

1 AN ACT relating to greater public awareness of taxes levied by school districts.

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

3 ➔Section 1. KRS 157.440 is amended to read as follows:

4 (1) (a) Notwithstanding any statutory provisions to the contrary, effective for school
5 years beginning after July 1, 1990, the board of education of each school
6 district may levy an equivalent tax rate as defined in subsection (9)(a) of KRS
7 160.470 which will produce up to fifteen percent (15%) of those revenues
8 guaranteed by the program to support education excellence in Kentucky. The
9 levy for the 1990-91 school year shall be made no later than October 1, 1989,
10 and no later than October 1, 1990, for the 1991-92 school year, and by
11 October 1 of each odd-numbered year thereafter. Effective with the 1990-91
12 school year, revenue generated by this levy shall be equalized at one hundred
13 fifty percent (150%) of the statewide average per pupil assessment.

14 (b) To participate in the Facilities Support Program of Kentucky, the board of
15 education of each school district shall commit at least an equivalent tax rate of
16 five cents (\$0.05) to debt service, new facilities, or major renovations of
17 existing school facilities, or the purchase of land if approved by the
18 commissioner of education as provided in KRS 157.420(4)(b). The five cents
19 (\$0.05) shall be in addition to the thirty cents (\$0.30) required by KRS
20 160.470(9) and any levy pursuant to paragraph (a) of this subsection. The levy
21 shall be made no later than October 1 of each odd-numbered year. Eligibility
22 for equalization funds for the biennium shall be based on the district funds
23 committed to debt service on that date. The five cents (\$0.05) shall be
24 equalized at one hundred fifty percent (150%) of the statewide average per
25 pupil assessment. The equalization funds shall be committed to debt service to
26 the greatest extent possible, but any excess equalization funds not needed for
27 debt service shall be deposited to a restricted building fund account. The funds

1 may be escrowed for future debt service or used to address categorical
2 priorities listed in the approved facilities plan pursuant to KRS 157.420.

3 (c) The board of education of each school district may contribute the levy
4 equivalent tax rate of five cents (\$0.05) and equalization funds for energy
5 conservation measures under guaranteed energy savings contracts pursuant to
6 KRS 45A.345, 45A.352, and 45A.353. Use of these funds, as provided under
7 KRS 45A.353, 56.774, and 58.600 shall be based on the following guidelines:

- 8 1. Energy conservation measures shall include facility alteration;
- 9 2. Energy conservation measures shall be identified in the district's
10 approved facility plan pursuant to KRS 157.420;
- 11 3. The current facility systems are consuming excess maintenance and
12 operating costs;
- 13 4. The savings generated by the energy conservation measures are
14 guaranteed;
- 15 5. The levy equivalent tax rate of five cents (\$0.05) and equalization funds
16 contributed to the energy conservation measures shall be defined as
17 capital cost avoidance as provided in KRS 45A.345(2) and shall be
18 subject to the restrictions on usage as specified in KRS 45A.352(9); and
- 19 6. The equipment that is replaced has exceeded its useful life as determined
20 by a life cycle cost analysis.

21 (d) The rate levied by a district board of education under the provisions of this
22 subsection shall~~[-not]~~ be subject to the public hearing provisions of KRS
23 160.470(7) **but shall not be subject to**~~[-or- to]~~ the recall provisions of KRS
24 160.470(8).

25 (e) A school district which is at or above the equivalent tax rates permitted under
26 the provisions of the Kentucky Education Reform Act of 1990, 1990 Ky. Acts
27 ch. 476, shall not be required to levy an equivalent tax rate which is lower

1 than the rate levied during the 1989-90 school year.

2 (2) (a) A district may exceed the maximum provided by subsection (1) of KRS
3 160.470 provided that, upon request of the board of education of the district,
4 the county board of elections shall submit to the qualified voters of the
5 district, in the manner of submitting and voting as prescribed in paragraph (b)
6 of this subsection, the question whether a rate which would produce revenues
7 in excess of the maximum provided by subsection (1) of KRS 160.470 shall
8 be levied. The rate that may be levied under this section may produce revenue
9 up to no more than thirty percent (30%) of the revenue guaranteed by the
10 program to support education excellence in Kentucky plus the revenue
11 produced by the tax authorized by this section. Revenue produced by this levy
12 shall not be equalized with state funds. If a majority of those voting on the
13 question favor the increased rate, the tax levying authority shall, when the
14 next tax rate for the district is fixed, levy a rate not to exceed the rate
15 authorized by the voters.

