

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 conjunctions 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)~~  
14       of this section may submit a request to renew the waiver to the state board. A  
15       renewal request shall be submitted no earlier than six (6) months prior to that  
16       waiver's 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)~~<sup>(9)</sup> 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)~~<sup>(10)</sup> 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 anything to the contrary in Section 2 of this Act, the Kentucky**  
 26 **Board of Education shall establish and maintain a list of expedited waivers that a**  
 27 **local board of education may submit to the commissioner of education for**

- 1 approval. The list of expedited waivers shall include a waiver of all statutes and  
2 administrative regulations that prohibit a district from entering into an  
3 agreement with an education service provider to assist in the management and  
4 operation of a school or program.
- 5 (2) The commissioner shall consider an expedited waiver submitted under subsection  
6 (1) of this section and shall either approve or deny the request within ten (10)  
7 business days. The commissioner shall approve the request unless he or she  
8 determines that the expedited waiver would substantially:
- 9 (a) Hinder the operation of the district's schools or programs that are the  
10 subject of the waiver; or
- 11 (b) Impede student academic achievement within the schools or programs that  
12 are the subject of the waiver.
- 13 (3) An expedited waiver granted by the commissioner shall expire on June 30 of the  
14 third full school year after the request was first approved, regardless of  
15 subsequent amendment, unless the commissioner renews the waiver prior to  
16 expiration. The state board may extend the duration of specific expedited waivers  
17 on the list for a longer time or permanently.
- 18 (4) If the commissioner at any time finds that a specific expedited waiver previously  
19 granted under this section has substantially hindered school or program  
20 operations, endangered students, impeded student academic achievement, or  
21 supported financial malfeasance or criminal activity, then the waiver shall be  
22 rescinded. The existence of a waiver shall not negate the legal duties or  
23 professional responsibilities of district employees.
- 24 (5) A local board may appeal the denial of an expedited waiver by the commissioner  
25 to the state board. To be considered by the state board, the appeal shall be filed  
26 within thirty (30) days of the denial. The state board shall consider the appeal  
27 within thirty (30) days of the appeal being filed.

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

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

- 10 (1) (a) In determining the cost of the program to support education excellence in  
11 Kentucky, the statewide guaranteed base funding level, as defined in KRS  
12 157.320, shall be computed by dividing the amount appropriated for this  
13 purpose by the prior year's statewide average daily attendance.
- 14 (b) When determining the biennial appropriations for the program, the average  
15 daily attendance for each fiscal year shall include an estimate of the number  
16 of students graduating early under the provisions of KRS 158.142.
- 17 (2) Each district shall receive an amount equal to the base funding level for each pupil  
18 in average daily attendance in the district in the previous year, except a district shall  
19 receive an amount equal to one-half (1/2) of the state portion of the average  
20 statewide per pupil guaranteed base funding level for each student who graduated  
21 early under the provisions of KRS 158.142. Each district's base funding level shall  
22 be adjusted by the following factors:
- 23 (a) The number of at-risk students in the district. At-risk students shall be  
24 identified as those approved for the free lunch program under state and federal  
25 guidelines. The number of at-risk students shall be multiplied by a factor to be  
26 established by the General Assembly. Funds generated under this paragraph  
27 may be used to pay for:

- 1           1.   Alternative programs for students who are at risk of dropping out of  
2           school before achieving a diploma; and
- 3           2.   A hazardous duty pay supplement as determined by the local board of  
4           education to the teachers who work in alternative programs with  
5           students who are violent or assaultive;
- 6           (b)   The number and types of exceptional children in the district as defined by  
7           KRS 157.200. Specific weights for each category of exceptionality shall be  
8           used in the calculation of the add-on factor for exceptional children; and
- 9           (c)   Transportation costs. The per-pupil cost of transportation shall be calculated  
10          as provided by KRS 157.370. Districts which contract to furnish  
11          transportation to students attending nonpublic schools may adopt any payment  
12          formula which ensures that no public school funds are used for the  
13          transportation of nonpublic students.
- 14         (3)   Beginning with the 2015-2016 school year and each year thereafter, the General  
15          Assembly shall annually allocate funds equal to one-half (1/2) of the state portion  
16          of the average statewide per pupil guaranteed base funding level for each student  
17          who graduated early under the provisions of KRS 158.142 the previous school year  
18          to the Kentucky Higher Education Assistance Authority for deposit in the early  
19          graduation scholarship trust fund.
- 20         (4)   The program to support education excellence in Kentucky shall be fully  
21          implemented by the 1994-95 school year.
- 22         (5)   (a)   Except for those schools which have implemented school-based decision  
23          making, the commissioner of education shall enforce maximum class sizes for  
24          every academic course requirement in all grades except in vocal and  
25          instrumental music, and physical education classes. Except as provided in  
26          subsection (6) of this section, the maximum number of pupils enrolled in a  
27          class shall be as follows:

