

Legislative Research Commission

Fees, Dues, and Supplies in Kentucky Schools

Research Report No. 361

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Understanding How Tax Provisions Interact With the SEEK Formula, Report 354, 2008

A Review of the Extended School Services Program, Report 353, 2008

A Compendium of State Education Rankings, Report 345, 2007

A Review of the Flexible Focus Fund Program, Report 344, 2007

Indicators of Efficiency and Effectiveness in Elementary and Secondary Education Spending, Report 338, 2006

A Review of the School Facilities Construction Commission, Report 332, 2006

An Analysis of the Commonwealth Accountability Testing System, Report 328, 2005

Foreword

In November 2007, the Education Assessment and Accountability Review Subcommittee approved a research agenda for the Office of Education Accountability that included a review of school fees, dues, and supply requests.

This report provides an overview of fees and dues in Kentucky. It highlights relevant statutes and Office of the Attorney General Opinions regarding fees, and briefly outlines school funding. It presents survey and site visit data on the prevalence, determination, and accounting of fees in schools. The final section presents data on school supplies requested frequently in elementary and middle schools.

The Office of Education Accountability staff would like to thank Kentucky school districts that participated in the survey. We are especially grateful to the 15 site visit schools interviewed to complete this report.

Robert Sherman
Director

Legislative Research Commission
Frankfort, Kentucky
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Summary

In November 2007, the Education Assessment and Accountability Review Subcommittee charged the Office of Education Accountability (OEA) to review the use of fees, dues, and supply requests in Kentucky schools. In this report, OEA makes several recommendations to strengthen the oversight and accountability of fees and dues currently recorded in school activity fund accounts.

Data for this report were collected from multiple sources. Financial data were provided by the Kentucky Department of Education (KDE). However, financial data on fees, dues, and school supplies is not systematically gathered by KDE. To augment the data provided by KDE, OEA conducted a survey of school districts to gather information on the use of fees and dues. Staff also collected supply lists from randomly sampled schools across the state. In addition, OEA visited 15 schools to gather detailed documentation of fees and dues.

Eighty-nine percent of school districts in Kentucky assess student fees and dues, and about 97 percent of Kentucky students attend schools in districts that assess fees. In elementary and middle schools, students are likely given supply requests for items ranging from paper, pencils, and scissors to facial tissues, hand sanitizer, and paper towels. As such, most students and families in Kentucky can expect to pay school fees and dues or provide supplies.

Fees and dues are assessed for textbooks, locker rental, parking passes, extracurricular activities, club membership, and courses. Fee amounts vary and range from \$1 to \$900 depending upon the fee type and school. For instance, one high school might assess a \$40 fee for marching band, while another high school might assess a \$400 fee for marching band. The variation in fee amounts is reflected in total fee revenue generated. Some schools generate nominal fee revenue that equates to \$9 per pupil, while others generate substantial fee revenue that equates to \$200 per pupil.

The variation in fee revenues raises important questions regarding funding equity across the state. Some districts and schools are able to raise large amounts of supplemental revenue that can be used to fund educational supplies and materials. In addition, the fee revenue could provide a revenue cushion for some schools, enabling them to target school-based decision making council's Section 6 and Section 7 money to facility upgrades, course software acquisition, or staff additions.

Measuring the impact of fee revenue on the equity of school funding is currently impossible. Districts lack a method of reporting fee and due revenues to the state. OEA recommends the implementation of National Center for Education Statistics guidelines for reporting fee revenue on annual financial reports. Once reporting standards are in place, national and state rankings will be more accurate and the implications on funding equity more apparent.

Recommendation 2.1

The Kentucky Department of Education should update the *Accounting Procedures for School Activity Funds*, known as the Redbook, to reflect federal activity fund guidelines.

Fee Amounts

KRS 158.108 is the enabling legislation that allows districts to impose fees, but it does not set quantitative limits on fee amounts. The Office of the Attorney General interprets this statute as allowing “reasonable” fees. The definition of reasonable is subjective, and what might be considered reasonable in a wealthy district might be considered unreasonable in a poorer district. The methodology for setting fee rates varies from district to district. Some districts follow precedence and leave fees unaltered year after year, while others attempt to gauge fee levels in surrounding districts to determine an acceptable fee amount. Site visits found that some schools had substantial carry over activity fund balances. The combination of high fee rates and unexpended balances raises concerns about the reasonableness of fees in some schools.

Recommendation 3.1

Districts should conduct monthly reviews of activity fund account balances to ensure that fees are being spent on the students who pay, spent for the purposes collected, and spent in the year collected.

Recommendation 3.2

Districts should conduct annual reviews of all fees and dues charged at each school to ensure that assessed amounts are reasonable.

Fee Waivers and Fee Collection

Students cannot be excluded from participating in educational activities due to economic hardship. However, some of the schools visited were unaware of the requirements of 702 KAR 3:220 that set out the fee waiver process. Many districts automatically waive fees for students who receive free or reduced-price lunches and, thus, do not distribute fee-waiver applications to all students, per the regulation. Districts are responsible for monitoring the number of fee waivers requested and the number of fee waivers granted, but few districts adhere to this requirement.

Recommendation 3.3

The Kentucky Department of Education should provide guidance to all districts and schools regarding the requirements of 702 KAR 3:220. In addition, all students and parents should be provided fee-waiver application forms.

The imposition of fees and dues in schools creates the need for a fee collection process. In most districts, student fees are collected early in the new school year. Some students inevitably choose to forego payment. The OEA survey found that most districts engage in some fee collection activities such as sending reminder letters to parents or negotiating payment plans with parents. However, the majority of districts do not try to collect unpaid fees.

Several districts use sanctions to leverage students to pay fees. In some districts, student parking passes are revoked for failure to pay parking fees. Other actions reported by districts include withholding participation in school dances and graduation ceremonies. Five districts reported that they withhold student academic records until fees are paid. This is a violation of the Family

Education Rights and Privacy Act. The proper way to collect unpaid debt is through small claims court.

Recommendation 3.4

The Kentucky Department of Education should provide guidance in the *Accounting Procedures for School Activity Funds*, known as the Redbook, regarding appropriate practices that districts can use in collection proceedings, including actions restricted by the Family Education Rights and Privacy Act.

Accounting Procedures for School Activity Funds

OEA's Web survey provided districts the opportunity to identify issues of concern regarding fees and dues. Some districts expressed concern over liability related to the financial activities of external organizations, like booster clubs. This topic is separate and distinct from the issue of fees and dues, but it does relate to activity fund accounting and total revenues generated on behalf of district school activities. Given recent allegations of inappropriate booster club allocations in some Kentucky school districts and the imposition of Internal Revenue Service penalties on booster clubs in Fayette County, guidance regarding best practices in accounting for external organizations is needed.

Recommendation 3.5

The Kentucky Department of Education should review other state activity fund policies and national best practices concerning reporting requirements of outside organizations and update the *Accounting Procedures for School Activity Fund*, known as the Redbook, if necessary.

School-based Decision Making Councils

Schools receive funding from the district to pay for non-districtwide expenses. Local school-based decision making councils are responsible for determining the school's instructional needs for the next year and budgeting accordingly. The money received is divided into specific sections for unique purposes. 702 KAR 3:246 parcels out funding into distinct sections referred to by number. It mandates that Section 4 money be used for certified staff, Section 5 money be used for classified staff, Section 6 money be used for other minimum allocations, and Section 7 money be directed toward identified school needs. The Kentucky Department of Education school council allocation worksheet instructions specifically link Section 6 allocations to supplies, materials, travel, and equipment, but these restrictions were removed from 702 KAR 3:246 in a 2001 amendment. The regulation and school-based decision making instructions should be consistent.

The analysis of carryover contingency found that some site visit schools with large end-of-year contingencies did not allocate Section 7 funds. The regulation stipulates that any funds remaining after the allocation of Sections 4, 5, and 6 be allocated through Section 7. The large carryover balances suggest that some schools are not distributing Section 7 funds despite retaining end-of-year contingency balances in excess of the recommended 5 percent.

Recommendation 3.6

The Kentucky Department of Education should update 702 KAR 3:246 and school council allocation worksheet instructions to ensure consistency.

Recommendation 3.7

The Kentucky Department of Education should conduct an annual review of district allocations to assure that Section 7 allocations are distributed according to 702 KAR 3:246.

School Supplies

The use of supply lists given to students is common in elementary and middle schools throughout the state. Most schools request that students provide some classroom supplies such as paper, pencils, folders, and notebooks. However, many elementary schools also request items such as hand sanitizer, facial tissues, and paper towels. In the schools analyzed, the cost of supplies varied among elementary, middle, and high schools. The majority of elementary schools request supplies that cost between \$20 and \$39, and middle school requests typically range from \$30 to \$49. High schools do not typically request grade-appropriate supplies. Instead, the course syllabus often includes a list of supplies needed in a particular class.

Most schools provide parents with copies of supply lists, and a few allow parents the option of buying pre-bundled supply packages directly at the school. However, most parents and children prefer to purchase their own supplies at retailers of their choice. The cost of supplies at retail outlets is slightly higher than costs available to local schools through negotiated rates with vendors. OEA makes no recommendations about school supplies. However, the fiscal pressures districts and schools are experiencing could lead to higher supply burdens on students and parents in the future. School administrators should scrutinize existing supply requests to determine if they are reasonable, and evaluate the rationale of any future additions to school supply lists.

Chapter 1

Introduction

Background

Since 1891, the Kentucky Constitution has required that the General Assembly, “by appropriate legislation, provide for an efficient system of common schools throughout the State.”

The collection of fee revenue has implications for funding equity in the state. At present, the Kentucky Department of Education (KDE) does not systematically monitor the collection and use of fees in schools.

Some media attention has focused attention on fees and dues in public schools. However, few states have enacted new laws governing fees in public schools.

A cornerstone of each state constitution is the provision of a system of free public education. Since 1891, the Kentucky Constitution has required that the General Assembly, “by appropriate legislation, provide for an efficient system of common schools throughout the State” (Section 183). The majority of costs for providing the system of public education are paid for through revenues received from local taxes and state funding. Also, schools across Kentucky can impose a wide range of fees, dues, and requests for supplies upon students and their families.

The Kentucky Department of Education (KDE) defines “fees” as a fixed charge, and “dues” as a cost of membership in an organization. The imposition of fees, dues, and supply requests on families is an important issue to analyze, especially in light of Kentucky’s goal to achieve funding equity across the state. The money and supplies collected at the school level is site specific and used to supplement and support educational services. While all school districts should have local policies and practices concerning the collection of fees and dues, KDE does not monitor the collection and use of these funds. Some states, like Tennessee, have implemented legislation limiting the use of fees. In 1982, Kentucky enacted legislation that allowed schools and districts to impose fees, and the issue has not been revisited.

Parents and advocacy groups across the nation, such as the Justice 4 All organization in Virginia, have voiced concern over rising costs associated with public education. The *Lexington Herald-Leader* recently reported that school supply lists sent home to families are getting longer as education funding gets tighter (Meehan.). The *Lexington Herald Leader* found that the average cost of supplies in five randomly selected elementary schools in Fayette County was \$61.52.

Study Objectives and Methodology

This study reviews state and federal statutes related to fees collected by schools, fee waiver processes, and the collection of supplies. The process for setting and collecting fees and supplies is also analyzed.

In November 2007, the Education Assessment and Accountability Review Subcommittee approved the Office of Education Accountability (OEA) to study the issue of school fees, dues, and school supplies collected by Kentucky schools. The objectives set out in the study plan were to

- review state and federal statutes related to collection of fees and supplies;
- review fees and dues collected by district schools, how they are set and collected, and how they are waived should the child be eligible for free or reduced priced lunch; and
- review the collection of supplies at schools across the Commonwealth.

Staff surveyed all Kentucky districts on the use of fees and dues. In addition, supply lists were pulled from 53 randomly selected schools throughout the state. Finally, staff visited 15 purposely chosen schools to gather qualitative data on fees.

