

CONSIDERATION:

Public Discussion of Projected Receipts and Expenses - Draft Budget for 2016-17

DISCUSSION:

State law (KRS 160.470 (6)(a) requires that every local board of education receive a Draft Budget before January 31, 2016 for the upcoming school year. The law's purpose is to assure that the board has sufficient information about projected receipts and expenditures for all funds in the entire budget as allocations for individual budget components are considered. Table A contains an overview of the chronology for 2016-17 budget decisions.

Table A
Kentucky Budget Development Chronology
Fiscal Year Beginning July 1, 2016

Activity	Approximate Time
2016-17 Enrollment/ADA Projection	Reported to Board – December 2015
2016-17 Local/State Revenue Projections	Included in this enclosure
Projected Equipment/Capital Needs	Included in this enclosure
Mandated Personnel Expense	Included in this enclosure
Local School Board Reviews School Allocations	Preliminary Information in this enclosure
Draft Budget Reviewed by Local Board – (KRS 160.470)	By January 31, 2016
Local School Board Approves Tentative School Allocations	Complete by March 1, 2016
2016-17 School Budget Development – School Councils Advise Superintendent/Board of Staff Levels	Complete by March 31, 2016
Notice of Re-employment of Certified Staff – Next School Year	No Later than April 30, 2016
Needs Assessment	From Improvement Plans in May
Local School Board Approves Updated School Allocations	Complete by May 1, 2016
Staff Positions and Salary Levels	May Tentative Budget or later
Board Adopts 2016-17 Tentative Budget with 2% Reserve of Total Budget	By May 31, 2016
Formal Budget Action: 2016-17 Tax Levy	Within 30 days of receipt of certified assessment
Formal Budget Action: Adopts 2016-17 Working Budget	By September 30, 2016

REVENUE PROJECTIONS

Enrollment and Average Daily Attendance: The most important information to project local and state revenue is the number of pupils expected. Most state funds to local school districts are calculated from the full time equivalent (FTE) average daily attendance (ADA). Each kindergarten student is counted as one-half FTE for projection of SEEK revenue. It is important to remember that 2016-17 SEEK funds will be based on final 2015-16 ADA plus 2016-17 Second Month Growth ADA.

Even though state revenue through SEEK is based on ADA, staffing needs for schools are based on the number of students enrolled or average daily membership (ADM). The Trimble County Public Schools expect to have 25 fewer students in overall enrollment compared to 2015-16. Table B (see page 2) includes projected end of the first school month enrollment for 2016-17 compared to the four (4) prior years on the same date.

Table B
Projected Enrollment - Trimble County Public Schools
End of First School Month

School	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual* 2015-16	Projected* 2016-17	Change 1 year	% Change 1 year
Bedford	368	364	388	344	344	0	0.0%
Milton	264	274	285	268	261	(7)	-2.6%
Trimble Co MS	346	313	314	308	312	4	1.3%
Trimble Co HS	425	408	410	391	369	(22)	-5.6%
All K-12	1,403	1,359	1,397	1,311	1,286	(25)	-1.9%

*From 2015-16 Enrollment Projection and Demographic Information Report

Assessment of Taxable Property: Local/State revenue projections for 2016-17 are based on the projected number of pupils in ADA and a projection of assessed value of property subject to school taxation at the 2015-16 tax rate. The state SEEK funding program was designed to equalize funding based on the assessed value of taxable property per pupil.

To project state and local revenue the estimated assessed value is divided by the projected number of students to yield the estimated assessed value per pupil. The most critical data is the projected number of pupils in ADA. If assessed value is higher than projected, state SEEK funding will be lower than projected but local revenue will be higher. Projected total assessed value of property subject to school taxes for the Trimble County Public Schools (see Table C) is estimated to increase 1.72% for 2016-17.