16 (b) The election shall be held not less than fifteen (15) or more than thirty (30)
17 days from the time the request of the board is filed with the county clerk, and
18 reasonable notice of the election shall be given. The election shall be
19 conducted and carried out in the school district in all respects as required by
20 the general election laws and shall be held by the same officers as required by
21 the general election laws. The expense of the election shall be borne by the
22 school district.

23 (3) For the 1966 tax year and for all subsequent years for levies which were approved
24 prior to December 8, 1965, no district board of education shall levy a tax at a rate
25 under the provisions of this section which exceeds the compensating tax rate as
26 defined in KRS 132.010, except as provided in subsection (4) of this section and
27 except that a rate which has been approved by the voters under this section but

1 which was not levied by the district board of education in 1965 may be levied after
2 it has been reduced to the compensating tax rate as defined in KRS 132.010, and
3 except that in any school district where the rate levied in 1965 was less than the
4 maximum rate which had been approved by the voters, the compensating tax rate
5 shall be computed and may be levied as though the maximum approved rate had
6 been levied in 1965 and the amount of revenue which would have been produced
7 from such maximum levy had been derived therefrom.

8 (4) Notwithstanding the limitations contained in subsection (3) of this section, no tax
9 rate shall be set lower than that necessary to provide such funds as are required to
10 meet principal and interest payments on outstanding bonded indebtedness and
11 payments of rentals in connection with any outstanding school revenue bonds issued
12 under the provisions of KRS Chapter 162.

13 (5) The chief state school officer shall certify the compensating tax rate to the levying
14 authorities.

15 ➔Section 2. KRS 157.621 is amended to read as follows:

16 (1) In addition to the levy required by KRS 157.440(1)(b) to participate in the Facilities
17 Support Program of Kentucky, local school districts that have made the levy
18 required by KRS 157.440(1)(b) are authorized to levy the following additional
19 equivalent rates to support debt service, new facilities, or major renovations of
20 existing school facilities, which levies shall **be subject to the public hearing**
21 **provisions of subsection (7) of Section 3 of this Act but shall** not be subject to
22 recall under any provision of the Kentucky Revised Statutes~~[,]~~ or to voter approval
23 under the provisions of KRS 157.440(2):

24 (a) 1. Prior to April 24, 2008, local school districts that have experienced
25 student population growth during a five (5) year period may levy an
26 additional five cents (\$0.05) equivalent rate for debt service and new
27 facilities. The tax rate levied by the district under this provision shall not

1 be equalized by state funding, except as provided in paragraph (b) of this
2 subsection. Any levy imposed under this paragraph prior to April 24,
3 2008, by a local school district shall continue until removed by the local
4 school district.

5 2. A local school district shall meet the following criteria in order to levy
6 the tax provided in subparagraph 1. of this paragraph:

7 a. Growth of at least one hundred fifty (150) students in average daily
8 attendance and three percent (3%) overall growth for the five (5)
9 preceding years;

10 b. Bonded debt to the maximum capability of at least eighty percent
11 (80%) of capital outlay from the Support Education Excellence in
12 Kentucky funding program, all revenue from the local facility tax,
13 and all receipts from state equalization on the local facility tax;

14 c. Current student enrollment in excess of available classroom space;
15 and

16 d. A local school facility plan that has been approved by the
17 Kentucky Board of Education and certified to the School Facilities
18 Construction Commission;

19 (b) 1. In addition to the levy authorized by paragraph (a) of this subsection, a
20 local school district may levy an additional five cents (\$0.05) equivalent
21 rate under the same terms and conditions established by paragraph (a) of
22 this subsection beginning in fiscal year 2003-2004 if the levy was made
23 prior to April 24, 2008, and if the local school district:

24 a. Levied the five cents (\$0.05) equivalent rate authorized by
25 paragraph (a) of this subsection; and

26 b. Still meets the requirements established by paragraph (a)2. of this
27 subsection.

