

The SEEK Formula

An Explanation of Kentucky's Main Approach to Funding K-12 Education

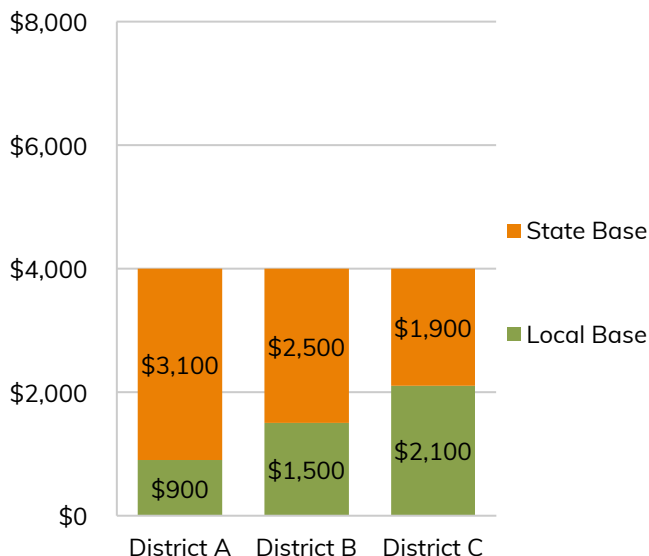
*Prichard Committee for Academic Excellence
www.prichardcommittee.org | November 2019*

The SEEK formula is the main source of K-12 education funding for Kentucky students. SEEK is short for Support Education Excellence in Kentucky.

It works by combining state and local dollars, in four main steps.

STEP 1

THE BASE GUARANTEE GIVES ALL DISTRICTS MATCHING BASIC FUNDING PER PUPIL



SEEK begins by guaranteeing base funding for every student. The illustration uses a base guarantee of \$4,000 (the actual guarantee amount for the 2019 and 2020 school years).

Every district must raise 30¢ per \$100 of taxable property as its local contribution.

District A has \$300,000 in taxable property per pupil, so the 30¢ rate raises \$900. The state provides the additional \$3,100 needed to complete the \$4,000 guarantee.

District B has \$500,000 in taxable property per student and raises \$1,500, and the state provides the \$2,500 to reach \$4,000.

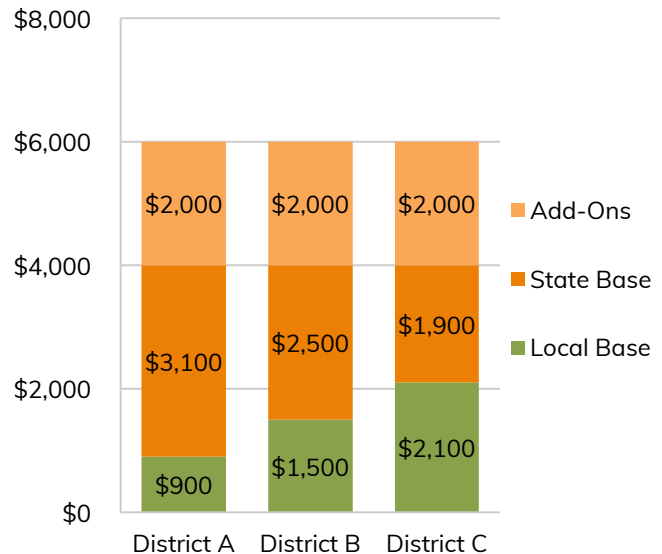
District C has \$700,000 in taxable property per student and raises \$2,100, so the state provides \$1,900 to get to the guaranteed \$4,000.

STEP 2

ADD-ON FUNDING PROVIDES EXTRA DOLLARS BASED ON IDENTIFIED STUDENT NEEDS

If the base guarantee is \$4,000, a district will receive an extra:

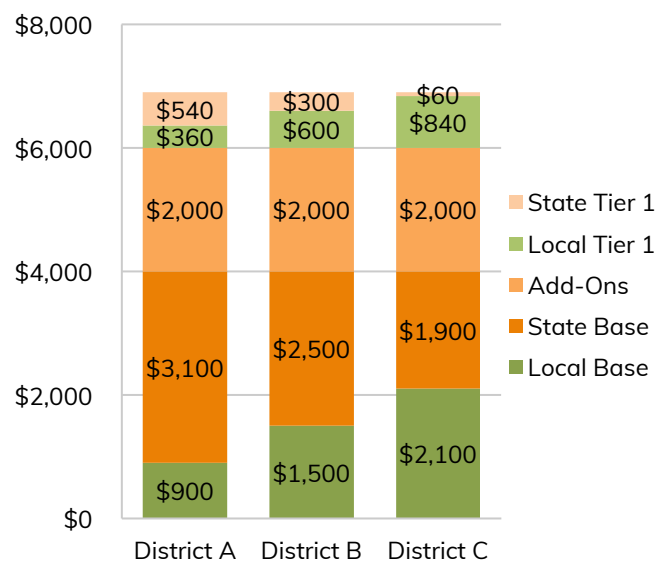
- \$600 for each at-risk student eligible for free lunches (15% of base)
- \$960 for each student with communications disabilities (24% of base)
- \$4,680 for each student with moderate disabilities (117% of base)
- \$9,400 for each student with severe disabilities (235% of base)
- \$384 for each limited English proficiency student (9.6% of base)
- \$3,900 for each home/hospital services student (base minus \$100)
- A transportation amount based on analysis of transportation costs.



For simplicity, the illustration shows the three districts getting identical \$2,000 funding, but districts are rarely identical. The real amounts depend on each district's count of students with each type of need.

STEP 3

TIER 1 OFFERS STATE EQUALIZATION DOLLARS TO DISTRICTS THAT SET HIGHER TAX RATES



If districts set taxes higher than the 30¢ minimum, the state equalizes that at 150% of statewide average property per pupil.

