitle; and

4 2. Are assessed by the workers' compensation self-insured group to cover
5 an accrued deficit;

6 may finance the payment of the assessment over a period not to exceed twenty
7 (20) years.

8 (b) Financing obtained pursuant to paragraph (a) of this subsection may be
9 accomplished by:

10 1. The issuance of bonds, notes, or other obligations; or

11 2. A lease, installment payment agreement, or other similar agreement.

12 (c) If the governmental entity fails to make a scheduled payment on the financing
13 obtained pursuant to paragraph (a) of this subsection, any payments due to
14 that governmental entity shall be withheld or intercepted using the process
15 established in **subsection (7) of Section 2 of this Act**~~[KRS 160.160(6)]~~.

16 (12) Except as provided in subsection (11) of this section, all other provisions of the
17 Kentucky Revised Statutes applying to any financing obtained by a governmental
18 entity shall apply.

19 ➔Section 10. Notwithstanding subsection (5) of Section 1 of this Act and
20 subsection (2) of Section 2 of this Act, a member of the board of education for county
21 school districts having reached an end-of-year enrollment of twenty-five thousand
22 (25,000) or more students who has been elected to serve prior to January 1, 2027, shall be
23 permitted to serve on the county board of education for the remainder of the member's
24 unexpired term, unless the member resigns or is removed from office pursuant to KRS
25 415.050 and 415.060.

26 ➔Section 11. Notwithstanding subsection (5)(d) of Section 1 of this Act, initial
27 appointments of members to be appointed from the county at large in accordance with

1 subsection (5)(a) to (c) of Section 1 of this Act to the board of education for county
2 school districts having reached an end-of-year enrollment of twenty-five thousand
3 (25,000) or more students shall be as follows:

4 (1) Two members shall be appointed for a two year term; and
5 (2) Two members shall be appointed for a four year term.

6 ➔Section 12. (1) By January 1, 2027, a local board of education that is
7 required to add membership pursuant to Sections 1 and 2 of this Act shall identify the
8 number of additional positions and the appropriate expiration of the term for each
9 additional member.

10 (2) By January 1, 2027, the board of education of each county school district that
11 is required to add membership pursuant to Section 1 of this Act shall have divided its
12 district into the required number of divisions containing integral voting precincts and as
13 equal in population insofar as is practicable. In first dividing the county district into
14 divisions the board shall, if more than one of its current members reside in one division,
15 determine by lot which member from that division shall represent that division, and
16 which members shall represent a division in which no member resides. The members so
17 determined to represent divisions in which no member resides shall be considered the
18 members from those divisions until their terms expire, and thereafter the members from
19 those divisions shall be appointed as provided in Sections 1 of this Act.

20 (3) By January 1, 2027, the additional positions created that are not represented
21 by a member shall be filled pursuant to Sections 1 and 2 of this Act.

22 ➔Section 13. This Act takes effect January 1, 2027.