- 1 2. Any school district that imposes both the levy authorized by paragraph
2 (a) of this subsection and the additional levy authorized by subparagraph
3 1. of this paragraph shall receive equalization funding from the state for
4 the levy imposed by paragraph (a) of this subsection beginning in fiscal
5 year 2003-2004. Equalization shall be provided at one hundred fifty
6 percent (150%) of the statewide average per pupil assessment, subject to
7 the provision of funding by the General Assembly. Equalization funds
8 shall be used as provided in KRS 157.440(1)(b).
- 9 3. Any levy imposed under this paragraph prior to April 24, 2008, by a
10 local school district shall continue until removed by the local school
11 district; and
- 12 (c) 1. A local school district that meets the following conditions may levy an
13 additional five cents (\$0.05) equivalent rate on and after April 24, 2008:
- 14 a. The local school district is located in a county that will have more
15 students as a direct result of the new mission established for Fort
16 Knox by the Base Realignment and Closure (BRAC) 2005 issued
17 by the United States Department of Defense pursuant to the
18 Defense Base Closure and Realignment Act of 1990, Pub. L. No.
19 100-526, Part A of Title XXIX of 104 Stat. 1808, 10 U.S.C. sec.
20 2687 note; and
- 21 b. The commissioner of education has determined, based upon the
22 presentation of credible data, that the projected increased number
23 of students is sufficient to require new facilities or the major
24 renovation of existing facilities to accommodate the new students,
25 and has approved the imposition of the additional levy.
- 26 2. Any local school district that imposes both the levy authorized by
27 paragraph (a) of this subsection and the additional levy authorized by

1 subparagraph 1. of this paragraph, and that has not received equalization
2 funding under subsection (2) or (3) of this section, shall receive
3 equalization funding from the state for the levy imposed by paragraph
4 (a) of this subsection beginning in the fiscal year following the fiscal
5 year in which the levy authorized by subparagraph 1. of this paragraph is
6 imposed. Equalization shall be provided at one hundred fifty percent
7 (150%) of the statewide average per pupil assessment, subject to the
8 provision of funding by the General Assembly. Equalization funds shall
9 be used as provided in KRS 157.440(1)(b).

10 3. Any levy imposed under this paragraph by a local school district shall
11 continue until removed by the local school district.

12 (2) (a) Any local school district that, prior to April 27, 2016, levied an equivalent rate
13 that:

- 14 1. Was subject to recall at the time it was levied; and
- 15 2. Included a rate of at least five cents (\$0.05) equivalent rate for the
16 purpose of debt service for school construction or major renovation of
17 existing school facilities;

18 shall be eligible for retroactive equalization from the state for that levy at one
19 hundred fifty percent (150%) of the statewide average per pupil assessment
20 beginning in fiscal year 2003-2004, subject to the fiscal condition of the
21 Commonwealth and the provision of funding by the General Assembly.
22 Equalization funds shall be used as provided in KRS 157.440(1)(b).

23 (b) It is the intent of the General Assembly that for levies described in this
24 subsection that are imposed on or after April 27, 2016, equalization funds, if
25 provided by the General Assembly, shall terminate upon the earlier of June
26 30, 2038, or the date the bonds for the local school district supported by this
27 equalization funding are retired. Equalization shall be subject to the fiscal

1 condition of the Commonwealth and the provision of funding by the General
2 Assembly.

3 (3) Any local school district that:

4 (a) Levied an equivalent tax rate as of April 24, 2008, that included at least ten
5 cents (\$0.10) that was devoted to building purposes, or that had debt service
6 corresponding to a ten cents (\$0.10) equivalent rate;

7 (b) Did not receive equalized growth funding pursuant to subsection (1)(b)2. of
8 this section; and

9 (c) Has been approved by the commissioner of education;

10 shall be eligible for equalization from the state for that levy at one hundred fifty
11 percent (150%) of the statewide average per pupil assessment beginning in fiscal
12 year 2005-2006, subject to the provision of funding by the General Assembly.
13 Equalization funds shall be used as provided in KRS 157.440(1)(b). Equalization
14 funds shall be available to a local school district pursuant to this subsection until the
15 earlier of June 30, 2025, or the date the bonds for the local school district supported
16 by this equalization funding are retired.

17 (4) (a) Notwithstanding any other provision of this section, any local school district
18 receiving equalization funding prior to April 27, 2016, related to an equivalent
19 rate levy described in subsection (1), (2), (3), or (5) of this section shall
20 continue to receive the equalization funding related to the applicable
21 equivalent rate levy, subject to the limitations established by subsections (1),
22 (2), (3), and (5) of this section, and subject to the fiscal condition of the
23 Commonwealth and the provision of funding by the General Assembly, until
24 amended by subsequent action of the General Assembly. A local school
25 district described in this paragraph shall not be eligible to receive equalization
26 for any additional equivalent rate levies made by it on or after April 27, 2016.

