

# **KENTUCKY DEPARTMENT OF EDUCATION**

## **STAFF NOTE**

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

Approval of the Kentucky Department of Education (KDE) Capital Funds Request (CFR) Guidelines for Fiscal Year 2017-18, as Required by HB 471 (2017 Regular Session)

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

The Commissioner recommends that the attached CFR Guidelines be approved. The guidelines are attached.

### **Rationale:**

To meet the requirements of HB 471, the Kentucky Board of Education (KBE) must approve CFR guidelines for local school district use of capital funds for fiscal year 2017-18, prior to August 1, 2017.

### **Action Question:**

Should the KBE approve the fiscal year 2017-18 CFR guideline recommendations?

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

HB 471 (2017 Regular Session); KRS 157.420

### **History/Background:**

**Existing Policy:** The 2016-2018 Executive Branch Budget Bill (HB 303, 2016 Regular Session) contained language that authorized the Commissioner of Education to grant requests from local districts to use capital outlay funds for general operating expenses in fiscal year 2016-17. During the 2017 Legislative Session, the General Assembly passed HB 471. That bill continues to allow flexibility in the use of capital outlay funds but reduces the amount eligible for use for general operating expenses for fiscal year 2017-18. HB 471 requires the KBE to approve new CFR guidelines by August 1, 2017.

**Summary:** HB 471 (2017 Regular Session) notwithstanding the permissible statutory uses for capital outlay funds for FY 2017-18. The bill allows capital outlay funds to be used for operating expenses; however, it prohibits the Commissioner from approving CFR requests that exceed 50% of a local board's current trailing three-year average. It states the following:

**(20) Use of Local District Capital Funds:** Notwithstanding KRS 157.420(4) and 5 (6), 157.440, and 157.621, a local board of education may submit a request to the Commissioner of Education to utilize any capital funds, regardless of the source, for general operating expenses in fiscal year 2016-2017 without forfeiting the district's eligibility to participate in the School Facilities Construction Commission Program. Prior to August 1, 2016, the Kentucky Board of Education shall approve guidelines to be followed in considering such

requests from local boards of education for fiscal year 2016-2017. Notwithstanding KRS 157.420(4) and (6), 157.440, and 157.621, a local board of education may submit a request to the Commissioner of Education to utilize any capital funds, regardless of the source, for general operating expenses in fiscal year 2017-2018 without forfeiting the district's eligibility to participate in the School Facilities Construction Commission Program, except that the Commissioner of Education shall not approve any capital funds request that exceeds 50% of a local board of education's current trailing three-year average. Prior to August 1, 2017, the Kentucky Board of Education shall approve guidelines to be followed in considering such requests from local boards of education for fiscal year 2017-2018. [Prior to December 15, 2016, the Kentucky Board of Education shall approve a recommendation to the General Assembly on the local school district use of capital funds in fiscal year 2017-2018, which shall be provided to the Interim Joint Committee on Appropriations and Revenue.] (HB 471, P. 15, Lines 5-24).

The impact of HB 471 is to preserve a district's ability to use capital outlay funds for general operating expenses. However, the amount of capital outlay funds available to the district for operating expenses is restricted to 50% of the district's current trailing three-year average.

In this case, "trailing three-year average" means a district's average annual capital funds expenditures over the last three fiscal years.

**Budget Impact:** There is no fiscal impact to the Kentucky Department of Education's (KDE) budget.

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

The Local Superintendents Advisory Council will review the guidelines at its upcoming meeting and comments will be reported at the board meeting. The approval of the attached guidelines will allow school districts to retain flexibility in requesting capital outlay funds for uses which require approval by the Commissioner of Education.

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**Commissioner of Education**

**Date:**

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