

# **KENTUCKY DEPARTMENT OF EDUCATION**

## **STAFF NOTE**

### **Action/Discussion Item:**

Request for Approval of the Kentucky Department of Education (KDE) Capital Funds Request (CFR) Guidelines for Fiscal Year 2017-18 which will be Provided as a Recommendation to the Interim Joint Committee on Appropriations and Revenue, Pursuant to HB 303 (2016 Regular Session)

### **Commissioner's Recommendation:**

The Commissioner recommends that the attached Capital Funds Request (CFR) Guidelines be approved for submission to the General Assembly as the Kentucky Board of Education's recommendation on local school district use of capital funds in fiscal year 2017-18.

### **Rationale:**

HB 303 (Regular Session 2016) requires the Kentucky Board of Education (KBE) to approve a recommendation to the General Assembly on local school district use of capital funds in fiscal year 2017-18. The recommendation is required by December 15, 2016.

If the General Assembly enacts legislation consistent with the KBE's recommendation, the CFR Guidelines will remove salaries as an acceptable use of capital funds for fiscal year 2018. The proposed CFR Guidelines will allow districts to maintain flexibility in using capital funds for other general operating expenses.

### **Action Question:**

Should the KBE approve the recommendation for fiscal year 2017-18 CFR Guidelines for consideration by the General Assembly?

### **Applicable Statute or Regulation:**

HB 303 (2016 Regular Session); KRS 157.420

### **History/Background:**

***Existing Policy:*** With approval of the Commissioner of Education, KRS 157.420 allows flexibility in the expenditure of capital outlay for plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses, and the purchase of technology. HB 303 (2016 Regular Session) permits districts additional flexibility to request use of capital outlay funds for general operating expenses for FY 2016-17. KBE approved the current CFR Guidelines for FY 2017 at the June 8, 2016, board meeting. The proposed guidelines for 2017-18 are based on the approved guidelines. The only change is to remove salaries from the permissible expenses.

**Summary:** KRS 157.420 allows, with approval of the Commissioner of Education, districts flexibility in the use of capital funds. This flexibility may include using capital funds for plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses, and the purchase of technology. However, HB 303 (2016 Regular Session) and previous enacted budget bills have included language which further extends this flexibility to operating expenses. These operating expenses may include, but are not limited to, salaries, liability insurance, fuel, or utilities. KDE will recommend to the Interim Joint Committee on Appropriations and Revenue that salaries no longer be considered an eligible expense. The reason for this recommendation is that KDE believes that districts should address funding shortfalls for personnel expenses through the general fund budgeting process.

**Budget Impact:** No impact will occur to KDE's budget. The approval of these guidelines will allow school districts to retain flexibility in requesting capital outlay funds for uses which require approval by the Commissioner of Education.

**Groups Consulted and Brief Summary of Responses:**

KDE received comments from district superintendents, finance officers and the Kentucky Association of School Superintendents supporting the elimination of salaries as an eligible expense.

Also, the Local Superintendents Advisory Council will review the recommendation at its upcoming meeting and comments will be reported at the December board meeting.

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**Commissioner of Education**

**Date:**

December 2016