27 (b) Notwithstanding any other provision of this section, any local school district

1 that has imposed an equivalent rate levy described in subsection (1)(a) or (b)
2 or (2) of this section prior to April 27, 2016, that qualifies for equalization but
3 that has not yet received equalization funding shall be eligible for equalization
4 funding as provided in subsection (1)(a) or (b) or (2) of this section, subject to
5 the provision of funding by the General Assembly.

6 (c) On and after April 24, 2008, a local school district not included in paragraph
7 (a) or (b) of this subsection shall be prohibited from imposing an equivalent
8 rate levy under the provisions of subsection (1)(a) or (b) of this section, and
9 shall not be eligible for equalization funding under the provisions of this
10 section.

11 (d) On and after April 24, 2008, a local school district meeting the requirements
12 of subsection (1)(c) of this section may impose the levy authorized by
13 subsection (1)(c) of this section, and shall qualify for equalization as provided
14 in subsection (1)(c) of this section, subject to the provision of funding by the
15 General Assembly.

16 (5) (a) Any local school district that:
17 1. Had school facilities classified as Category 5 on May 18, 2010, by the
18 Kentucky Department of Education; and
19 2. Levied an additional five cents (\$0.05) equivalent tax rate prior to April
20 27, 2016, for debt service, new construction, and major renovation
21 beyond the five cents (\$0.05) equivalent tax rate required by KRS
22 157.440(1)(b), except as provided in paragraph (b) of this subsection;
23 shall be eligible for equalization from the state for that levy at one hundred
24 fifty percent (150%) of the statewide average per pupil assessment beginning
25 in the fiscal year following the fiscal year in which the levy was imposed. This
26 levy shall be subject to the recall provisions of KRS 132.017.

27 (b) School districts that levied a five cents (\$0.05) equivalent tax rate for debt

1 service, new construction, and major renovation, beyond the rate required by
2 KRS 157.440(1)(b) prior to May 18, 2010, shall not be required to levy an
3 additional tax to receive the equalization funds provided in paragraph (a) of
4 this subsection.

5 (c) If the school district utilizes the equalization funds to support a bond issue for
6 construction purposes, equalization funds shall be provided until the earlier of
7 twenty (20) years or date the bonds are retired.

8 (d) In the event that a school district receives funding pursuant to this subsection
9 to support construction of a new school facility and subsequently, as a result
10 of litigation, receives funding for the same facility for which state funds were
11 provided, that school district shall reimburse the Commonwealth an amount
12 equal to the amount provided under paragraph (a) of this subsection. Any
13 funds received in this manner shall be deposited in the budget reserve trust
14 fund account established in KRS 48.705.

15 ➔Section 3. KRS 160.470 is amended to read as follows:

16 (1) (a) Notwithstanding any statutory provisions to the contrary, no district board of
17 education shall levy a general tax rate which will produce more revenue,
18 exclusive of revenue from net assessment growth as defined in KRS 132.010,
19 than would be produced by application of the general tax rate that could have
20 been levied in the preceding year to the preceding year's assessment, except as
21 provided in subsections (9) and (10) of this section and KRS 157.440.

22 (b) If an election is held as provided for in KRS 132.017 and the question should
23 fail, such failure shall not reduce the "...general tax rate that could have been
24 levied in the preceding year..." referred to in subsection (1)(a) of this section,
25 for purposes of computing the general tax rate for succeeding years.

26 (c) In the event of a merger of school districts, the limitations contained in this
27 section shall be based upon the combined revenue of the merging districts, as

1 computed under the provisions of this section.

2 (2) No district board of education shall levy a general tax rate within the limits imposed
3 in subsection (1) of this section~~[which respectively exceeds the compensating tax~~
4 ~~rate defined in KRS 132.010, except as provided in subsections (9) and (10) of this~~
5 ~~section, KRS 157.440, and KRS 157.621,]~~ until the district board of education has
6 complied with the ***public hearing*** provisions of subsection (7) of this section.

7 (3) Upon receipt of property assessments from the Department of Revenue, the
8 commissioner of education shall certify the following to each district board of
9 education:

10 (a) The general tax rate that a district board of education could levy under the
11 provisions of subsection (1) of this section, and the amount of revenue
12 expected to be produced;

13 (b) The compensating tax rate as defined in KRS 132.010 for a district's general
14 tax rate the amount of revenue expected to be produced;

15 (c) The general tax rate which will produce, respectively, no more revenue from
16 real property, exclusive of revenue from new property, than four percent (4%)
17 over the amount of revenue produced by the compensating tax rate defined in
18 KRS 132.010, and the amount of revenue expected to be produced.