Table C
Projected Property Assessment

Item	Actual 2013-14	Actual 2014-15	Actual 2015-16	Projected 2016-17
Real Estate – New Property	\$26,383,786	\$2,647,657	\$7,196,236	\$7,416,815
<i>Percentage of Total Assessment - Real Estate</i>	8.95%	0.89%	2.42%	2.47%
Real Estate – Reassessment Less Homestead	-\$29,236,221	-\$1,136,242	-\$5,511,836	-\$5,351,403
<i>Percentage of Total Assessment - Real Estate</i>	-9.92%	-0.38%	-1.85%	-1.78%
Total Assessment - Real Estate	\$294,735,485	\$296,246,900	\$297,931,300	\$299,996,712
<i>Percentage Change from Prior Year</i>	-0.96%	0.51%	0.57%	0.69%
Tangible Property	\$6,955,605	\$7,815,286	\$6,008,255	\$5,855,108
<i>Percentage Change from Prior Year</i>	30.52%	12.36%	-23.12%	-2.55%
Public Service Real Estate	\$133,577,753	\$135,467,110	\$141,444,646	\$147,476,286
<i>Percentage Change from Prior Year</i>	27.71%	1.41%	4.41%	4.26%
Public Service Tangible	\$77,589,074	\$68,710,247	\$77,908,339	\$78,689,421
<i>Percentage Change from Prior Year</i>	-14.71%	-11.44%	13.39%	1.00%
Motor Vehicle	\$55,776,040	\$57,988,666	\$58,046,469	\$59,337,822
<i>Percentage Change from Prior Year</i>	3.07%	3.97%	0.10%	2.22%
Grand Total	\$568,633,957	\$566,228,209	\$581,339,009	\$591,355,349
<i>Percentage Change from Prior Year</i>	2.90%	-0.42%	2.67%	1.72%
Less Motor Vehicles	\$512,857,917	\$508,239,543	\$523,292,540	\$532,017,527
<i>Percentage Change from Prior Year</i>	2.88%	-0.90%	2.96%	1.67%

PROJECTED REVENUE – GENERAL FUND

Overall General Fund Receipts: General Fund revenue is expected to be \$10,862,012 in 2016-17, including the beginning balance. This is a decrease of \$1,005,011 or 8.5% compared to 2015-16. Projected General Fund receipts from all sources for the Trimble County Public Schools for 2016-17 are shown in Table D.

**Table D
Projected General Fund Revenue**

CATEGORY OF REVENUE	Actual 2014-15	Budget 2015-16	Projected 2016-17	\$ Change	% Change
Revenue From Local Sources					
Ad Valorem Taxes	\$3,366,323	\$3,558,948	\$3,595,326	\$36,378	1.0%
Utility Tax	\$421,441	\$420,000	\$420,000	\$0	0.0%
Omitted Tax	\$4,552	\$2,000	\$2,000	\$0	0.0%
Tuition	\$24,723	\$23,000	\$19,000	(\$4,000)	-17.4%
Earnings on Investment	\$18,109	\$15,000	\$1,000	(\$14,000)	-93.3%
Other Local Revenue	(\$1,777)	\$8,000	\$8,000	\$0	0.0%
Total Local Revenue	\$3,833,370	\$4,026,948	\$4,045,326	\$18,378	0.5%
Revenue From State Sources					
State SEEK	\$4,936,163	\$4,779,876	\$4,494,621	(\$285,255)	-6.0%
Other State Funds (*)	\$30,946	\$32,380	\$34,780	\$2,400	7.4%
Total State Revenue	\$4,967,109	\$4,812,256	\$4,529,401	(\$282,855)	-5.9%
Revenue From Federal Sources					
Total Federal Revenue	\$49,676	\$35,000	\$35,000	\$0	0.0%
Other Receipts					
Fund Transfer	\$0	\$0	\$0	\$0	0.0%
Indirect Cost Transfer	\$0	\$0	\$0	\$0	0.0%
Sale Of Equipment/Building	\$0	\$2,500	\$2,500	\$0	0.0%
Total Other Receipts	\$0	\$2,500	\$2,500	\$0	0.0%
Total Receipts (*)	\$8,850,155	\$8,876,704	\$8,612,227	(\$264,477)	-3.0%
Beginning Balance	\$3,189,470	\$2,990,319	\$2,249,785	(\$740,534)	-24.8%
Total Gen Fund (Receipts Plus Balance [*])	\$12,039,626	\$11,867,023	\$10,862,012	(\$1,005,011)	-8.5%

*All Columns exclude state revenue/payments on behalf of the school district.