In carrying out these objectives, OEA staff reviewed pertinent studies, literature, and state statutes and regulations related to the collection of fees and dues. Staff also conducted an internet survey of all Kentucky districts related to fees and dues and reviewed supply lists from 53 randomly selected schools. Finally, staff visited 15 purposely chosen schools and analyzed the fee and due revenues and expenditures. Staff reviewed the schools' data to determine how fees were established, how fees are accounted for, and use of fee revenue.

Organization of the Report

This study is organized into four chapters. Chapter 1 introduces the topic and provides an overview of the report. Chapter 2 focuses on state, federal, and local policies that relate to collection of fees and dues; this chapter also discusses district and school funding. Chapter 3 presents the results of an OEA district survey on fee determination along with data from site visits to schools. Chapter 4 reports on the collection of school supplies throughout the state.

Major Conclusions

This report has four major conclusions:

KDE should adopt activity fund accounting guidelines recommended by the National Center for Education Statistics. Activity fund revenue is used in national rankings of education revenues and expenditure and should be reported accurately.

1. The Kentucky Department of Education should adopt activity fund accounting guidelines recommended by the National Center for Education Statistics (NCES). Revenue generated by fees and dues can be substantial, and inconsistent accounting practices do not protect districts from misuse or improper use

of fee revenue. In addition, NCES uses activity fund revenue in state comparisons of education funding. Failure to account for activity fund fees according to NCES guidelines could contribute to lower national rankings for Kentucky in local revenue and expenditure comparisons.

KDE should provide guidance on the proper sanctions that can be used by districts in the collection of unpaid fee debt. Districts must conform to the Family Education Records Rights and Privacy Act.

2. The Kentucky Department of Education should educate district and school leadership on the actions that schools can take to recover unpaid fees. This guidance should clearly inform schools and districts of actions that violate the Federal Education Rights and Privacy Act, such as withholding any educational record from a student. This information should also, where appropriate, be included in the *Accounting Procedures for Kentucky School Activity Funds*, known as the Redbook.

Fee amounts vary across districts. Wealthier districts have the capacity to generate more fee revenue than lower-income districts. The disparity in fee income could affect funding equity across the state.

3. Most districts report that schools impose fees and dues in order to supplement funding for educational and extracurricular programs. The amount of fees and dues charged varies greatly across the state. The cost burden ranges from minimal fees for parking or lockers to significant fees for participation in extracurricular activities such as band and cheerleading. However, the data indicate that wealthy districts with smaller populations of students receiving free and reduced-price lunches are more likely to charge fees and collect amounts far in excess of those collected at schools in less wealthy districts. This disparity in the collection of fees can impact funding equity across the state, as additional revenue streams, such as those received from fees, allow schools and districts to direct state and local revenue for other educational purposes.

Fees and dues should be analyzed annually to ensure that they are being used for the proper purposes.

Fees and dues should be established for a specific purpose and need. Survey responses and OEA site visit interviews with school staff indicate that fees and dues are not always annually reviewed and established, and sometimes are carried over from year to year. OEA staff found examples of schools retaining large fee balances, indicating that fee revenue collected exceeds the costs associated with its purpose. Districts should annually evaluate fee amounts charged in schools prior to approval and ensure that they are reasonable for the stated purpose and that they are expended for the purpose collected. Once KDE implements the NCES guidelines regarding activity accounts, KDE can provide guidance to districts through review of year-end account balances.

Chapter 2

Laws Governing Fees and Activity Funds

Chapter Overview

This chapter provides information on the funding of public schools and districts in Kentucky. The chapter also covers Kentucky laws, Attorney General opinions, and district policies related to school fees. Activity fund requirements and guidelines developed by the National Center for Education Statistics and KDE are also presented.

Funding of Public Schools

Kentucky is constitutionally mandated to “provide for an efficient system of common schools.”

The Kentucky Constitution states that the General Assembly shall “provide for an efficient system of common schools” (Section 183). The meaning of this constitutional provision has been interpreted differently by many constitutional scholars and in judicial opinions. However, the understanding of most citizens is that public education is to be provided free of charge.

In Kentucky, equality is a cornerstone of public education. All children, regardless of economic circumstance, must be provided the same opportunities to access adequate education.

The Kentucky Education Reform Act (KERA) of 1990 and the Support Education Excellence in Kentucky (SEEK) funding system acknowledged the gap in education funding based on variations in local wealth and provided a means to compensate lower-wealth school districts with relatively greater state funding. For the purpose of funding education through the SEEK formula, school district “wealth” has been defined as property wealth.

KERA requires school districts to levy a minimum equivalent tax of 30 cents per \$100 of assessed property to participate in the SEEK program. SEEK funding is distributed on a per-pupil basis (this is known as the guaranteed base) and districts receive additional funds (called add-ons) for at-risk students, exceptional students, students being educated through home and hospital instruction, students with limited English proficiency, and for transportation.

School districts may increase their local tax effort above the minimum 30 cents to qualify for additional state funds through Tier I equalization. Through Tier I, school districts may increase revenue up to 15 percent of the adjusted SEEK base (guaranteed

base plus add-ons). The state equalizes the increase at 150 percent of the statewide average per-pupil property tax assessment. School districts may also increase their local tax effort through Tier II, which allows school districts to increase revenue—subject to voter referendum—up to 30 percent of revenue generated through the adjusted SEEK base plus Tier I. These funds are not equalized by the state.

School districts have the flexibility to generate their local effort through any combination of property taxes, motor vehicle taxes, and permissive taxes. School districts may levy taxes to support education under either the pre-KERA provisions of KRS 160.470 (1979 House Bill 44), or under KRS 157.440 (1990 House Bill 940, KERA authorization legislation). House Bill 44, which is solely dependent on property valuation, has three possible levies: the Compensating Tax Rate, Subsection (1) Tax Rate, and 4 Percent Increase Tax Rate.

School-based Decision Making Funds Allocated to Schools

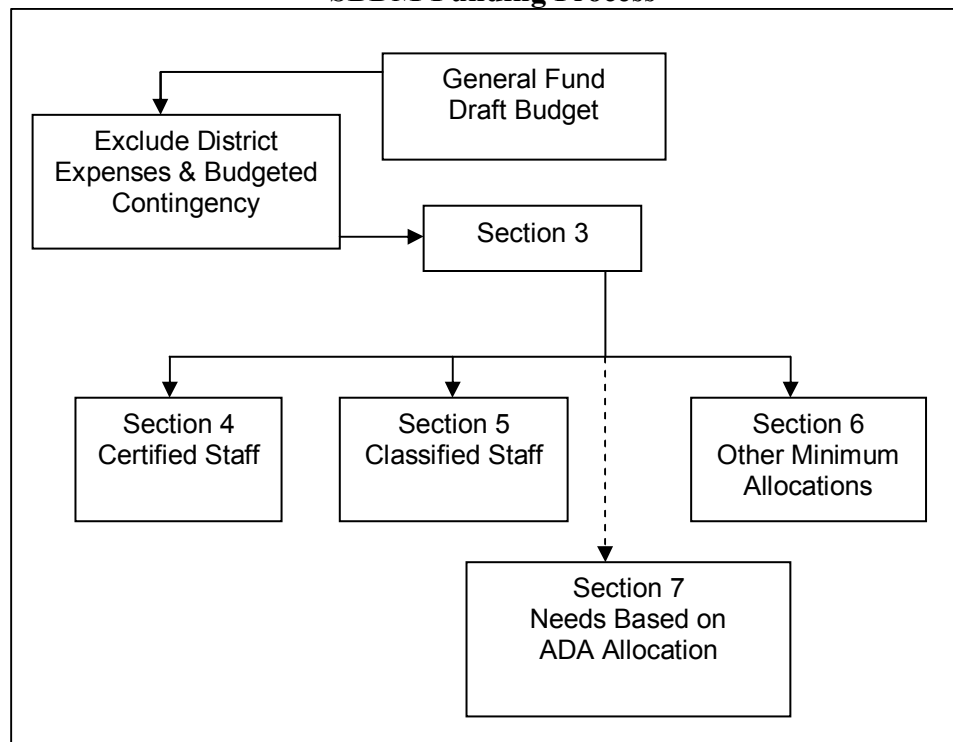
The SEEK funding system is the mechanism for allocating state money to districts.

The SEEK funding system is the mechanism for allocating state money to districts. Districts are responsible for distributing and expending these funds to provide the required educational services for students in each school. Once districts receive funds, the allocation amount to schools depends on such things as school average daily attendance and specific needs of the student population. 702 KAR 3:246 sets out specific requirements regarding district provision of funds to schools. This regulation parcels out funding into distinct sections referred to by number.

702 KAR 3:246 governs district provision of funds to schools. Section 4, 5, and 6 funds are allocated to certified staff, classified staff, and other minimum allocations, respectively.

A district follows the school council allocations worksheet instructions provided by KDE to determine the March school-based decision making (SBDM) allocation of funds. First, the district totals all general fund expenditures from the board-approved draft budget, then subtracts districtwide expenses, such as itinerant teachers, extended employment, extra duty, transportation, and the district's reserved contingency. The remaining amount, called Section 3 funds, is allocated to the SBDM council. From the Section 3 allocation, funds are used for certified staff in Section 4 and for classified staff in Section 5. This process is outlined in Figure 2.A below.

Figure 2.A
SBDM Funding Process



Note: ADA is average daily attendance.

Source: Staff compilation from 702 KAR 3:246.

School councils are mandated to receive a minimum allocation of 3 1/2 percent of the statewide guaranteed base funding level for SEEK as part of other minimum allocations.

Section 6 is referred to as “other minimum allocations” in regulation. According to 702 KAR 3:246(6),

School councils shall receive a minimum allocation of three and one-half (3 1/2) percent of the statewide guaranteed base funding level for SEEK based on prior year final average daily attendance.

This amount has been set in regulation since 2001. For fiscal year 2008, the base funding level for SEEK was \$3,822 per student according to the 2007-2008 Final SEEK calculation. Therefore, districts were required, at a minimum, to provide each school \$133.77 based on the previous year’s final average daily attendance. Based on this amount, a school with an average daily attendance of 500 would receive approximately \$67,655 from the district in Section 6 funds.

KDE’s allocation worksheet instructions do not match 702 KAR 3:246. Section 6 funds are no longer specified for instructional supplies, materials, travel, and equipment.

Prior to 2001, Section 6 allocations were designated for instructional supplies, materials, travel, and equipment. The regulation was updated in 2001 and no longer specifies how Section 6 funds may be used. However, KDE’s allocation worksheet instructions still specify that Section 6 funds should be

used for instructional supplies, materials, travel, and instructional equipment.

According to the school council allocation formula, 702 KAR 3:246, after subtracting the allocations for Sections 4, 5, and 6 from Section 3 funds, the remaining balance is distributed under Section 7 through four different methods:

1. an amount per prior-year final average daily attendance;
2. based on pupil needs identified by school councils in their adopted school improvement plans and designated by the local school board. Money provided under this subsection may be used only for the needs identified by the council from its adopted school improvement plan and designated by the board;
3. for specific instructional purposes based on student needs identified by the board from disaggregated student achievement data. Money provided under this paragraph shall be used by the council to address only the identified needs; or
4. combination of paragraphs (1), (2), and (3) of this subsection.

All districts are required to distribute funds to schools using the above regulatory format.

Districts that are made up of a single school or that have attained all academic goals as defined by KRS 158.6455 can be exempt from SBDM laws.

Districts can be exempt from SBDM laws under the following two conditions outlined in KRS 160.345:

1. a district with a single school; and/or
2. a school that has attained all academic goals as determined by KDE pursuant to KRS 158.6455.

Of the approximately 1,200 A1 schools in Kentucky, 10 schools are exempt because of high levels of academic achievement.¹ An additional 12 districts that have a single school have opted out of SBDM requirements. These 22 schools do not have to adhere to any SBDM rules and regulations and are not subject to the allocation requirements.

