

## KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

**Topic:** Capital Funds Request Guidelines

**Date:** June 2019

**Action Requested:**  Review  Action/Consent  Action/Discussion

**Assigned To:**  Full Board  Curriculum, Instruction and Assessment

Finance  Operations Management

### SUMMARY OF ISSUE BEFORE THE BOARD:

To approve the Kentucky Department of Education (KDE) Capital Funds Request (CFR) Guidelines effective beginning in Fiscal Year 2019-2020. HB 200 (2018 Regular Session), required the Kentucky Board of Education (KBE) to approve CFR Guidelines for fiscal year 2018-2019. Those guidelines were effective for one fiscal year, after which districts may only use capital funds in accordance with the applicable statutes. The attached CFR Guidelines reflect the reversion to the statutory requirements.

### COMMISSIONER'S RECOMMENDATION:

The Commissioner recommends that the attached CFR Guidelines be approved.

### APPLICABLE STATUTE OR REGULATION:

HB 200 (2018 Regular Session); KRS 157.420, 157.440, and 157.621

### BACKGROUND:

*Existing Policy:* HB 200 (2018 Regular Session) not withstood KRS 157.420(4) and (6), 157.440 and 157.621, allowing a local board of education to request permission from the Commissioner of Education to utilize capital funds for general operating expenses in fiscal year 2018-2019 without forfeiting the district's eligibility to participate in the School Facilities Construction Commission Program. The Commissioner of Education was prohibited from approving any capital funds request exceeding 25 percent of a local board of education's available capital funds for the fiscal year. Pursuant to that bill, the KBE was required to approve guidelines for requests from local boards of education prior to August 1, 2018.

The purpose of HB 200 was to preserve a district's ability to use capital outlay funds for general operating expenses, for one additional fiscal year, while attempting to reduce districts' reliance on such financial management strategies.

*Summary of Issue:* HB 200 (2018 Regular Session) required the KBE to approve CFR Guidelines permitting a local school district to utilize up to 25 percent of its capital funds for general operating expenses in fiscal year 2018-2019. In June 2018, the KBE approved the guidelines. At the end of the 2018-2019 fiscal year, the current CFR Guidelines will become invalid. The attached CFR Guidelines reflect the reversion to the provisions of KRS 157.420, 157.440, and 157.621. Adoption of the guidelines will serve to alert school districts regarding the

statutorily acceptable usage of capital funds, including for direct payment of construction costs, for bond debt service, for payment or lease-rental agreements under which the board will eventually acquire ownership of a school plant, for the retirement of any deficit from over expenditure for capital construction where the KBE has declared an emergency per KRS 160.550, and as a reserve fund for the aforementioned purposes to be carried forward in ensuing budgets.

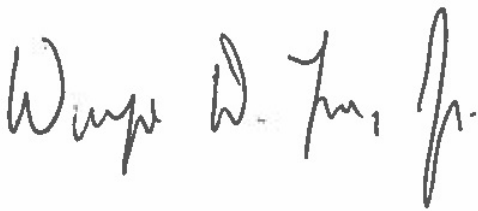
*Budget Impact:* Approval of the CFR Guidelines has no budget impact on state funds.

**GROUPS CONSULTED AND BRIEF SUMMARY OF RESPONSES:**

The Local Superintendents Advisory Council (LSAC) will review the guidelines at its upcoming May 28, 2019 meeting and comments will be received by the June board meeting.

**CONTACT PERSON(S):**

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**Commissioner of Education**

Category: <input type="checkbox"/> District Innovation <input type="checkbox"/> Strengthening Educators <input checked="" type="checkbox"/> Family/Community Involvement <input type="checkbox"/> Student/Family Supports <input type="checkbox"/> Student Interventions <input type="checkbox"/> Coursework Completion <input type="checkbox"/> Accountability Reporting
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