Beginning General Fund Balance: The unreserved General Fund beginning balance in 2016-17 is expected to be at least \$2,249,785. This estimate of the 2016-17 beginning General Fund balance is based on the assumption that all of the funds budgeted in 2015-16 for revenue would be received and expenses including accumulated sick leave at retirement would be spent.

The projected carry forward balance is \$740,534 lower than the prior year. However, if receipts for 2015-16 are higher than projected or if all allocated expenses are not made, a higher carry forward beginning General Fund balance may be expected for 2016-17.

Local General Fund Revenue: The Trimble County School District is projected to see an increase of \$18,378 in local General Fund revenue in 2016-17. This projection is based on the estimated value of property subject to school tax, levy of the 2015-16 General Fund tax rate and a collection rate equal to 2014-15.

State General Fund Revenue: The current SEEK forecast anticipates the district will receive \$4,494,621 in SEEK funds in the General Fund during 2016-17. This is a decrease of \$285,255 from 2015-16. The projection of state General Fund (SEEK) revenue for the 2016-17 Draft Budget is based on the 2016-17 pupil unit value of \$3,981, projected ADA and the 2016-17 equalization level of \$749,000. The SEEK forecast included projected prior year (2015-16) ADA of 1,175.718 with no projected growth for 2016-17. This is a decrease of 49.515 in ADA from the previous year (2014-15).

Federal General Fund Revenue: The Trimble County School District expects to receive \$35,000 in federal funds in the General Fund during 2016-17. All other federal funds will be placed in the Special Revenue Fund.

Other General Fund Receipts: The district expects to receive \$2,500 in other General Fund receipts in 2016-17. The Trimble County Public Schools does not assess indirect cost reimbursement from the Food Service Fund to the General Fund.

PROJECTED REVENUE - OTHER FUNDS

Table E (see page 5) contains a summary of projected revenue from all funds for the upcoming school year. The decline in the projected General Fund beginning balance for 2016-17 is based primarily on the expectation that actual expense will exceed recurring revenue in 2015-16 by \$740,534.

Special Revenue Fund: The Draft Budget does not include any funding levels of any state or federal categorical programs. As notice of 2016-17 state and federal funding is provided, these amounts will be inserted into the 2016-17 budget as the board makes subsequent reviews. Hopefully, by the May Tentative Budget considerable more information will be available about special revenue funding.

Capital Funds: SEEK Capital Outlay estimated revenue will decrease \$4,821 in 2016-17. Projected local revenue to the Building Fund shows an increase of \$30,695. State revenue to the Building Fund is expected to decrease \$27,002. Since the state equalization level for the 2016-18 biennium has not been set, the current equalization rate of \$749,000 per pupil was used to determine Building Fund revenue.

Table E
Projected Revenue Summary - 2016-17

CATEGORY OF REVENUE	Actual 2014-15	Budget 2015-16	Projected 2016-17	\$ Change	% Change
Gen. Fund Balance Forward	\$3,189,470	\$2,990,319	\$2,249,785	(\$740,534)	-24.8%
Local GF	\$3,833,370	\$4,026,948	\$4,045,326	\$18,378	0.5%
State GF (*)	\$4,967,109	\$4,812,256	\$4,529,401	(\$282,855)	-5.9%
Federal GF	\$49,676	\$35,000	\$35,000	\$0	0.0%
Other GF	\$0	\$2,500	\$2,500	\$0	0.0%
Total Gen. Fund	\$12,039,626	\$11,867,023	\$10,862,012	(\$1,005,011)	-8.5%
CO+BF Balance Forward	\$131,400	\$0	\$0	\$0	0.0%
SEEK Capital Outlay	\$125,721	\$122,393	\$117,572	(\$4,821)	-3.9%
BF, ex. Del./Omitted Tax & Int.	\$277,652	\$297,460	\$328,155	\$30,695	10.3%
BF – Equalization	\$187,713	\$171,630	\$144,628	(\$27,002)	-15.7%
Total Capital Funds	\$722,486	\$591,483	\$590,355	(\$1,128)	-0.2%
Special Revenue Fund (#)	\$0	\$0	\$0	\$0	0.0%
Food Service Fund	\$921,560	\$878,610	\$878,545	(\$65)	0.0%
Total Other Funds	\$921,560	\$878,610	\$878,545	(\$65)	0.0%
Total All Funds	\$13,683,672	\$13,337,116	\$12,330,912	(\$1,006,204)	-7.5%