Guidance on Charging Fees and Dues

KRS 158.108 allows local school districts to charge student fees. Schools must ensure that no child is excluded from participating in academic activities because of economic hardship. Thus, schools and districts are responsible for implementing waiver policies, as per KRS 160.330.

In 1978, KRS 158.107 was enacted and disallowed school districts from charging fees or rental payments or from requiring students to purchase instructional materials as part of regular enrollment. In 1982, the General Assembly, through KRS 158.108, repealed KRS 158.107. The Attorney General, in a 1982 opinion to the State Superintendent of Public Instruction, declared that KRS 158.108

¹An A1 school is defined as “school under administrative control of a principal or head teacher and eligible to establish a school-based decision making council” (Commonwealth. Dept. of Ed. *Pupil*).

was passed by the General Assembly to allow local school districts to charge student fees in light of rising costs and reduced appropriations, while ensuring that no child is excluded from participation due to the child's financial status (OAG 82-359).

While legislation and Attorney General opinions provide clarity on the use of fees, the question of what constitutes a "reasonable" fee remains unanswered.

In a 1975 opinion, the Attorney General stated:

There is no constitutional or legislative requirement that the cost of education to public school pupils must be free and a board of education may require that pupils be charged a reasonable fee for school supplies (OAG 75-619).

This opinion provides clarity on the issue of assessing fees but provides no guidance on defining a "reasonable" fee.

Collection of unpaid fees, dues, and supplies is a legal matter that can be pursued in small claims court. However, schools cannot withhold grades, diplomas, or school records as a means of coercing students to pay outstanding fees and dues.

Some federal regulations have an impact on fee policy at the state level. The Family Education Rights and Privacy Act states that parents and pupils cannot be denied access to academic records. The federal government also mandates limitations on fees and dues charged to students with disabilities. A 1982 Kentucky Attorney General opinion addressed the issue of collecting unpaid fees and dues by stating "a public school cannot use the withholding of grades, diplomas or records as leverage to force a student to meet his or her obligations concerning property" (OAG 82-386). The collection of fees is a legal matter that can be pursued in small claims court.

The Federal Education Rights and Privacy Act prohibit schools from denying students access to their academic records.

The Education of the Handicapped Act mandates that each state must provide all handicapped children a free appropriate public education. The implementing regulation allows some flexibility regarding fees. Federal regulation declares that the state can charge incidental fees, which are normally charged to nonhandicapped students or their parents as part of the regular education program (34 CFR 300.39(b)(1)).

Local school districts must establish a fee waiver process for children who qualify for free or reduced price lunches. Parents and students who qualify for free or reduced lunches need to be informed of the waiver process.

KRS 160.330 mandates that local school districts establish a fee waiver process for children who qualify for free or reduced-priced lunches and inform qualified parents and students about the fee waiver option. 702 KAR 3:220 provides guidelines to be used in the fee waiver process, which includes a list of fees requiring a waiver process. (The regulation can be found in Appendix A.) The other relevant statute is KRS 157.110, which allows schools to impose textbook rental fees in grades 9 through 12 and mandates that textbooks be available to children unable to pay.

District Management of Fees and Dues

Kentucky policies for managing district fees are outlined in KDE's *Accounting Procedures for Kentucky School Activity Funds*, also known as the Redbook.

Kentucky Policies

Accounting Procedures for Kentucky School Activity Funds, known as the Redbook, are incorporated by reference under 702 KAR 3:130. The Redbook includes policies and procedures for local boards of education, SBDM councils, principals, and school personnel on proper accounting methods for school activity funds. Per KRS 160.290, control and management of all public school funds is a district responsibility. This means that the board has to ensure that accounting is accurate and that all activity funds are expended as intended. The Redbook was updated in February 2008 and gives local school boards the authority to assess fees and the responsibility for approving all school activity fund budgets.

District Policies

In many districts, local boards have adopted the standard policy created by the Kentucky School Boards Association to manage student fees. The policy, found in Appendix B, calls for the following:

- local board responsibility for annually reviewing and approving fees and dues, if assessed;
- student access to any educational program will not be hindered due to an inability to pay a fee, purchase school supplies, or purchase instructional resources;
- necessary school supplies that are furnished to students who qualify for free or reduced-price lunches are to be paid from the miscellaneous instructional supply account;
- councils will provide free supplies and/or instructional resources from funds allocated to the school for schools managed by school-based decision-making councils.

The National Center for Education Statistics

The National Center for Education Statistics (NCES) has developed guidelines for student activity funds and district activity funds.

The National Center for Education Statistics (NCES) has established guidelines for recording and reporting clubs and funds collected at the school level. Currently, KDE does not require schools and districts to report data according to the NCES requirements. According to NCES, activity funds should be broken down into two classifications: student activity funds and district activity funds. The guidelines give examples of the types of fees that belong in each classification. Groups like the Drama Club and Pep Club are examples of what should be recorded in student activity funds. NCES recommends that revenue collected for

athletics and band uniforms, for example, be classified as district activity funds.

NCES advises that all activity funds be reported in the district's financial statements, but Kentucky does not follow these guidelines.

NCES points out that activity fund accounting schemes differ across states

Although a sharp distinction exists between student and district activity funds, accounting for all activity funds is the responsibility of the school district. *All activity funds must be reported in the school district's financial statements and are subject to the district's audit(s)* [emphasis added] (United States. Dept. of Ed.).

NCES has developed a list of general policies for the establishment and operation of activity funds. The full list is included in Appendix C.

NCES ranks state education revenue and expenditure for all states. Failure to accurately report all fees and dues revenue could contribute to lower rankings for Kentucky. It could also lead to inaccuracies in district comparisons of school revenues and expenditures.

OEA contacted surrounding states regarding their compliance with NCES guidelines for recording activity fund revenue and expenditures on annual financial reports. Virginia, Tennessee, Illinois, and Missouri responded and confirmed that they were in compliance. Large amounts of money flow through activity fund accounts, and Kentucky's failure to report these funds to NCES could contribute to lower rankings on state-to-state comparisons of revenue and expenditures.

OEA has previously suggested that KDE revise the Redbook for Kentucky to include NCES guidelines and implement the appropriate accounting methods (Commonwealth. Legislative. Office). To date, KDE has not addressed this request.

Recommendation 2.1

Recommendation 2.1 is that the Kentucky Department of Education should update the Redbook to incorporate federal activity fund guidelines.

The Kentucky Department of Education should update the *Accounting Procedures for School Activity Funds*, known as the Redbook, to reflect federal activity fund guidelines.

Chapter 3

Survey and Site Visits

Chapter Overview

Topics covered in this chapter include the results of the OEA fee survey sent to all Kentucky superintendents. The survey included questions about fee prevalence, determination, and policies and procedures used to manage fee revenue. Data on general, course, clubs, extracurricular, and other fees are also presented.

This chapter presents survey and site visit data.

The data provide an overview of the types of fees charged and the dollar value of fees assessed in Kentucky schools. Data from 15 site visits are incorporated throughout the chapter. The purpose of these site visits was to provide qualitative data on issues emerging from the OEA district survey. The schools selected were purposely chosen by geographic region and, in some cases, for their extensive use of fees.

Fee Survey

All Kentucky districts were surveyed, and 82 percent responded.

In August 2008, OEA e-mailed a nine-question online survey to all 174 district superintendents. One hundred forty-three districts responded to the survey, providing an 82 percent response rate. Thirty-one districts, 19 county and 12 independent, did not respond to the survey. The full survey instrument is in Appendix D.

The survey was designed to answer the following research questions:

- How prevalent is fee usage in Kentucky districts?
- How do districts regulate the collection of fees through local policy?
- How are collections of fees monitored and reported at the school and district levels?
- How do districts enforce collection of fees, and what measures are used for nonpayment?

Fee schedule data were collected from 101 elementary schools, 65 middle schools, and 106 high schools.

Districts were also asked to provide copies of fee schedules. A total of 101 elementary school, 65 middle school, and 106 high school fee schedules were provided to OEA.

Survey Accuracy

The survey was a mix of closed-ended and open-ended questions about fee prevalence and usage in Kentucky districts. Some survey responses were inconsistent, but this was the exception rather than the norm.

The high response rate suggests that the survey instrument is a reliable indicator of district fee practices. Many of the survey questions were closed-ended “yes” or “no” questions, and the responses were clear. The survey also analyzed responses from open-ended questions to provide additional detail, but some district responses were inconsistent. For example, one district reported that it did not charge fees, but in an open-ended response to another question stated that it does charge fees for sports. This suggests that some districts might differentiate between academic and extracurricular fees. The survey also asked if districts allocate more than the minimum Section 6 funds to schools. Twenty-four districts answered “yes,” but analysis of open-ended responses revealed that these districts reimbursed schools for fee waiver students or provided Section 7 funds to schools. However, these actions are not considered additional Section 6 funds. These issues, while few in number, could limit the accuracy of some survey data.

Charging School Fees

County districts are more likely than independent districts to charge fees. However, about 97.4 percent of Kentucky students attend schools in districts that assess fees.

One hundred twenty-seven districts, or 89 percent of survey respondents, stated that member schools charge fees. The data show that independent districts are less likely than county districts to charge fees. Of the 43 independent districts responding to the survey, 25 percent reported that no fees were collected in their schools. Only 5 percent of county districts responded that schools in their districts do not charge fees. Overall, about 97 percent of Kentucky students attend school in districts that assess fees.

Districts with high percentages of students receiving free or reduced-price lunches are less likely to assess fees than districts with lower percentages of these students.

Students Qualifying for Free or Reduced-price Lunches. The survey found that 68 percent of the students attending schools in districts that do not charge fees qualify for free or reduced-price lunches. In districts that charge fees and dues, only 53 percent of students qualify for free or reduced-price lunches. According to some survey responses, districts take into consideration the socioeconomic status of the school when determining whether fees will be charged. Districts with large numbers of students receiving free or reduced-price lunches are severely constrained in the amount of fee revenue that could be generated.

High-wealth districts are more likely to assess fees than low-wealth districts. Generally, districts with high percentages of students receiving free or reduced-price lunches are less likely to charge fees than wealthier districts.

District Wealth. Another way to analyze the survey responses is by district wealth quintiles.¹ Higher-wealth districts could be less dependent on fee revenue than lower-wealth districts, given their access to greater local tax revenue. However, the survey shows that 10 of the 15 districts that do not charge fees are part of Quintile 1, the lowest tax-wealth quintile. As Table 3.1 shows, district wealth correlates positively with charging fees. As district wealth increases, the likelihood that the district assesses fees increases. The table also highlights the relationship between fees charged and the percentage of students receiving free or reduced-price lunches. Generally, districts with high percentages of students receiving free or reduced-price lunches are less likely to charge fees.

Table 3.1
Fee Prevalence by Wealth Quintile

Quintile	% Charge Fees	% No Fees	% F/R
1 (Lowest Wealth)	80.4%	19.6%	64.2%
2	91.7%	8.3%	57.7%
3	96.8%	3.2%	49.0%
4	94.7%	5.3%	39.9%
5 (Highest Wealth)	100%	0%	48.7%

Note: F/R means free or reduced-price lunch.
Source: Staff compilation of district survey data.

Accountability of School Fees

The survey asked districts about accounting practices for school fees and dues. Per KRS 160.290, control and management of all public school funds is a district responsibility. No district-approved fee should be collected and expended by an outside entity. Eighty-two percent of districts charging fees responded that fee revenue was recorded in the school activity fund account. This response suggests that 18 percent of districts could be improperly allowing outside organizations to manage fee revenue. Twenty-four district superintendents responded in ways that suggested noncompliance. However, OEA staff determined that most of these respondents appeared to interpret the question incorrectly.

¹ The wealth quintiles are determined by ranking school districts' per-pupil property assessments from lowest to highest and using funded average daily attendance to separate school districts into groups, each containing approximately one-fifth of the state's students. Quintile 1 represents the districts with the lowest property wealth per pupil. Quintile 5 represents the districts with the highest property wealth per pupil.