19 (4) Upon completion of action on property assessment data, the Department of Revenue
20 shall submit certified property assessment data as required in KRS 133.125 to the
21 chief state school officer.

22 (5) Within thirty (30) days after the district board of education has received its
23 assessment data, the rates levied shall be forwarded to the Kentucky Board of
24 Education for its approval or disapproval. The failure of the district board of
25 education to furnish the rates within the time prescribed shall not invalidate any
26 levy made thereafter.

27 (6) (a) Each district board of education shall, on or before January 31 of each

1 calendar year, formally and publicly examine detailed line item estimated
2 revenues and proposed expenditures for the subsequent fiscal year. On or
3 before May 30 of each calendar year, each district board of education shall
4 adopt a tentative working budget which shall include a minimum reserve of
5 two percent (2%) of the total budget.

6 (b) Each district board of education shall submit to the Kentucky Board of
7 Education no later than September 30, a close estimate or working budget
8 which shall conform to the administrative regulations prescribed by the
9 Kentucky Board of Education.

10 (7) (a) ~~[Except as provided in subsections (9) and (10) of this section and KRS~~
11 ~~157.440,]~~A district board of education proposing to levy a general tax rate
12 within the limits of subsection (1) of this section~~[which exceed the~~
13 ~~compensating tax rate defined in KRS 132.010]~~ shall hold a public hearing to
14 hear comments from the public regarding the proposed tax rate. The hearing
15 shall be held in the principal office of the taxing district or, in the event the
16 taxing district has no office, or the office is not suitable for such a hearing, the
17 hearing shall be held in a suitable facility as near as possible to the geographic
18 center of the district.

19 (b) The district board of education shall advertise the hearing ***on its Web site and***
20 ***also*** by causing the following to be published at least twice for two (2)
21 consecutive weeks, in the newspaper of largest circulation in the county, a
22 display type advertisement of not less than twelve (12) column inches:

- 23 1. The general tax rate levied in the preceding year, and the revenue
24 produced by that rate;
- 25 2. The general tax rate for the current year, and the revenue expected to be
26 produced by that rate;
- 27 3. The compensating general tax rate, and the revenue expected from it;

- 1 4. The revenue expected from new property and personal property;
- 2 5. The general areas to which revenue in excess of the revenue produced in
- 3 the preceding year is to be allocated;
- 4 6. A time and place for the public hearing which shall be held not less than
- 5 seven (7) days nor more than ten (10) days after the day that the second
- 6 advertisement is published;
- 7 7. The purpose of the hearing; and
- 8 8. A statement to the effect that the General Assembly has required
- 9 publication of the advertisement and the information contained herein.
- 10 (c) In lieu of the two (2) published newspaper notices, a single notice containing
- 11 the required information may be sent by first-class mail to each person owning
- 12 real property, addressed to the property owner at his residence or principal
- 13 place of business as shown on the current year property tax roll.
- 14 (d) The hearing shall be open to the public. All persons desiring to be heard shall
- 15 be given an opportunity to present oral testimony. The district board of
- 16 education may set reasonable time limits for testimony.
- 17 (8) (a) That portion of a general tax rate, except as provided in subsections (9) and
- 18 (10) of this section, KRS 157.440, and KRS 157.621, levied by an action of a
- 19 district board of education which will produce, respectively, revenue from real
- 20 property, exclusive of revenue from new property, more than four percent
- 21 (4%) over the amount of revenue produced by the compensating tax rate
- 22 defined in KRS 132.010, shall be subject to a recall vote or reconsideration by
- 23 the district board of education as provided for in KRS 132.017, and shall be
- 24 advertised as provided for in paragraph (b) of this subsection.
- 25 (b) The district board of education shall, within seven (7) days following adoption
- 26 of an ordinance, order, resolution, or motion to levy a general tax rate, except
- 27 as provided in subsections (9) and (10) of this section and KRS 157.440,

1 which will produce revenue from real property, exclusive of revenue from
 2 new property as defined in KRS 132.010, more than four percent (4%) over
 3 the amount of revenue produced by the compensating tax rate defined in KRS
 4 132.010, cause the following to be published on its Web site, as well as
 5 through~~[, in the newspaper of largest circulation in the county,]~~ a display type
 6 advertisement of not less than twelve (12) column inches in the newspaper of
 7 largest circulation in the county:

- 8 1. The fact that the district board of education has adopted such a rate;
- 9 2. The fact that the part of the rate which will produce revenue from real
 10 property, exclusive of new property as defined in KRS 132.010, in
 11 excess of four percent (4%) over the amount of revenue produced by the
 12 compensating tax rate defined in KRS 132.010 is subject to recall; and
- 13 3. The name, address, and telephone number of the county clerk of the
 14 county or urban-county in which the school district is located, with a
 15 notation to the effect that that official can provide the necessary
 16 information about the petition required to initiate recall of the tax rate.