*All Columns exclude state revenue/payments on behalf of the school district.

Special Revenue Funds are not included in the Draft Budget. These funds will be budgeted as awards are received.

EXPENSE PROJECTIONS

Obligations

The Draft Budget must provide for all obligations of the Board. The Trimble County Public Schools have two (2) major obligations for priority consideration in the 2016-17 budget.

Debt Service: First, debt service on bond issues must be funded. The Trimble County School District's scheduled debt service for 2016-17 is \$590,355. This obligation is budgeted for payment from the Building and Capital Outlay Funds.

The Trimble County Public Schools have sufficient capability from the Building and Capital Outlay Funds to pay scheduled 2016-17 debt service. Projected total 2016-17 revenue in the Building and Capital Outlay funds is estimated to be \$590,355 counting any beginning balances in these funds.

Personnel Expense: Second, the cost for salaries and benefits will increase due to experience increments and mandated pay raises in current salary schedules. The Draft Budget includes only the cost of each staff member advancing one year in experience on current salary schedules. Substitutes and any salaries without experience increments are excluded.

The estimated cost of these salary improvements (including benefits) is \$132,090 or about a 1.7% increase above the current expense for salaries and benefits. Personnel costs represent approximately 82% of the projected General Fund expense in the Draft Budget. As mentioned earlier, the district's projected 2016-17 General Fund revenue is estimated to decrease by \$1,005,011 (see Table D, page 3).

This Draft Budget includes higher projected expense than projected revenue (\$1,096,909), excluding the carry forward balance and contingency. Thus, it appears the district must reduce both General Fund personnel and non-personnel expenses in 2016-17 to remain solvent in future years. The Board and superintendent must have important discussions concerning how the Trimble County Public Schools should reduce expense by an estimated \$1.1M for 2016-17.

Staffing Allocation and School Equity

The Board is to approve tentative allocations to school councils by March 1, 2016. The allocation is to provide sufficient funds to staff each school and provide for teaching materials, supplies, travel, and equipment. The projected 2016-17 staffing allocation provides for full-day kindergarten at the elementary level. Trimble County's staffing is above the minimum number of staff members needed to meet the maximum class size standard. Local district revenue is the primary source of funding staffing above the minimum level.

Current staffing levels are based on a consistent standard that assures fair treatment for all schools. Fair treatment means that pupil-teacher ratios are similar for schools that serve similar grades or levels. Further, the level of staffing beyond the minimum required is dictated by available revenue. The Board will consider staffing levels for 2016-17 in the school allocations at a February Board meeting. Equitable staffing among the schools should be an important part of this consideration.

There are two other components of the school allocation process. First, the allocation for teaching supplies, materials, and instructional travel based on the state regulation requiring a per-pupil allocation of at least \$100 per pupil in ADA. The Draft Budget provides 3.5% of the base SEEK per pupil of \$3,981 or \$139.33 per student in ADA, above the minimum required by state law.

Second, the Board may allocate any additional funds to schools to address unmet needs. If there are differences in student learning needs from school to school the Board may allocate additional funds based on the differences. For example, if one school has a unique need, the Board may allocate additional funds to that school only. Any discretionary funds the Board may decide to allocate to schools should be placed in this component of the allocation.

Equipment and capital needs are normally found in the maintenance series of the General Fund budget and the Capital Outlay and Building funds. Unmet facility needs are found in the district facility plan. The Capital Funds budgets provide for the cost of scheduled debt service. Funds received above the amount needed for debt service are held in reserve for new facility construction or and/or renovation projects.