Determining Fee Rates

Fee rates are approved by local school boards and are most often determined by the principal, teachers, or committees in each school.

The survey asked districts how the amounts for fees and dues were determined. Most respondents answered that fees and dues are approved at the school level and ultimately approved by the local school board, per 702 KAR 3:220. The districts' two most common responses were that SBDM councils approve all fees, and that fees were determined by the principal, teachers, club sponsors, or committees.

Fee amounts are sometimes based on the cost of membership in a state or national club. Some fees have remained the same for many years, without review or change.

While general and course fees are usually set by administrators and teachers at the school level, club dues are set by the club sponsor and generally cover the costs of state and national membership dues. The process for determining course fees and general fees was typically managed at the school level. About 10 percent of the responding districts charged fees based on a continuation of existing fees or a survey of fees in surrounding districts. Some respondents indicated that the fee amounts had been in existence for years, without review or change.

In some site visit schools, large carryover fee balances were found. The large balances suggest that fee amounts might need review.

During site visits, staff found that some schools retained large fee balances that were not spent and were carried over from year to year. Administrators explained that the balances were decreasing and that they expected them to be drawn down over the next couple of years. The balances raise important concerns about whether the amount of fees is properly set.

While all fees appeared to be spent on appropriate instructional purposes, parking fee revenue was found to be expended differently at site visit schools.

OEA staff analyzed expenses from fee revenue to ensure funds were spent for the purposes collected. While all fees appeared to be spent on instructional purposes, parking fee revenue was found to be spent differently at site visit schools. Parking fees are generally collected to pay for parking tags, parking lot maintenance or traffic control, or to cover the costs of student driver drug testing. Other schools spent their parking revenue on instructional supplies. Parking revenue is generated by student drivers, and the Redbook stipulates that fees be spent for the purposes collected. It is questionable whether parking fees should be spent on extracurricular activities or other instructional supplies.

Recommendation 3.1 is that districts should conduct monthly reviews of activity fund account balances to ensure they are being spent on the students who pay, for the purposes collected, and in the school year collected.

Recommendation 3.1
Districts should conduct monthly reviews of activity fund account balances to ensure that fees are being spent on the students who pay, spent for the purposes collected, and spent in the year collected.

Fee Types and Amounts

The types of fees charged can be classified into the following categories: general, course, extracurricular, clubs and organizations, and other fees like locker rental, parking, and textbook rental.

Fees can be classified into categories: general, course, extracurricular, club and organization, and other. For the purposes of this report, general fees are charged to each student attending school. Course fees are charged for specific classes such as art, culinary, and scientific courses. Extracurricular fees are charged for participation in activities that occur outside day-to-day instruction and may include athletic fees, marching band fees, and cheerleading fees. School clubs and organizations such as Beta Club, Future Business Leaders of America, and Future Farmers of America typically require a fee to cover national dues and event costs. Schools charge several additional fees, generally at the high school level, such as for textbooks, locker rental, and parking that for this report are considered “other” fees.

In schools assessing general fees, the median dollar amount in elementary and middle schools was \$20. In high schools charging general fees, the median amount was \$35.

General Fees. The average and median dollar amounts in general fees assessed by elementary, middle, and high schools are shown in Table 3.2. Just over one-half of the 101 elementary schools responding to the survey assessed general fees that average \$41.22 per student, with a median fee of \$20.² The average is skewed upwards by relatively high fees at some schools. In schools charging fees, the fees ranged from a low of \$6 to a high of \$187.50 per student.

Less than 40 percent of the 65 middle schools responding to the survey assessed general fees, with an average fee of \$23.32 and a median fee of \$20. The fees ranged from a low of \$8 to a high of \$40 per student.

Of the 106 high schools that provided information to the survey, almost 30 percent charge general fees, with an average of \$40.39 and a median of \$35. In the schools that charge them, general fees ranged from a low of \$15 to a high of \$80 per student.

Table 3.2
General Fees by School Type, FY 2008

Grade Level	Number	% w/Fee	\$ Average	\$ Median
Elementary	101	52.5%	\$41.22	\$20
Middle	65	38.5%	\$23.32	\$20
High	106	29.2%	\$40.39	\$35

Source: Staff compilation of district survey data.

² The median is the middle of a distribution. One-half of the numbers are above the median and one-half are below the median.

General fees vary from school to school. In site visit schools, the general fee amount ranged from a low of \$5 to a high of \$187.50 per student. One site visit school did not assess a general fee.

Table 3.3 provides the general fee amounts charged by site visit schools and identifies the school level and district wealth quintile. With two exceptions, the general fees assessed in site visit schools are similar to the averages found in the survey. The totals vary considerably from school to school, ranging from schools that charge no fees to a high of \$187.50 per student.

Table 3.3
Site Visit General Fees, FY 2008

School	Wealth Quintile	Fee Amount
Elementary A	5	\$187.50
Elementary B	5	\$35
Elementary C	4	\$30
Elementary D	4	\$50*
Middle A	3	\$25
Middle B	3	\$35
Middle C	3	\$40
Middle D	5	\$40
High School A	5	\$150
High School B	1	\$0
High School C	3	\$24
High School D	2	\$5
High School E	1	\$95
High School F	4	\$15
High School G	4	\$40

Note: *Elementary school D had a two-tiered fee structure. The fee for kindergarten was higher than the fee for 1st through 5th grade. OEA excluded the kindergarten fee.

Source: Staff compilation of OEA site visit data.

Course fees are most often charged in arts, science, and vocational classes to cover costs of supplies and materials.

Course Fees. As defined by NCES, course fees are charged to students for supplies and items needed for specific classes. The survey responses indicated that the high schools relied on course fees, with few fees charged at elementary and middle schools. Only three elementary schools responding to the survey assessed a \$10 fee for art class.

Of the 106 high schools responding to the survey, 48 percent, charged course fees. Survey respondents identified more than 100 course fees, which are listed in Appendix E. Most of the courses requiring fees were electives and reflected costs associated with art supplies, computer access, books, labs, and individualized instruction in courses such as driver's education.

The median course fee across the state was \$15. Of the schools that assess course fees, most charge them in fewer than 10 classes.

As Table 3.4 shows, the number of course fees assessed in the schools sampled is typically small. Almost half of the schools charging course fees report using them in fewer than five classes. The higher average for the schools assessing fewer than five class fees is attributable to Advanced Placement fees that include the \$82 cost of that exam. The median fee for all schools shows that fees are typically \$15 per course. Course fees are waived for students qualifying for free lunches, and some schools provide discounted fees for students qualifying for reduced-price lunches.

Table 3.4
Course Fees in High Schools, FY 2008

# Course Fees	# Schools	\$ Average	\$ Median
<5	24	\$30.29	\$15
5-9	14	\$20.97	\$15
10-19	7	\$14.22	\$10
20-37	6	\$11.32	\$15
Total	51	\$15.35	\$15

Source: Staff compilation of district survey data.

Extracurricular fees are assessed in activities such as band, dance team, cheerleading, and sports.

Extracurricular Fees. The third category of fees—extracurricular—are assessed for school activities such as band, band camp, dance team, cheerleading, and sports. The fees charged for these activities exceed other types of fees because they cover such costs as uniforms, equipment, and travel. Involvement in most extracurricular activities is voluntary, and decisions to participate reflect individual student talents and interests. However, if extracurricular fees are set too high, they could limit participation by students qualifying for free or reduced-price lunch and students who are slightly over the poverty threshold.

Extracurricular fees in the schools reporting them ranged from a low of \$1 to a high of \$900 per student. They are rarely charged in elementary schools.

In elementary schools, assessment of extracurricular fees is rare. This could be attributed to elementary school age sports that are generally run by outside entities such as recreation leagues or the YMCA. Three schools levied cheerleading fees of about \$20, three schools charged football fees of about \$15, and two schools charged \$5 fees for dance.

Extracurricular fees in middle schools are more widespread than in elementary schools. While some middle schools charged a flat fee for all sports, six middle schools assessed separate fees for participation in each activity.

In middle schools that assessed extracurricular fees, the median cost was highest for dance team and cheerleading.

Table 3.5 details the types of activities and associated fees in middle schools based on districts that responded to the survey. The two highest fees were for cheerleading and dance team, averaging more than \$200 per student. Five schools charged between \$250 and \$500 for cheerleading. Fees for sports are more modest, ranging from a median of \$40 for football to \$80 for baseball. Fees for band are assessed in 20 percent of the responding middle schools, with a median fee of \$50.

Table 3.5
Extracurricular Fees in Middle Schools, FY 2008

Activity	% w/Fees	\$ Average	\$ Median
Cheerleading	21.5%	\$211	\$165
Band	20%	\$142	\$50
Dance Team	9.2%	\$228	\$190
Baseball	10.8%	\$89	\$80
Basketball	6.1%	\$56	\$50
Soccer	9.2%	\$57	\$50
Football	13.8%	\$44	\$40
Other	9.2%	\$32	\$25

Source: Staff compilation of district survey data.

Twenty percent of responding high schools assessed band fees, with a median fee of \$200. Five high schools charged band fees ranging from \$500 to \$900. A few high schools assessed fees of \$400 for baseball, \$300 for basketball, \$500 for girls' soccer, \$435 for cheerleading, and \$300 for lacrosse; however, these were the exception rather than the norm.

Club fees are charged for membership in scholastic organizations such as Beta Club, and typically range in cost from \$10 to \$20.

Club Fees. Fees were also typically assessed by school clubs such as the Beta Club and the Future Business Leaders of America. Elementary and middle schools had only a few clubs, and the fees generally ranged between \$10 and \$20. Social, academic, and volunteer clubs were more prevalent in high schools. The survey identified 88 high school clubs that assessed fees. Table 3.6 provides details on select clubs active in most high schools. Unlike extracurricular fees, club fees were more modest, with an average and median fee less than \$15.

Table 3.6
High School Club Fees, FY 2008

Club	% w/ Fees	\$ Average	\$ Median
Future Farmers of America	20.7%	\$15.04	\$15
Future Business Leaders of America	16%	\$14.65	\$14
Family Career & Community Leaders of America	18.9%	\$13.25	\$12.50
Beta Club	14.1%	\$19.37	\$20
National Honor Society	10.4%	\$10.95	\$10
Distributive Education Clubs of America	9.4%	\$14.30	\$12.50

Source: Staff compilation of district survey data.

Other fees include those assessed for textbook rental, parking, technology access, and lockers. Other fees are most common in high schools.

Other Fees. The category “other” encompasses fees for parking, technology, books, and lockers. High schools most commonly assess these fees, whereas they are rare in elementary and middle schools. The survey identified one elementary school with a \$5 locker fee. About 19 percent of middle schools assessed locker fees that averaged \$3.50.

Parking and textbook fees are the most common type of other fees charged at high schools. Parking fees were levied at 64 percent of the responding high schools and averaged \$14.66 per year. The lowest parking fee was \$1, and the highest parking fee was \$50. Book fees were assessed at 41 percent of the high schools, with an average fee of \$32 and a median fee of \$39. While some schools charged a flat textbook fee for the year, others charged a course textbook fee for each class. State funding for textbooks only applies to elementary and middle schools. The lack of state funding for textbooks at the high school level could contribute to the need for fee assessments.

Revenue Raised by Fees

The amount of revenue raised in site visit schools ranged from a low of \$2,600 to a high of \$281,000. These disparities have implications for funding equity in the state.

Fee revenue comes from student payments, but some districts reimburse schools for the fee revenue forfeited through fee waivers. In site visit schools, only one-third received district reimbursements for school fee waivers. Table 3.7 shows that revenue generated in site visit schools from student fees ranged from a low of \$2,600 to a high of over \$281,000. The school collecting the highest amount also received funds from the district to pay for fee waiver students. The combination of fees and reimbursements in High School C totaled \$313,492. This translates into an additional \$177 per pupil in revenue and raises funding equity concerns for districts in the state. The per-pupil fee revenue in schools with high percentages of students receiving free or

reduced-price lunches is generally lower in comparison to smaller populations of students receiving free or reduced-price lunches.