- 1           1. Twenty-four (24) in primary grades (kindergarten through third grade);
- 2           2. Twenty-eight (28) in grade four (4);
- 3           3. Twenty-nine (29) in grades five (5) and six (6);
- 4           4. Thirty-one (31) in grades seven (7) to twelve (12).
- 5       (b) Except for those schools which have implemented school-based decision
- 6           making, class size loads for middle and secondary school:
- 7           1. Classroom teachers shall not exceed the equivalent of one hundred fifty
- 8           (150) pupil hours per day; and
- 9           2. Virtual program teachers shall not exceed the equivalent of three
- 10          hundred (300) pupil hours per day.
- 11       (c) The commissioner of education, upon approval of the Kentucky Board of
- 12           Education, shall adopt administrative regulations for enforcing this provision.
- 13           These administrative regulations shall include procedures for a superintendent
- 14           to request an exemption from the Kentucky Department~~Board~~ of Education
- 15           when unusual circumstances warrant an increased class size for an individual
- 16           class. A request for an exemption shall include specific reasons for the
- 17           increased class size with a plan for reducing the class size prior to the
- 18           beginning of the next school year. A district shall not receive in any one (1)
- 19           year exemptions for more classes than enroll twenty percent (20%) of the
- 20           pupils in the primary grades and grades four (4) through eight (8).
- 21       (d) In all schools the commissioner of education shall enforce the special
- 22           education maximum class sizes set by administrative regulations adopted by
- 23           the Kentucky Board of Education. A superintendent or school council may
- 24           request an exemption pursuant to paragraph (c) of this subsection.~~[A local~~
- 25           ~~school council may request a waiver relating to maximum class size pursuant~~
- 26           ~~to KRS 156.161 in the same manner as a local board of education.]~~ An
- 27           exemption or waiver shall not be granted if the increased class size will

1           impede any exceptional child from achieving his or her individual education  
2           program in the least restrictive environment.

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

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

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

25 (9) Program funding shall be increased when the average daily attendance in any  
26 district for the first two (2) months of the current school year is greater than the  
27 average daily attendance of the district for the first two (2) months of the previous

1 school year. The program funds allotted the district shall be increased by the  
2 percent of increase. The average daily attendance in kindergarten is the  
3 kindergarten full-time equivalent pupils in average daily attendance.

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

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

18 (12) (a) Instructional salaries for vocational agriculture classes shall be for twelve (12)  
19 months per year. Vocational agriculture teachers shall be responsible for the  
20 following program of instruction during the time period beyond the regular  
21 school term established by the local board of education: supervision and  
22 instruction of students in agriculture experience programs; group and  
23 individual instruction of farmers and agribusinessmen; supervision of student  
24 members of agricultural organizations who are involved in leadership training  
25 or other activity required by state or federal law; or any program of vocational  
26 agriculture established by the Department of Education. During extended  
27 employment, no vocational agriculture teacher shall receive salary on a day

1           that the teacher is scheduled to attend an institution of higher education class  
2           which could be credited toward meeting any certification requirement.

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

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

22       (b) Pursuant to administrative regulations of the Kentucky Board of Education,  
23       local school districts shall be reimbursed for home and hospital instruction for  
24       pupils unable to attend regular school sessions because of short-term health  
25       impairments. A reimbursement formula shall be established by administrative  
26       regulations to include such factors as a reasonable per hour, per child  
27       allotment for teacher instructional time, with a maximum number of funded

1           hours per week, a reasonable allotment for teaching supplies and equipment,  
2           and a reasonable allotment for travel expenses to and from instructional  
3           assignments, but the formula shall not include an allotment for capital outlay.  
4           Attendance shall be calculated pursuant to KRS 157.270 and shall be reported  
5           annually on forms provided by the Department of Education.

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

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

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

22 (17) To calculate the state portion of the program to support education excellence in  
23           Kentucky for a school district, the Department of Education shall subtract the local  
24           effort required under KRS 157.390(5) from the calculated base funding under the  
25           program to support education excellence in Kentucky, as required by this section.  
26           The value of the real estate used in this calculation shall be the lesser of the current  
27           year assessment or the prior year assessment increased by four percent (4%) plus

1 the value of current year new property. The calculation under this subsection shall  
2 be subject to available funds.

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

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

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

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

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

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

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

22 (3) The school of innovation pilot project shall begin August 1, 2026, and end June  
23 30, 2028, and shall consist of a cohort of three (3) schools of innovation chosen  
24 from applications submitted by a local board under subsection (6) of Section 2 of  
25 this Act that meet the following eligibility criteria:

26 (a) Is not a virtual program as defined in KRS 157.320;

27 (b) Proposes a significant innovative educational opportunity to improve

1           student outcomes; and

2           (c) The local board identifies district revenues that are to be dedicated for the  
3           operation of the pilot project until the end of the pilot project that shall be  
4           considered for matching funds under subsection (4) of this section.

5           (4) The Kentucky Board of Education shall:

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

8           (b) Review and approve three (3) applications under subsection (3) of this  
9           section for admission into the pilot project to the extent that funds are  
10           available under subsection (2) of this section during the operation of the  
11           pilot project. The department shall distribute funds from the school of  
12           innovation pilot project fund to approved applicants in amounts that match  
13           the funds dedicated by the local board. The funds shall be distributed on a  
14           regular schedule to the school district so long as the school district operates  
15           the school of innovation as outlined in the approved application. A local  
16           board may submit an amended application so long as the amended  
17           application continues to meet the minimum requirements of subsection (3)  
18           of this section. Both the district revenues and the pilot project funds shall be  
19           restricted to the operation and support of the school of innovation, unless  
20           granted a waiver from the Kentucky Board of Education.

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

26           (a) A description of the district's school of innovation activities during the  
27           school year and how the school is innovating, including innovations

- 1            through the waiving of statute or administrative regulation;
- 2            (b) The education service providers and any other entities the school district
- 3            has partnered with for the operation of the school of innovation;
- 4            (c) A general accounting of how the district and matching pilot project funds
- 5            have been used;
- 6            (d) The academic programs offered by the school of innovation;
- 7            (e) The enrollment details of the school of innovation;
- 8            (f) What student and school performance factors the district shall use to
- 9            determine success of the school of innovation and the current status on
- 10           those factors; and
- 11           (g) What hinderances to innovation the district may have encountered.