Summary of Projected Expense: An increase of \$100,061 is projected for expense from all funds during 2016-17. This does not include funds held in contingency as a reserve for unknown or future needs. Table F (see page 7) provides an overview of projected expense for all funds except the Construction Fund for 2016-17.

Table F
Projected Expense Summary – 2016-17

FUND	Actual 2014-15	Budget** 2015-16	Projected** 2016-17	\$ Change	% Change
General Fund (*)	\$9,137,510	\$9,607,581	\$9,709,136	\$101,555	1.1%
Special Revenue Fund (#)	\$0	\$0	\$0	\$0	0.0%
Capital Outlay Fund	\$135,444	\$122,493	\$117,572	(\$4,921)	-4.0%
Building Fund	\$586,689	\$469,291	\$472,783	\$3,492	0.7%
Food Service Fund	\$930,878	\$878,610	\$878,545	(\$65)	0.0%
Total All Funds except Const. (*)	\$10,790,521	\$11,077,975	\$11,178,036	\$100,061	0.9%

*All Columns exclude state revenue/payments on behalf of the school district.

**"Budget:" and "Projected" columns exclude contingency funds in order to be comparable with "Actual" column.

Special Revenue Funds are not included in the Draft Budget. These funds will be budgeted as awards are received.

Table G
Projected General Fund Expense by Object Code

CODE	FUNCTION DESCRIPTION	Actual 2014-15	Budget 2015-16	Projected 2016-17	\$ Change	% Change
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	\$6,768,959 74.1%	\$7,044,161 73.3%	\$7,124,123 73.4%	\$79,962	1.1%
0200	EMPLOYEE BENEFITS (*) <i>Percent of General Fund Expense</i>	\$627,813 6.9%	\$760,544 7.9%	\$812,672 8.4%	\$52,128	6.9%
0300	PURCHASED PROFESSIONAL & TECHNICAL SERVICES <i>Percent of General Fund Expense</i>	\$326,747 3.6%	\$330,675 3.4%	\$343,175 3.5%	\$12,500	3.8%
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	\$191,431 2.1%	\$168,432 1.8%	\$168,432 1.7%	\$0	0.0%
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	\$182,075 2.0%	\$255,346 2.7%	\$257,457 2.7%	\$2,111	0.8%
0600	SUPPLIES <i>Percent of General Fund Expense</i>	\$667,440 7.3%	\$758,883 7.9%	\$733,883 7.6%	(\$25,000)	-3.3%
0700	PROPERTY <i>Percent of General Fund Expense</i>	\$153,886 1.7%	\$236,196 2.5%	\$237,196 2.4%	\$1,000	0.4%
0800	DEBT SERVICE & MISCELLANEOUS <i>Percent of General Fund Expense</i>	\$27,884 0.3%	\$32,198 0.3%	\$32,198 0.3%	\$0	0.0%
0900	OTHER ITEMS <i>Percent of General Fund Expense</i>	\$191,274 2.1%	\$21,146 0.2%	\$0 0.0%	(\$21,146)	-100.0%
	General Fund Estimated Expense	\$9,137,510	\$9,607,581	\$9,709,136	\$101,555	1.1%
0840	CONTINGENCY (**) <i>Percent of General Fund Expense</i>	\$0 0.0%	\$2,259,442 23.5%	\$1,152,876 11.9%	(\$1,106,566)	-49.0%
	General Fund Total (Est Expense + Contingency)	\$9,137,510	\$11,867,023	\$10,862,012	(\$1,005,011)	-8.5%

*All Columns exclude state revenue/payments on behalf of the school district.

**The Contingency is not an estimated expense. It is the budget's reserve. The "Percent of General Fund Expense" represents the Contingency's percentage of the budget's estimated expense.

Table G (see page 7) presents a summary of projected General Fund expense by object (code). Appendix A (see page 10) contains brief descriptions of the object codes utilized in Table G. General Fund salaries are expected to increase 1.1%.

Per Pupil Expense: How does 2016-17 projected expense per pupil compare with projected revenue per pupil? As shown in Table H [Panel 1], revenue per pupil for 2016-17 is projected to increase 1.5% over 2015-16.