Table 3.7
School Fee Income in Site Visit Schools, FY 2008

School	Student Fee Income	District Reimbursement for Waiver	Total Fee Revenue	Per-pupil Fee Revenue	% Free or Reduced-price Lunch
Elementary A	\$93,511	\$0	\$93,511	\$222	0
Elementary B	\$30,045	\$11,985	\$42,030	\$55	46
Elementary C	\$3,310	\$0	\$3,310	\$16	49
Elementary D	\$18,222	\$1,600	\$19,822	\$26	14
Middle A	\$7,405	\$0	\$7,405	\$23	50
Middle B	\$8,822	\$0	\$8,822	\$14	44
Middle C	\$15,250	\$7,280	\$22,530	\$33	34
Middle D	\$6,412	\$0	\$6,412	\$9	78
High School A	\$272,356	\$0	\$272,356	\$178	23
High School B	\$4,000	\$0	\$4,000	\$4	78
High School C	\$281,738	\$31,754	\$313,492	\$177	26
High School D	\$2,620	\$0	\$2,620	\$7	55
High School E	\$23,407	\$0	\$23,407	\$75	44
High School F	\$92,040	\$695	\$92,735	\$112	4
High School G	\$48,300	\$0	\$48,300	\$34	26

Source: Staff compilation of site visit data.

Hypothetical Costs for Families

A true state average or median is impossible to derive because of variations across the state. However, a series of assumptions can be used to calculate a hypothetical fee burden.

The types and amounts of fees assessed vary across the state. Despite this variation, assumptions can be made to calculate a hypothetical fee burden on a family. Staff calculated hypothetical fee costs for a student who would attend the elementary, middle and high school. The estimates used the median values for each of the fee types. The hypothetical scenarios are shown in Table 3.8.

Table 3.8
Hypothetical Fee Scenarios

School Level	Fees				Total
	General	Course	Clubs & Extracurricular	Other	
Elementary	\$20	\$0	\$0	\$0	\$20
Middle	\$20	\$0	\$40	\$0	\$60
High	\$35	\$15	\$80	\$39	\$169

Note: Staff calculated their hypothetical fee cost based on median values.

Source: Staff compilation of district survey data.

The fee burden for elementary school students is relatively low for general fees because extracurricular and other fees are rarely charged. However, the data indicate that a few elementary schools charge \$60 to \$180 in general fees.

For middle school students, a typical fee burden is about \$60. The fee burden would only be \$20 if the student did not participate in any extracurricular activity. However, extracurricular fees can greatly exceed \$40 in some instances.

The burden of fees is lowest in elementary schools and highest in high schools. A high school student who pays one general fee, one course fee, one extracurricular fee, one other fee, and joins one club would pay up to \$169 annually in fees.

The hypothetical fee burden for a high school student offers the most variation and is the highest, given the broader range of fees charged, the variety of courses offered, and the numerous activities available to students. The estimated fee burden is highest in high school at \$169. This hypothetical scenario assumed membership in one club for \$15, one extracurricular fee of \$65, one course fee, and a yearly textbook fee. This estimate is likely conservative; many high school students are active in multiple clubs and sports, and many drive to school. In addition, annual “class dues” that are dedicated to senior proms and other special events are not included in this calculation.

The total amount of fees assessed is dependent upon the school attended and activities of interest. Certain activities, such as band, may be more expensive to participate in than track and field.

Another way to analyze potential costs is to create a hypothetical student and tabulate the fees associated with his/her activities at four different high schools, as shown in Table 3.9. The scenarios assume that the student drives to school, is a member of one club, and participates in one sport. The hypothetical fee burden ranges from \$55 in a small, rural high school to \$298 in a large, urban high school. In this scenario, if the student wanted to take band, the cost would increase to \$783 in School W, \$568 in School X, and \$278 in School Y.

Table 3.9
High School Fees and Dues Scenario

Fee	High Schools Surveyed			
	W	X	Y	Z
General Fee	\$100	\$68	\$55	\$0
Book Fee	\$48	\$0	\$0	\$25
Locker Fee	\$0	\$0	\$5	\$10
Tech Fee	\$5	\$0	\$0	\$0
Parking Fee	\$30	\$15	\$6	\$10
Art	\$40	\$0	\$0	\$0
One sport	\$65	\$0	\$0	\$0
One-club	\$10	\$10	\$12	\$10
Subtotal	\$298	\$93	\$78	\$55
Band	\$485	\$475	\$200	\$0
Total	\$783	\$568	\$278	\$55

Source: Staff compilation of district survey data.

Recommendation 3.2 is that districts should conduct annual reviews of all fees and dues charged at each school to ensure that assessed amounts are reasonable.

Students qualifying for free or reduced lunches are not required to pay full fee amounts.

702 KAR 3:220 requires districts to inform all parents about fee waivers. In addition, districts should maintain records of all students who request and receive waivers.

Recommendation 3.3 is that KDE should provide guidance to all districts and schools regarding the requirements of 702 KAR 3:220 and should provide fee waiver forms to all students and parents.

Recommendation 3.2

Districts should conduct annual reviews of all fees and dues charged at each school to ensure that assessed amounts are reasonable.

District Fee Waiver Procedures

While most districts charge fees and dues, not all children are required to pay. The survey found that all districts provide fee waivers for students qualifying for free or reduced-price lunches. In the survey, several respondents specifically cited appropriate state regulations requiring the waiver of fees. Most districts submitted copies of their waiver policy as requested by the survey.

Districts are required by 702 KAR 3:220 to inform parents that fee waivers can be obtained by filling out and submitting the proper paperwork. However, only two site visit schools were able to produce the required form. Most schools were under the assumption that they simply waive the fee for students who qualified for free or reduced-price lunches without maintaining a record. Schools that used the fee waiver form reported that they did have some students who paid fees even though they could have been waived. Schools were able to provide copies of instructions provided to parents and students used in the collection and waiver of fees; however, no site visit school could produce a list of all students requesting and receiving waivers.

Recommendation 3.3

The Kentucky Department of Education should provide guidance to all districts and schools regarding the requirements of 702 KAR 3:220. In addition, all students and parents should be provided fee waiver application forms.

District personnel were asked if they provided schools with funds to cover fee waiver students. Only 28 percent of the districts responding reported that they reimburse schools for fees not collected from students receiving free or reduced-price lunches. Respondents emphasized that no child is denied educational services due to economic hardship. Some respondents indicated that the loss of revenue for fee waiver students was absorbed from other activity fund accounts.

Collection of Fee Debt

Most districts do not have formal policies in place that govern fee payment. Some schools include fees and dues information in school handbooks. In some cases, parents are sent reminders to collect unpaid fees.

Some high schools impose sanctions on students who do not pay fees, including revoking parking permits and withholding participation in prom and graduation ceremonies.

Withholding student academic records due to nonpayment is a violation of the Family Education Rights and Privacy Act.

Recommendation 3.4 is that KDE should provide guidance in the Redbook regarding appropriate practices districts can use in collection proceedings, including actions restricted by the Family Education Rights and Privacy Act.

About half of districts responding to the survey reported that they have not taken steps limit fees. A few schools have capped fees, and one school created a task force to study fee assessment.

To address the issue of collecting unpaid student fees, schools should have policies and procedures in place to outline acceptable payment plans along with explanations of sanctions or loss of student privileges due to nonpayment. About 62 percent of districts responding to the survey reported that they do not have formal policies in place. Districts that lack formal fee policies sometimes provide fee information in student handbooks. Actions taken to recover unpaid fees include sending reminders to parents and working out monthly payment plans with families.

Districts also reported taking away student privileges due to nonpayment of fees. Most fees and dues are collected at the high school level, and some schools have developed sanctions to help collect unpaid fees. Several districts report that failure to pay fees can lead to a suspension of student parking privileges and withholding participation in extracurricular activities including sports, prom, and graduation ceremonies.

Five districts reported withholding student diplomas or grades until school fees are paid. As previously noted, these punitive actions regarding student records are violations of the Family Education Rights and Privacy Act.

Recommendation 3.4

The Kentucky Department of Education should provide guidance in the *Accounting Procedures for Kentucky School Activity Funds*, known as the Redbook, regarding appropriate practices districts can use in collection proceedings, including actions restricted by the Family Education Rights and Privacy Act.

District Actions for Limiting Fees and Dues

The survey asked districts if they had taken action to control or limit fees in recent years. About one-half of all districts reported that they have taken action to limit fees. Survey respondents pointed out that fees must be approved by the school board. However, this statutorily required approval process provides some oversight of fees, but it does not constitute a formal action on behalf of a district to regulate fees. Districts that took action to limit fees reported that they capped fee amounts or did not approve new school fee requests. One district reported that it created a task force to study the issue of assessing fees.

Issues of Concern From Districts

Some districts rely on fee revenue to cover basic education costs. Some leaders believe that fees will remain necessary, given tight budgets.

During site visits, school leaders expressed their commitment to meeting the needs of all students. They anticipate lean budgets in years ahead and believe that fees are a needed revenue stream to cover basic education costs. Some commented that if high school textbooks were funded by the state, the school would not have to charge for them. Other leaders expressed concern that SBDM councils were spending Section 6 funds on hiring additional teachers and buying furniture rather than distributing it to teachers to use for supplies. Some principals said the combination of approved fees and Section 6 allocations are sufficient to meet basic student needs. The 15 schools sampled in the site visits, though, are not necessarily reflective of schools throughout the state.

Some survey respondents were concerned about liability for external organizations, such as booster clubs, and would appreciate guidance on managing such organizations.

The survey included an open-response question that allowed comments on any other issues related to school fees and dues not covered in the survey. Most districts provided little or no additional feedback. Among those responding, the overwhelming sentiment was that fees are necessary given state and local budgetary constraints. Schools and districts reported that they are trying to find a balance between offering high-quality programs and minimizing fees and dues.

Another concern mentioned by respondents was the need to limit school liability when it comes to external organizations, such as booster clubs. Currently, the only accountability requirement for booster clubs is to provide the school an end-of-year annual financial report. Most booster club funds are maintained outside the school activity fund account; therefore, the school or district has no control over how this money is spent.

Issues of accountability of these funds have arisen over the past several years. Local newspapers have reported on instances of booster club fraud and some booster clubs have been fined by the Internal Revenue Service for alleged violations of federal law. The funds are maintained by the booster organization, but parents frequently are closely involved in collecting and maintaining the funds. In order to provide appropriate oversight, some states have mandated that all booster club funds be accounted for in the schools' activity fund accounts. Certain schools and districts in Kentucky have mandated this as well.

Recommendation 3.5 is that KDE should review other state activity fund policies and national best practices concerning reporting requirements of outside organizations and update the Redbook if necessary.

Recommendation 3.5

The Kentucky Department of Education should review other state activity fund policies and national best practices concerning reporting requirements of outside organizations and update the *Accounting Procedures for Kentucky School Activity Funds*, known as the Redbook, if necessary.

Allocation of Section 6 and Section 7 Funds

Districts are responsible for allocating funds to schools; SBDM councils then decide how those funds are spent, including Section 6 and Section 7 funds. Section 6 is referred to as “other minimum allocations,” and the end use of the funds is not specified in 702 KAR 3:246. The SBDM allocation worksheet instructions from KDE reflect older Section 6 language limiting Section 6 funds to instructional supplies, materials, travel, and instructional equipment. Section 7 funds, when available, are often used for specific instructional purposes identified by SBDM councils in their school improvement plans.

The amount of Section 6 revenue received from districts ranged from \$20,000 to \$220,000 in the site visit schools. SBDM councils allocated anywhere from 4 percent to 42 percent of Section 6 money to classroom teachers for supplies.