- 17 (9) (a) Notwithstanding any statutory provisions to the contrary, effective for school
 18 years beginning after June 30, 1990, the board of education of each school
 19 district shall levy a minimum equivalent tax rate of thirty cents (\$0.30) for
 20 general school purposes. Equivalent tax rate is defined as the rate which
 21 results when the income collected during the prior year from all taxes levied
 22 by the district for school purposes is divided by the total assessed value of
 23 property plus the assessment for motor vehicles certified by the Department of
 24 Revenue. School districts collecting school taxes authorized by KRS 160.593
 25 to 160.597, 160.601 to 160.633, or 160.635 to 160.648 for less than twelve
 26 (12) months during a school year shall have included in income collected
 27 under this section the pro rata tax collection for twelve (12) months.

1 (b) If a board fails to comply with paragraph (a) of this subsection, its members
2 shall be subject to removal from office for willful neglect of duty pursuant to
3 KRS 156.132.

4 (10) A district board of education may levy a general tax rate that will produce revenue
5 from real property, exclusive of revenue from new property, that is four percent
6 (4%) over the amount of the revenue produced by the compensating tax rate as
7 defined in KRS 132.010, subject to the public hearing provisions of subsection (7)
8 of this section.

9 ➔Section 4. KRS 160.473 is amended to read as follows:

10 (1) In the event that a general tax rate applicable to real property levied by a district
11 board of education will produce a percentage increase in revenue from personal
12 property less than the percentage increase in revenue from real property, the district
13 board of education may levy a general tax rate applicable to personal property
14 which will produce the same percentage increase in revenue from personal property
15 as the percentage increase in revenue from real property; however, in no event shall
16 the general tax rate levied by the district board of education applicable to personal
17 property exceed the prior year general tax rate applicable to personal property levied
18 by the respective district board of education.

19 (2) The general tax rate applicable to personal property levied by a district board of
20 education under the provisions of subsection (1) of this section shall ~~not~~ be
21 subject to the public hearing provisions of KRS 160.470(7) but shall not be
22 subject~~and~~ to the recall provisions of KRS 160.470(8).

23 ➔Section 5. KRS 160.476 is amended to read as follows:

24 (1) The board of education of any district may, in addition to other taxes for school
25 purposes, levy not less than four cents (\$0.04) nor more than twenty cents (\$0.20)
26 on each one hundred dollars (\$100) valuation of property subject to local taxation,
27 to provide a special fund for the purchase of sites for school buildings and physical

1 education and athletic facilities, for the erection and complete equipping of school
2 buildings and physical education and athletic facilities, and for the major alteration,
3 enlargement and complete equipping of existing buildings and physical education
4 and athletic facilities, provided, however, that such tax shall come within the
5 maximum school tax levy provided by KRS 160.470. In addition to or in lieu of this
6 special tax, any board of education may pay into this special fund at the close of any
7 fiscal year the proceeds from the sale of land or property no longer needed for
8 school purposes and all or any balances remaining in the general fund over and
9 above the amount necessary for discharging obligations for the fiscal year in full.

10 (2) The special fund provided for herein shall be kept in a separate account designated
11 as "school building fund." The fund shall be kept in a depository selected by the
12 board of education, or invested in bonds of the United States, of this state, or county
13 or municipality in this state, provided, however, that such investments shall be
14 approved by the Kentucky Board of Education.

15 (3) All expenditures from such fund shall be made solely for the purposes enumerated
16 herein and shall be made in accordance with the school laws of the state at such
17 times as the board of education determines. The board of education shall cause to be
18 made annually an audit of the building fund by a certified public accountant or by
19 an accountant approved by the State Department of Education.

20 (4) Notwithstanding the provisions of any other subsection of this section to the
21 contrary, ~~for the 1966 tax year and for all subsequent years~~ no district board of
22 education shall levy a tax ~~at a rate~~ under the provisions of this section:

23 **(a) Until the district board of education has complied with the public hearing**
24 **provisions of subsection (7) of Section 3 of this Act; or**

25 **(b) At a rate** which exceeds the compensating tax rate as defined in KRS 132.010.

26 The chief state school officer shall certify the compensating tax rate to the
27 district board of education.