How does projected expense per pupil compare for 2015-16 and 2016-17? Table H [Panel 2] shows a projected 5.2% increase in expense per pupil for 2016-17.

Table H
Projected Revenue and Expense Per Pupil

PANEL 1 - REVENUE	Budget 2015-16	Projected 2016-17	\$ Change	% Change
Per Pupil Revenue				
GF less Beg Balance (*)	\$8,876,704	\$8,612,227	(\$264,477)	-3.0%
CO less Beg Balance	\$122,493	\$117,572	(\$4,921)	-4.0%
BF less Beg Balance	\$469,291	\$472,783	\$3,492	0.7%
Other Funds – (Food Service)	\$878,610	\$878,545	(\$65)	0.0%
Total Revenue - (less Beg Balance)	\$10,347,098	\$10,081,127	(\$265,971)	-2.6%
Final ADA (**)	1,225.23	1,175.72	(49.51)	-4.0%
Rev Per Pupil	\$8,445	\$8,574	\$129	1.5%

PANEL 2 - EXPENSE	Budget 2015-16	Projected 2016-17	\$ Change	% Change
Per Pupil Expense				
GF less Contingency (*)	\$9,607,581	\$9,709,136	\$101,555	1.1%
Capital Funds – Debt Service Only	\$591,784	\$590,355	(\$1,429)	-0.2%
Others – (Food Service)	\$878,610	\$878,545	(\$65)	0.0%
Total Expense	\$11,077,975	\$11,178,036	\$100,061	0.9%
Final ADA (**)	1,225.23	1,175.72	(49.51)	-4.0%
Expense Per Pupil	\$9,042	\$9,507	\$466	5.2%

*All Columns exclude state revenue/payments on behalf of the school district.

**Updated Final ADA from most current SEEK Projection Document

Budget Reserve: KDE defines “total budget” as the budgeted expenditures in the General and Food Service Funds excluding the Contingency. The budgeted reserve (Contingency) in the Draft Budget has been determined accordingly.

A local school district budget must include a reserve of at least 2.0% of the total budget. This Draft Budget contains a projected unrestricted reserve of \$1,152,876 of the total budget.

The projected reserve exceeds the minimum 2.0% requirement of \$270,730. The projected unrestricted reserve is 8.5%. The desired level of reserve for the budget after approval of all expenses, including salary improvements, is approximately 12% or \$1,624,379.

As mentioned earlier, projected expense exceeds projected recurring revenue by \$1,096,909 (see Table I) in this Draft Budget. It is **imperative** that steps be taken to reduce the "gap" between estimated expense and recurring revenue **significantly** (as close to \$0 as possible) prior to the Board's formal adoption of the 2016-17 Tentative Budget in May 2016.

Table I
Expense as Percent of Revenue – 2016-17 Draft Budget

	<i>Actual 2014-15</i>	<i>Budget 2015-16</i>	<i>Projected 2016-17</i>
Projected GF Revenues less Beginning Balance (*)	\$8,850,155	\$8,876,704	\$8,612,227
Projected GF Expenses less Contingency (*)	\$9,137,510	\$9,607,581	\$9,709,136
+/- Difference	(\$287,355)	(\$730,877)	(\$1,096,909)
Expense as Percent of Revenue	103.2%	108.2%	112.7%

**All columns exclude state payments on-behalf of the school district.*

It is important to remember that the purpose of an adequate reserve is to provide a "buffer" to minimize the disruption of instructional programs deemed critical by the Board during times of negative shifts in revenue. For example, reduction of the "gap" between estimated expense and recurring revenue to \$0 would provide an approximately \$2.3M reserve.

This would provide the Board with needed flexibility in conjunction with reduction of expenses during the next fiscal year to offset any reduction in funding for General Fund instructional programs. If reduced revenue for Special Revenue programs happens, it is imperative that comparable reductions in expense for these programs occur.

This Draft Budget's General Fund is **structurally unbalanced** by \$1,096,909, excluding the carry forward balance and contingency. The "Expense as Percent of Revenue" for this budget is 112.7%. Expenses in all other funds are projected to be equal to projected receipts.