Table 3.10 presents data compiled from the 15 site visit schools that shows total Section 6 funds received and distributed by SBDM councils. Of the schools analyzed, the amount of Section 6 money received from districts ranged from \$20,000 to \$220,000. Site visit data found that SBDM councils allocate anywhere from 4 percent to 42 percent of Section 6 money to classroom teachers.

The majority of the site visit schools allocate a flat amount per teacher to spend on classroom supplies. Some schools did not allocate any funds directly to teachers; however, these schools require teachers to request funds on an as-needed basis. Some teachers who did not receive Section 6 allocations were instead provided with funds from fee revenue.

Table 3.10
Allocation of Section 6 and Section 7 Funds
at Site Visit Schools, FY 2008

School	Section 6 Allocations			Section 7	2007
	School Allocated	Classroom Teacher	% to Teachers	Received	End-of-Year Contingency
Elementary A	N/A	N/A	N/A	N/A	14.2%
Elementary B	102,454	10,314	10%	N	17.4%
Elementary C	19,880	5,207	26%	Y	25.1%
Elementary D	38,466	1,623	4%	N	3.8%
Middle A	54,504	5,000	9%	N	27.4%
Middle B	80,742	34,206	42%	Y	13%
Middle C	85,525	21,385	25%	N	11.1%
Middle D	87,848	13,500	15%	Y	9.1%
High School A	195,833	16,701	9%	N	12.6%
High School B	185,250	18,381	10%	N	5.7%
High School C	221,241	63,600	29%	N	7.4%
High School D	47,488	13,427	28%	Y	9.8%
High School E	75,463	27,973	37%	N	9.8%
High School F	114,775	27,099	24%	Y	9%
High School G	219,709	27,217	12%	Y	11.4%

Source: Staff compilation of site visit data.

A review of district accounting system reports found coding variances in Section 6 expenditures. The chart of accounts breaks down the accounting of expenses by department and function. For example, codes are set up for the principal's office, guidance counselor, library, and instructional functions. However, staff found that some schools code all Section 6 funds as regular instruction and do not break out the costs of the principal's office, library, and other expenses that should not be included in the instructional functions. These coding errors made it difficult to accurately differentiate between Section 6 instructional and Section 6 noninstructional expenditures. The errors further caused discrepancies on school report cards and other reports generated from this data. KDE is currently working on updating the chart of accounts along with providing account code descriptions that should limit this problem.

Section 7 funds are derived from any remaining Section 3 funds not allocated during the distribution of Section 4, 5, and 6 funds. Often, Section 7 money is not available to schools. Table 3.10 shows that 6 of the 14 SBDM schools received Section 7 funds in FY 2008.

Data show that several districts not distributing Section 7 funds retained high contingency balances.

District Contingency. Each year, districts report the amount of contingency funds retained in their budgets.³ Per KRS 160.470, districts are required to maintain a minimum 2 percent budgeted contingency; however, the Kentucky Board of Education recommends that districts maintain a 5 percent contingency balance. Table 3.10 shows that end-of-year contingency percentages range from a low of 3.8 percent to a high of 27.4 percent in districts that did not allocate any Section 7 funds. Six of the districts that did not allocate Section 7 funds exceeded the recommended 5 percent year-end contingency reserve. The large contingencies raise two questions

1. Are the requirements of the SBDM regulations being followed for Section 7 allocations? and,
2. Are teachers receiving sufficient funds to address classroom needs?

If contingency funds were being used to offset classroom supply costs, it is possible that fees could be reduced or eliminated in some schools.

Recommendation 3.6 is that KDE should update 702 KAR 3:246 and school council allocation worksheet instructions to ensure consistency.

Recommendation 3.6
The Kentucky Department of Education should update 702 KAR 3:246 and school council allocation worksheet instructions to ensure consistency.

Recommendation 3.7 is that KDE should annually review district allocations to assure that Section 7 allocations are distributed according to regulation.

Recommendation 3.7
The Kentucky Department of Education should conduct annual reviews of district allocations to assure that Section 7 allocations are distributed according to 702 KAR 3:246.

Equity Concerns

While schools provide waivers to students who qualify for free or reduced-price lunches, it is clear that wealthier districts are less affected than poorer districts by fee waivers. The schools visited in lower-wealth districts impose fewer fees with lower fiscal burdens on families than those imposed by wealthier districts. This has implications for equity in school funding across the state. In some wealthy districts, families can expect to pay hundreds of dollars on school fees that are used for new workbooks, scientific equipment, new supplies, and cultural enrichment activities.

Wealthier districts tend to have fewer waiver students and can generate more fee revenue than lower-wealth districts.

Leaders at schools in lower-wealth districts explained that fees do not generate a lot of revenue for their schools because of the high

³ The contingency percent represents how much revenue the district retained in the general fund for fiscal year 2007 compared to total expenses in funds 1, 2, 310, 320, 400, and 51.

percentage of students receiving fee waivers. Consequently, these schools either forego charging fees or impose nominal fees.

In some schools, fee revenue can amount to more than \$200 per student, which is the equivalent of a 5 percent increase in the fiscal year 2008 SEEK per-pupil guaranteed base allocation.

The data show that wealthier districts with fewer numbers of students receiving free or reduced-price lunches can assess high fees and substantially increase total school revenue. In some schools, fee revenue can exceed \$200 per student. In terms of per-pupil funding, the addition of \$200 represents 5 percent more than the FY 2008 SEEK per-pupil guaranteed base allocation. Fees of \$300 per pupil represent 8 percent more than the FY 2008 SEEK per-pupil guaranteed base allocation. The disparity in fee revenue across the state affects funding equity in the state.

Chapter 4

School Supplies

Chapter Overview

This chapter presents data compiled from analysis of school supply list requests. It includes a price comparison of supplies purchased from retailers versus supplies purchased through an approved state purchasing cooperative.

This chapter analyses the extent to which schools request supplies from families and the fiscal impact this has on parents. The supply costs are tallied and compared for both retail outlets and state purchasing cooperatives. School Specialty Education Essentials is the vendor OEA staff used to derive cooperative prices in the cost analysis. The prices available to member districts in the cooperative are negotiated with the vendor and can be cheaper than prices found in retail outlets. The comparison shows that supply costs might be lower for students if purchased through a cooperative.

School Supplies

School lists include traditional supplies such as paper, folders, and pencils, but increasingly the lists include custodial supplies such as facial tissue, paper towels, and hand sanitizer.

While traditional supplies such as notebooks, crayons, and glue are on most lists, other supplies such as facial tissues, paper towels, and hand sanitizers are often requested, especially in elementary schools.

Supply List Methodology

Supply list collections are generally handled at the school level and not accounted for through any data system. In order to estimate school supply costs, OEA staff randomly sampled 53 Kentucky schools and collected supply lists from each school's Web site. Staff compiled price information from Walmart, Kmart, and Amazon.com to estimate supply costs charged by retailers. The lowest cost provider was chosen for each item on the supply list.

OEA staff collected supply request data from 24 elementary schools, 10 middle schools, and 19 high schools.

In total, supply lists from 24 elementary schools, 10 middle schools, and 19 high schools were collected. In elementary and middle schools, supplies are typically requested at each grade level. Teachers or groups of teachers are responsible for determining the supplies needed for each grade level. For each elementary school sampled, five different supply lists for each grade were analyzed. For each middle school sampled, three different supply lists corresponding to each grade level were analyzed. In high schools, only 2 of the 19 school surveyed made

supply requests. Instead, individual course syllabi were used to specify the supplies needed for a particular class. Table 4.1 shows the number of supply lists analyzed by school type.

Table 4.1
Supply Lists Collected by School Type
From Random Sample of Schools, Summer 2008

School	# Sampled	# Supply Lists
Elementary	24	118
Middle	10	24
High	19	2

Source: Staff compilation of supply list data.

Elementary Schools

The most requested supplies in elementary schools were pencils, facial tissues, crayons, folders, scissors, and glue sticks.

Most Requested Supplies. The types of school supplies requested vary from class to class and school to school. Table 4.2 lists the items most frequently requested by elementary schools surveyed. It shows that pencils, facial tissue, crayons, folders, and scissors are requested by at least 75 percent of the classes in the schools surveyed. Paper, paper towels, and notebooks are requested in approximately 50 percent of the schools surveyed. Storage bags, dry erase markers, and hand sanitizer were requested by more than one-third of schools surveyed.

Table 4.2
Most Requested Supply Items: Elementary Schools
From Random Sample of Schools, Summer 2008

Items	Percent of School Lists Requesting
Pack of #2 pencils	89.8%
Facial tissues	86.4%
Crayons	83.1%
Folders	78.8%
Scissors	77.1%
Glue sticks	72%
Loose leaf paper	55.1%
Spiral notebooks	54.2%
Paper towels	52.5%
Hand sanitizer	39.8%
Ziploc storage bags	37.3%
Dry erase markers	34.7%

Source: Staff compilation of supply list data.

Some supply lists included requests for detailed quantities. One list included a request for 20 glue sticks.

The quantity of individual items requested also varies from school to school. Some schools request supplies needed to support one child, while others request multiple quantities of the same item. For instance, supply list requests in some elementary schools specified 20 glue sticks, 14 two-pocket folders, 10 spiral notebooks, 6 packs of pencils, and 4 boxes of facial tissues. It is unclear whether the elementary supplies are reserved strictly for the child bringing the supplies or whether the supplies go into a larger class or school supply closet to be used by all pupils.

To analyze supply costs, staff had to make some assumptions regarding brand and quantity. Some supplies, such as backpacks, book bags, and scientific calculators, were not included in the analysis.

In conducting the costs analysis, staff made some assumptions, especially in instances where quantity and brand were not indicated. For instance, a typical pack of pencils includes one dozen #2 pencils. So if the request included pencils, it was assumed to be a pack of one dozen. The calculations do not include book bags or lunch boxes that are typically purchased by a parent without a request from the school. Some elementary schools request a certain brand or type of backpack or book bag, but these were not included in the price calculation because they remain the sole property of an individual child that can be used in multiple years. Some schools request specific types of scientific calculators that can cost between \$60 and \$120 that are not included in this analysis.

The median retail cost of elementary supply list requests was \$31.21. The dollar amount ranged from a low of \$5.60 to a high of \$70.08 in schools sampled.

Supply Costs. The cost of requested supplies varied greatly from school to school. In addition, some schools requested expensive items that inflate the average cost of supplies. To control for this problem, the median cost of supplies was used to compare supply costs across schools. The median retail cost of supplies requested in elementary schools was \$31.21. The median cost using a purchasing cooperative vendor was \$30.06. Only about 2.4 percent of the elementary grades sampled did not request any supplies. In grade levels requesting supplies, the dollar amount ranged from a low of \$5.60 to a high of \$70.08. The retail cost of supplies in 28 percent of the schools, shown in Table 4.3, ranged between \$20 and \$29. Only 11 percent of the schools analyzed required purchases exceeding \$50.

Table 4.3
Range of Supply Costs in Elementary Schools
From Random Sample of Schools, Summer 2008

Dollar Range	% of Lists	# of Lists
<\$10	5.1%	6
\$10-\$19	13.6%	16
\$20-\$29	28%	33
\$30-\$39	22%	26
\$40-\$49	20.3%	24
\$50-\$59	6.8%	8
>\$60	4.2%	5
Total	100%	118

Source: Staff compilation of supply list data.

Middle Schools

In middle schools, the most frequently requested items were pencils, paper, folders, colored pencils, and facial tissues.

Most Requested Supplies. As Table 4.4 shows, the most requested supplies in middle schools are pencils, loose leaf paper, 2-pocket folders, colored pencils, facial tissues, spiral notebooks, and 3-ring binders. Items such as hand sanitizer, flash drives, and paper were sometimes included, either as a requirement or a wish-list supply.

Table 4.4
Most Requested Supply Items: Middle Schools
From Random Sample of Schools, Summer 2008

Items Requested	Percent of School Lists Requesting
Pack of #2 pencils	87.5%
Loose leaf paper	83.3%
2-pocket folder	83.3%
Colored pencils	75%
Facial tissue	62.5%
Spiral notebooks	54.2%
3-ring binder	54.2%
Scientific calculator	50%
Graphing paper	41.7%
Paper towels	41.7%
Pack of pens	37.5%

Source: Staff compilation of supply list data.