In this example, average taxable property is \$500,000 per student, and 150% of that is \$750,000. A 12¢ tax rate on \$750,000 can raise \$900.

With a 12¢ increase:

- District A (\$300,000 in taxable property) will raise \$360 locally and receive \$540 from the state to get to the equalized \$900
- District B (\$500,000) will raises \$600 and get \$300 from the state to reach the \$900 total
- District C (\$700,000) will raise \$840 and get \$60 from the state to reach the \$900 total

Tier 1 allows a district to raise up to 15% more than its SEEK base and add-on funding. In the illustration, \$900 is 15% of each district's earlier \$6,000.

STEP 4

TIER 2 ALLOWS DISTRICTS TO RAISE FURTHER DOLLARS WITHOUT ANY STATE EQUALIZATION

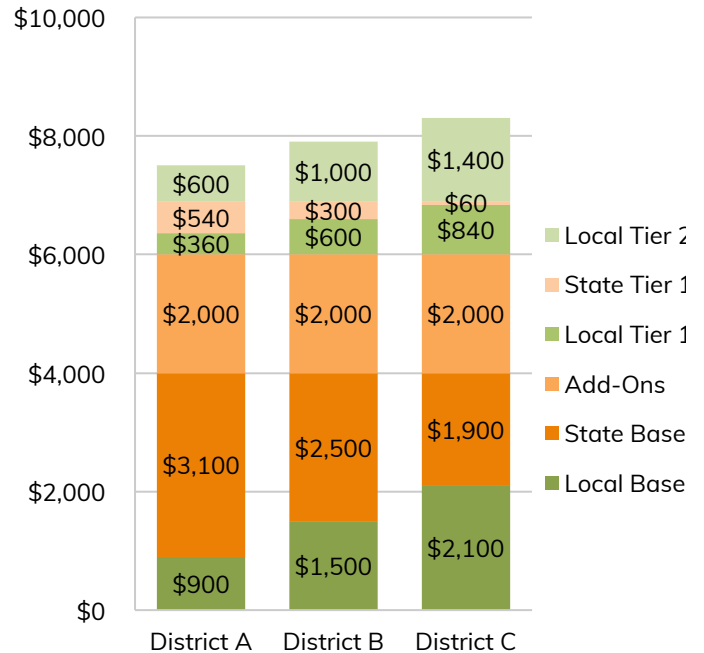
If districts set tax rates above the Tier 1 maximum, they receive no additional equalization from the state. Those local-only dollars count as Tier 2 funding.

A 20¢ increase in the tax rate will add:

- \$600 per student for District A (\$300,000 in taxable property)
- \$1,000 per student for District B (\$500,000)
- \$1,400 per student in District C (\$700,000)

With no equalization, the same 20¢ tax rate raises the most money in the district with the most taxable property wealth.

Tier 2 also has a maximum: districts are allowed to add up to 30% of the revenue they receive from their base, add-on, and Tier 1 funding.



ADDED NOTE: PROPERTY TAXES ARE NOT THE ONLY WAY DISTRICTS CAN RAISE THEIR LOCAL SHARE OF SEEK FUNDING.

The local share of SEEK funding does not have to be raised by taxing property. This is a tricky point, but worth knowing.

The SEEK rules require districts to raise revenue equal to 30¢ per \$100 of property as their share of the base guarantee, but they can choose to raise some of those dollars with other taxes, like taxes on motor vehicles, utilities, or occupational licenses.

Tier 1 and Tier 2 revenue can also be raised using those other taxes.

SOME KEY CONCERNS ABOUT THE SEEK FORMULA

THE BASE GUARANTEE HAS NOT KEPT UP WITH THE COST OF LIVING

From 2014 to 2019, the guarantee rose by \$173 per pupil, from \$3,827 to \$4,000. To keep up with inflation, the guarantee would have needed to increase by another \$125, to \$4,125.

THE BASE GUARANTEE RELIES MORE AND MORE ON LOCAL CONTRIBUTIONS

The 2014 to 2019 \$173 increase was paid for by a \$216 per pupil increase in local funding and a \$43 decrease in state funding per pupil. The local share went up because property assessments grew by an average of \$71,800 per pupil, and the local share is based on the 30¢ per \$100 of taxable property.

TRANSPORTATION ADD-ON FUNDING IS FAR BELOW THE STATE'S OWN ESTIMATE OF TRANSPORTATION COSTS

By law, the SEEK formula should fund full transportation costs calculated using a statewide formula. For 2019, the formula called for transportation funding of nearly \$377 million, but the state provided only \$246 million. That failure to fully fund the formula meant that districts have received an average of \$220 less per pupil than legally required.

LOCAL TIER 2 REVENUE IS AN INCREASING (AND INCREASINGLY UNEQUAL) PART OF TOTAL SEEK FUNDING

Revenue above the Tier 1 maximum counts as Tier 2 revenue, and it does not receive any state equalization. The absence of equalization matters quite a bit. As noted earlier, a 20¢ unequalized rate will produce:

- \$600 added revenue for a district with \$300,000 in property per pupil
- \$1,000 added revenue in a district with \$500,000 in property per pupil
- \$1,400 added revenue in a district with \$700,000 in property per pupil

In Tier 2, districts with lower wealth brings in less revenue to use in serving their students, even when they set tax rates just like those in districts with more taxable property.

In 2019, all 173 Kentucky school districts set rates above their Tier 1 maximum. Compared to 2014, districts increased local tax rates by an average of 4.8¢, and the higher rate applied to the increased property assessments increase generated an average of \$802 in added in local funding per student—but the lack of equalization meant that students in some districts received far more and others far less than that average amount.

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