If SEEK revenue is subsequently higher than projected in this narrative, the Board should not increase expense. The top priority should be to use the additional revenue to reduce the projected gap between General Fund recurring revenue and estimated expense to produce a **structurally balanced** General Fund 2016-17 budget.

RECOMMENDATION:

Take this information under advisement and approve a motion that the Board has reviewed projected revenue and expense for 2016-17 pursuant to KRS 160.470. Action on the tentative school allocations should be taken at a regular meeting in February 2016.

APPENDIX A**EXPENSE TYPES:**

Within each major function, specific types of expenses are grouped together. These groupings utilize the first two (2) digits of the object. For instance, salary-related object codes always begin with **01** (**0110**, **0120**, **0130**, etc.), so the “**01**” causes these expenses to be combined in the expense type grouping “**0100**.” The following summarizes the types of expenses grouped under the function:

0100 Salaries Personnel Services – salary-related expenses, such as wages, stipends, etc.

0200 Employee Benefits – fringe benefits, such as employee insurance, FICA match, Medicare match, CERS match, and KTRS match, when applicable

0300 Purchased Professional & Technical Services – contractual services, such as legal, consultants, audit, architectural, engineering, etc.

0400 Purchased Property Services – other services, such as repairs/maintenance, rent utilities, etc.

0500 Other Purchased Services – expenses such as travel, telephone, postage, advertising, insurance, printing, etc.

0600 Supplies – expenses such as general supplies, textbooks, reference materials, software, food, testing materials, etc.

0700 Property – furniture, fixtures, equipment, computers, buses, etc.

0800 Debt Service and Miscellaneous – fieldtrip expenses (other than the driver’s salary), registration, fees, permits, uniforms, principal and interest payments including KISTA payments, etc.

0840 Contingency – used for budgeting purposes only as determined by the Board

0900 Other Items – fund transfers

APPENDIX B**DEFINITIONS**

ADA – Average Daily Attendance is the methodology by which most state funding for school districts is determined. The higher a district’s ADA (more students in attendance), the higher the state funding, since SEEK funding is based on the number of FTE students in ADA.

Biennial Budget – the General Assembly is charged with establishing the state budget for 2 years (a biennium) in even year sessions. In odd-year sessions, the General Assembly generally does not make changes to the state budget.

Debt Service – principal and interest payments on debt and other borrowings, like bond issues.

Enrollment – the number of students a school or district lists as having attended school during the year. School staffing in the district is based on enrollment, so the more students enrolled, the more staff allocated to a school.

Equalization – a fundamental principle of the SEEK formula is that taxable wealth per pupil should be rendered neutral up to a specified level of local tax effort. In theory, under the Kentucky Education Reform Act (KERA), changes in local wealth should have no effect on total funds available to a school district. However, other factors can result in varying impacts on district funds.

Exceptional Child Count – this is the count, as of December 1st, of the number of students with disabilities. The SEEK funding formula includes a premium (“add-on”) for these students.

Fiscal Year – this is the indication of the school district’s calendar for purposes of budgeting and financial reporting. The fiscal year begins on July 1st and ends on June 30th. In a reference to “FY_{xx}”, the “xx” means the year that ends on June 30, 20_{xx}.

FTE – a Full-Time Equivalent teacher represents 1.0 teacher, while a half-time teacher is .5 FTE. Likewise, a typical student is 1.0 FTE for funding purposes. However, a kindergarten student is only funded at .5 FTE since full-day KG is not required, or funded, by the state.

On Behalf – Payments made by the State directly to the provider, such as for health insurance, as opposed to flowing the funds through the school district bank account.

Receipts – This is similar to revenues, but it indicates funds received in the fiscal year, excluding any funds brought into the year from a previous year (e.g., excluding the Beginning Balance).

SEEK – the Fund to Support Education Excellence in Kentucky is the state’s public school funding mechanism for elementary and secondary education. SEEK originated as part of the Kentucky Education Reform Act (KERA).

SEEK Base – the level of state funding per FTE pupil in ADA.