The median retail cost of middle school supplies was \$41.33. The dollar amount from a majority of lists ranged in price from \$20 to \$49.

Cost of Supplies. Table 4.5 shows that the median retail cost of supplies requested in middle schools surveyed was \$41.33. The dollar amount from a majority of supply lists analyzed ranged between \$20 and \$49. This median cost was slightly higher than that for elementary schools and is likely attributable to more

specialized supplies needed at the middle school level. For instance, the cost of calculators used in the middle school analysis was \$16.50, compared to \$8.49 in the elementary analysis.

**Table 4.5
Range of Supply Costs in Middle Schools
From Random Sample of Schools, Summer 2008**

Dollar Range	% of Lists	# of Lists
<\$10	8.3%	2
\$10-\$19	0%	0
\$20-\$29	20.8%	5
\$30-\$39	16.7%	4
\$40-\$49	25%	6
\$50-\$59	8.3%	2
>\$60	20.8%	5
Total	100%	24

Source: Staff compilation of supply list data.

Comparison of Retail Versus Cooperative Prices

An alternative to direct purchasing of supplies by parents is for schools to purchase classroom supplies. The potential advantage of this system would be lower costs, given the pricing discounts available to schools through purchasing cooperatives. An added price benefit would be the purchase of supplies without paying sales tax.

OEA staff compared the price of supply costs from a state purchasing cooperative and from retail vendors.

OEA staff compared the price of supplies available from a state purchasing cooperative to prices of supplies available from retail vendors. In the retail analysis, the lowest-cost provider was chosen for each item on the supply list, thus the cost estimate is probably conservative.

This analysis is limited by four factors.

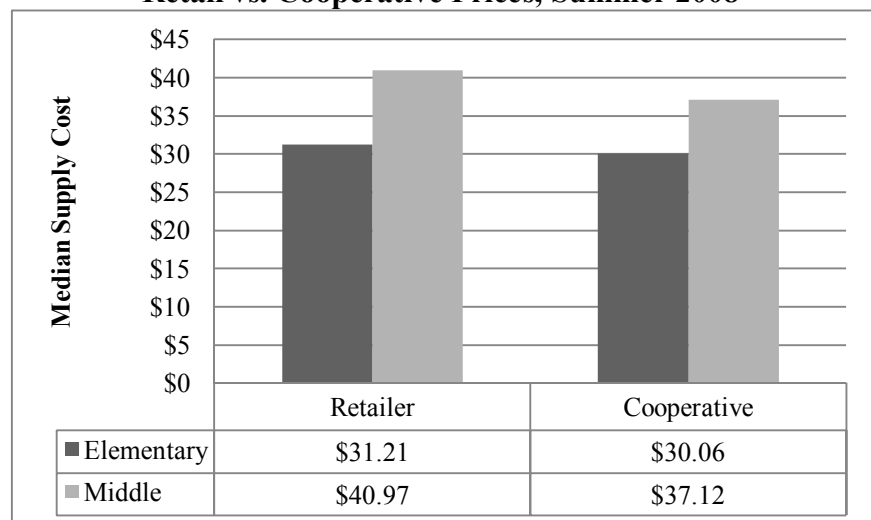
- School supply lists did not always indicate the quantity requested, making it difficult to compare the same volume of supplies between retail purchases and cooperative purchases.
- Some of the cooperative prices are based on bulk purchases rather than individual quantities requested on most school supply lists.
- The cost of transportation and time spent purchasing supplies is not figured into the retail calculation.
- The analysis assumes that parents have access to the stores and prices used in the review.

Prices from a state cooperative were \$1.15 lower for elementary school supplies and \$3.85 lower for middle school supplies than retail prices.

As the data in Figure 4.A show, the cost differences vary between elementary and middle school. The analysis found that the median cost of elementary school supplies is \$1.15 lower using cooperative pricing than when parents purchased directly from a retailer. The limiting factors mentioned above may lead to the purchase of higher-cost items at retailers than those used in this analysis.

The difference in prices is more apparent at the middle school level, where median cooperative prices are \$3.85 lower than prices at retailers. Middle schools sometimes require more expensive supplies such as graphing paper and flash drives that are generally cheaper when purchased in bulk through a cooperative. Overall, the cost difference is less than 10 percent of the median retail supply cost.

Figure 4.A
Comparison of Median Supply Costs
Retail vs. Cooperative Prices, Summer 2008



Source: Staff compilation of supply price data.

Some school supplies can substantially increase the cost burden of families. Advanced math calculators can cost up to \$119. One site visit school indicated that it buys scientific calculators in bulk for \$60 each and then sells them to students at this discounted price. Several middle schools provide in-class access to scientific calculators for homework or test purposes for students who cannot afford to purchase them. Some schools also indicated that if a child could not afford a calculator, teachers may allow a student to check out one for home use.

High School Supply Lists

High schools rarely use supply list requests. If requested, supplies are included on individual course syllabi.

Unlike the supply requests at the lower grades, high school students are more responsible for providing their own supplies. Only one of the high schools sampled provided students a supply list; however, class-specified supplies are included frequently on individual class syllabi. Given the variation in courses and practices of each high school, it was not possible to derive an average high school supply list.

Supply List Conclusions

OEA does not make any policy recommendations on the use of supply lists in districts and schools. More in-depth research is needed to determine the fiscal, educational, and policy concerns associated with the use of supply lists in Kentucky's schools. However, the current fiscal pressures affecting district and school budgets would suggest that school administrators need to monitor existing supply requests and carefully scrutinize additional future supply requests. In particular, school leaders need to be able to justify existing requests. In OEA site visits, school leaders were aware of supply requests, but policies governing school supplies were not always developed and explained to parents.

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Appendix A

702 KAR 3:220

Guidelines for Waiver of School Fees

RELATES TO: KRS 160.330

STATUTORY AUTHORITY: KRS 160.330

NECESSITY, FUNCTION, AND CONFORMITY: KRS 160.330 provides that local school districts shall establish, consistent with State Board for Elementary and Secondary administrative regulations, a process to waive fees for qualifying students and a procedure for notice of such. This administrative regulation provides guidelines for the waiver of school fees by local districts.

Section 1. Local school districts shall establish a process by which to waive any applicable fees charged by the district for pupils who qualify for free or reduced price lunches, including a process by which at least all such students shall be informed of the fee waiver provisions. Districts that do not charge fees to any students shall not be subject to these requirements.

Section 2. Local school districts shall adopt specific policies and procedures whereby, at the beginning of the school year or at the time of enrollment, all or at least qualifying pupils and their parents shall be given clear and prominent written notice of the fee waiver process, including the applicable income guidelines. Such policies and procedures shall also insure that the written notice of the fee waiver process shall include a form that parents shall use to request waiver of applicable fees.

Section 3. Local districts shall keep records for documentation and compliance purposes, which shall be made available to the Department of Education upon request. These records shall include:

- (1) The number of pupils receiving free lunches and reduced price lunches;
- (2) The number of pupils who request that fees be waived and the number of pupils for who fees are waived;
- (3) Copies of any forms, notices or instructions used by schools in the collection or waiver of fees.

Section 4. Mandatory waiver of fees shall apply to all charges, direct or indirect, which would otherwise be required for participation in the following school-sponsored courses, activities, programs, events or services:

- (1) Charges and deposits collected by a school for use of school property, including but not limited to, locks, towels, laboratory equipment and special workbooks;
- (2) Charges for field trips, any portion of which fall within the school day;
- (3) Charges or deposits for uniforms or equipment related to intramural sports, music, or fine arts programs;
- (4) Special supplies or fees required for a particular class;
- (5) Graduation fees required for participation;
- (6) Special education fees;

- (7) School records fees;
- (8) School health service fees;
- (9) General activities fees;
- (10) Vocational education fees;
- (11) Driver's education fees; and
- (12) Any other fees not exempt under Section 5 of this administrative regulation.

Section 5. Mandatory waiver of fees shall not apply to the following:

- (1) Activities or rental of property taking place or for exclusive use outside the normal six (6) hour school day (and any local district extension of such) and having no impact upon graduation from or credit for any instructional course(s) included in or authorized by the "Program of Studies for Kentucky Schools, Grades K-12", incorporated by reference in 704 KAR 3:304; and
- (2) Costs for materials, equipment, or supplies beyond those necessary for full credit for instructional courses and essential for meeting student performance objectives.

Section 6. Local districts shall provide written notice of approvals and denials of fee waivers. Any denial shall contain the specific grounds for denial and shall afford the opportunity for a personal meeting with appropriate district personnel to discuss the validity of the denial. (17 Ky.R. 1651; Am. 1994; eff. 1-6-91; 18 Ky.R. 476; eff. 11-8-91.)

Appendix B

Waiver Policy Example

Student Fees

Fees are to be used for the purchase of teaching instructional resources directly related to student needs.

Inability To Pay

No child shall be denied full participation in any educational program due to an inability to pay for, or rent necessary instructional resources.¹

Per-Pupil Basis

The Board authorizes the Superintendent to establish an instructional fee on a per-pupil basis for all students enrolled in the District schools.

Guidelines

Instructional fees shall be affected according to the following guidelines:

1. No pupil shall be excluded from participating in any required curriculum or extra-curricular activity because of his or her inability to pay the fee as determined by the Principal of the school in which the pupil is enrolled as a full-time student.
2. The amount of fee to be charged shall be uniform per grade on a District-wide basis and shall take effect only after being set and approved by the Board upon recommendation of the Principal.
3. All fees collected shall be used specifically for the purpose for which they were collected, i.e., to instructional resources to be consumed by pupils paying the fee in each grade level or subject.
4. Each Principal shall be held strictly accountable for the expenditure of fees collected within his or her school and shall report to the Board at the end of each school year on the forms provided on how these funds were expended, and
5. The fee program shall be evaluated annually by a committee selected by the Superintendent.

Waiver Of Fees

The Superintendent shall recommend and the Board shall approve a process to waive fees for students who qualify for free or reduced price meals. At the beginning of the school year or at the time of enrollment all students who qualify shall be given clear and prominent written notice of the fee waiver provisions. The written notice of the fee waiver process shall include a form that parents may use to request waiver of fees. Mandatory waiver of fees for qualifying students shall be accomplished in compliance with applicable statutory and regulatory requirements.²

References:

¹KRS 158.108; 704 KAR 003:455

²KRS 160.330; 702 KAR 003:220

702 KAR 003:220; 704 KAR 003:455

Related Policy:

08.232

Source: Kentucky School Boards Association.

Adopted/Amended: 07/28/2003

Order #: 13

**Students 09.15 AP.1
Student Fees**

Schedule Approved Annually

If student fees are charged, a schedule of fees shall be reviewed and approved annually by the Board. The approved schedule shall be published in student handbooks or other written notice, as appropriate.

No Child Denied

Students will not be denied access to any educational program due to an inability to pay a fee, purchase school supplies, or rent or purchase instructional resources.

Principal's Responsibility

Principals shall determine those students who qualify for free school supplies and instructional resources as follows:

1. Principals shall use the guidelines of the free or reduced-price lunch program to determine the inability of students to rent instructional resources, pay fees, and purchase necessary school supplies.
2. During the first week of school, the Principal shall send to the parents of each student the eligibility guidelines for free or reduced-price lunches. The eligibility guidelines form shall include a statement that if the student qualifies for free or reduced-price lunches, s/he also qualifies for free necessary school supplies.
3. Parents shall be informed that they must complete the required documentation to be eligible for exemption from payment of fees for necessary school supplies.

Supplies Paid

Necessary school supplies that are furnished to students who qualify for free or reduced-price lunches are to be paid from the miscellaneous instructional supply account.

SBDM

In SBDM schools, councils shall provide free supplies and/or instructional resources from funds allocated to the school.

Review/Revised: 7/26/2004

Source: Kentucky School Boards Association.

Appendix C

National Center for Education Statistics Guidelines

All school personnel who work with activity funds—activity fund supervisors, sponsors, and accounting personnel—should be knowledgeable of all activity fund policies. The policies recommended by the National Center for Education Statistics are as follows:

- Each activity fund should be established by specific board of education approval.
- All activity funds should be subject to sound internal control procedures.
- All activity funds should be accounted for on the same fiscal year basis as all other school district funds.
- All activity funds must be audited and subject to well-defined procedures for internal and external auditing.
- All employees responsible for handling and recording activity fund monies should be bonded by the district.
- One or more activity fund supervisors should be formally designated by the board of education.
- Each activity fund supervisor should maintain a checking account for the attendance center.
- Depositories for student activity funds should be approved by the board of education and be further subject to the same security requirements as all other board funds.
- All activity funds should operate on a cash basis, meaning that no commitments or indebtedness may be incurred unless the fund contains sufficient cash.
- A system of purchase orders and vouchers should be applied to all activity funds that requires written authorization for payment and should be strictly enforced.
- A system for receipting cash should be adopted that includes using pre-numbered receipt forms for recording cash and other negotiable instruments received.
- All receipts should be deposited intact. That is, all receipts should be deposited in the form in which they are collected and should not be used for making change or disbursements of any kind.
- All receipts should be deposited daily. Undeposited receipts should be well secured.
- A system for disbursing funds that includes using pre-numbered checks and multiple original signatures (no signature stamps) should be adopted as the sole means for disbursing activity fund monies.
- A perpetual inventory should be maintained on pre-numbered forms, receipts, and other documents to create an adequate audit trail.
- Bank statements for activity funds should be reconciled as soon as they are received.
- Using activity fund receipts to cash checks to accommodate individuals, to make any kind of loan, to pay any form of compensation directly to employees, or to extend credit should be strictly prohibited.
- Monthly financial reports on all activity funds should be prepared and submitted to the administration and the board of education. A full reporting of activity funds should be included in the district's annual financial statements.
- Student activity fund monies should benefit those students who have contributed to the accumulation of such monies.

A board-approved process should be specified for all fundraising activities, and any fundraising event should require advance approval.

Source: United States. Department of Education. National Center for Education Statistics. Activity Fund Guidelines. 2008. <http://nces.ed.gov/pubs2004/h2r2ch_8.asp>.

Appendix D

Fees and Dues Survey Instrument

Office of Education Accountability Survey of School Fees and Dues

Dear Finance Officer:

By law, OEA conducts and reports findings of studies to the legislature's Education Assessment and Accountability Review Subcommittee. Thank you for assisting us in collecting information on school fees and dues.

Please click the "Submit" button at the end of the survey or your response will not be recorded.

1. Please complete this survey and send the documents described in our e-mail by the end of **Friday, September 12, 2008**, so that we can report results to the committee.
2. If you have questions about this survey or the documents to be sent, please call **Sabrina Olds or Pam Young at (502) 564-8167**.

Contact information

District *(Please scroll through the district list below and click on your district name to select it.)*



Your Name *(Please type your name in the box below. This is only in case we need to contact you about the survey. Your name will not be published in the report.)*

Survey Questions

1. Do any schools in your district charge student fees or dues, such as class dues, parking fees, school dues, athletics fees, band fees, etc.? *(Please click the circle in front of "Yes" or "No" below.)*

Yes

No *(If you answered no to this question, please skip to question 6 below.)*

2. Are any of these fees or dues collected by outside entities (such as parent organizations, booster clubs, etc.) and NOT recorded in your school activity fund accounts?

Yes *(If yes, please indicate, in the schedules of fees you send us, each fee that is collected by an*

outside entity and the name of the entity collecting that fee.)

No

3. How do schools in your district determine the amount of fees and dues to charge? *(Please type your explanation in the box below.)*

4. 702 KAR 3:220 requires that districts waive certain fees and dues for economically disadvantaged students. Does your district allocate additional funds to schools to cover fees and dues that are waived?

No additional funds are allocated.

Yes, additional funds are allocated. *(In the box below, please describe the allocation methods and amounts.)*

5. Do schools in your district have written policies/procedures addressing what measures are taken if a student does not pay fees or dues (and has not had fees or dues waived)?

Yes, these are among the documents we will send to OEA.

No *(In the box below, please describe what actions are taken.)*

(Questions 6 through 9 are for ALL districts, including those whose schools do not charge fees or dues.)

6. Which of the following do your district's schools use for monitoring, accounting, and reporting student activity funds? *(Please check all that apply.)*

- MUNIS
- Activity fund software
- Spreadsheets on computer, such as Excel
- School activity worksheet(s) from the "Red Book"
- Other *(Please describe in the box below.)*

(If you did NOT check the box for "Activity fund software" in question 6, please skip to question 7.)

6a. Please provide the name and approximate total annual cost of the activity fund software to your district/schools. *(If more than one type is used, please answer for the two types used most often.)*

Name: Cost: \$

Name: Cost: \$

7. Has your district taken steps to limit fees and dues collected by schools?

Yes *(If yes, please use the box below to describe what steps were taken and when.)*

No

8. For fiscal year 2008-2009, will your district provide schools with more than the mandated 3.5% of the statewide guaranteed base funding level for SEEK for section 6 instructional materials?

Yes

No *(Please skip to question 9.)*

8a. If you answered yes to question 8, please describe the allocation methods and amounts.

9. Does your district have any concerns or comments related to school fees and dues that were not covered in this survey? *(Please explain in the box below.)*

Thank you for your participation! In addition to completing this survey, please remember to submit the documents described in our e-mail (schools' schedules of fees and policies addressing nonpayment).

Before submitting your survey response, click the "Print" button below to print a copy, and please save that copy for your records.

Please click the "Submit" button below. Your response will not be recorded until you press "Submit." (If you receive an error message, our server may be busy. In that event, please click the "Back" button on your browser, wait a few minutes, and then click "Submit" again.)

Appendix E

Courses With Fees in Kentucky High Schools

Advanced Placement	Forensic Science	Child & Human Development
Biology	Engineering and Algebra	Home Economics
Calculus	Engineering Design	Life Skills
Chemistry	Engineering Technology	Practical Living
English	Integrated Science	Parenting
Physics	Robotics	Childcare
Statistics	Geometry	Career and Family
Science Lab	Algebra II	Drivers Education
Physical Science	Algebra III	Culinary Skills
Environmental Science	Pre-calculus	Food and Nutrition
Biology I	Calculus	Food and Design
Biology I Advanced	Probability Statistics	Foods
Biology II	Agriculture	Communication Media
Biology Applied	Principles of Agriculture	Welding
Enriched Biology	Business Management	Carpentry
Microbiology	Electronic Office	Electricity
Biotechnology	Business Principles and Applications	Sports and Entertainment Marketing
Chemistry I	Accounting I	Consumer Science
Chemistry I Advanced	Accounting II	Health Services
Chemistry II	Accounting Workbooks	German I
Chemistry Applied	Multimedia	German II
Honors Chemistry	Photography	Spanish III
Astronomy	Auto Mechanics	Graphic Arts
Anatomy and Physiology	Art	Clothing Construction
Physics	Arts & Humanities	
Introduction to Physics	Art I	
Physics I Advanced	Art II	
Physics Applied	Art III	
Animal Science	Advanced Art	
Zoology	Special Topics	
Visual and Performing Arts	Ceramics	
Drama	Draw, Paint, Design I	
Chorus	Dimensional Design	
Choir	Studio	
Advanced Choir	Graphic Design	
Orchestra	Digital Imaging	
Band Class	Fashion Design I	
Concert Band	Fashion Design II	

Source: OEA Survey.

Appendix F

Response From the Kentucky Department of Education



KENTUCKY DEPARTMENT OF EDUCATION
CAPITAL PLAZA TOWER, 500 MERO STREET, FRANKFORT, KY 40601

MEMORANDUM

TO: Marcia Seiler, Director
Office of Education Accountability

FROM: Dr. Terry Holliday, Commissioner 

DATE: September 4, 2009

SUBJECT: KDE Response to "Fees, Dues, and Supplies in Kentucky Schools" December 9, 2008, Draft

The draft copy of the abovementioned report contains several recommendations for further action by the Kentucky Department of Education (KDE). Thank you for the opportunity to respond to those recommendations.

The department's comments and responses to the recommendations are as follows:

Recommendations from OEA report--

- **Recommendation 2.1** – KDE should update the *Accounting Procedures for School Activity Funds*, known as the Redbook, to reflect federal activity fund guidelines. NCES requires accounting of activity fund revenue and expenditures to be included on district Annual Financial Reports.
- **Recommendation 3.4** – KDE should provide guidance in the Redbook regarding appropriate practices districts can use in collection proceedings, including actions restricted by FERPA.
- **Recommendation 3.5** – KDE should review other state activity fund policies and national best practices concerning reporting requirements of outside organizations and update the Redbook if necessary.

KDE Response —

Redbook recommendations 2.1 and 3.5 both recommend better alignment of the *Redbook* with external sources. The next revision of the *Redbook* will include consideration of both the federal NCES guidelines as well as suggested best practices found elsewhere. Because the *Redbook* is intended to deal with accounting practices of student activity funds, it is probably not the most appropriate location for recommendation 3.4 regarding local guidance on FERPA issues on fee collections and student privacy rights.

Recommendation from OEA report --

- **Recommendation 3.3** – KDE should provide guidance to all districts and schools regarding the requirements of 702 KAR 3:220. In addition, all students and parents should be provided fee waiver application forms.

KDE Response —

This guidance and the guidance recommended in 3.4 are similar and to the same audience. While the regulation itself is clearly written, a guidance underscoring the appropriate permitted and non-permitted sanctions for non-payment and reminding them that fee waivers fall under the same confidentiality guidelines as free and reduced-price meals can be prepared for districts' use. The applications for free and reduced-price meals are currently given to all students and should perhaps indicate in the instructions that certain fee waivers may be also covered by the application. This fact is briefly alluded to in the current application itself.

Recommendation from OEA report --

- **Recommendation 3.6** – KDE should update 702 KAR 3:246 and school council allocation worksheet instructions to ensure consistency. The regulation should exclude the contingency function in the distribution of available funds to school councils. Also, the school council allocation worksheet instructions limit Section 6 fund expenditures to supplies, materials, travel, and equipment; however, the regulation changes no longer restrict the use of Section 6 funds.

KDE Response —

Previously, the heading for Section 6 was "Instructional Supplies, Materials, Travel, and Equipment." When this was changed to "Other Minimum Allocations," neither the worksheet instructions nor the worksheet were changed to conform. This will be addressed by KDE.

The 702 KAR 3:246, Section 3 list of exclusions for distribution to school councils contains "Function 5000, Other." This function does include 5100 Debt Service, 5200 Fund Transfers and 5300 Contingency.

Recommendation from OEA report --

- **Recommendation 3.7** – KDE should annually review district allocations to assure that Section 7 allocations are distributed according to this regulation.

KDE Response —

KDE does not currently review the district allocations that go to the school-based councils. Given the complexities of reviewing the individual situations of 174 school districts and the paucity of complaints registered regarding Section 7 allocations, KDE feels that this issue is better handled on a case-by-case basis as necessary.

Recommendation from OEA report--

- **Recommendation 2.1** – [...] NCES requires accounting of activity fund revenue and expenditures to be included on district Annual Financial reports.

KDE response —

KDE agrees with this recommendation and is exploring several approaches to collecting the data to determine what can be accomplished within existing system capabilities and what must be accommodated in future system and reporting requirements in order to determine a cost-effective approach for annual reporting.

Again, we appreciate the opportunity to respond to the draft report. Please contact me if you have questions once you review our responses.

Cc: Kentucky Board of Education members
Larry Stinson
Michelle Sutton
Kevin Brown

TH:ft

