

Capital Outlay Fund Guidelines

1. "The board of education of any school district may make an annual tax levy at a mill rate not to exceed the statutorily prescribed mill rate for a period of not to exceed five (5) years, upon the assessed taxable tangible property in such school district for the purposes specified in this act. No levy shall be made under this act until a resolution is adopted by such board of education in the following form:

Unified School District No. _____, _____ County, Kansas

RESOLUTION

Be It Resolved that:

The above-named school board shall be authorized to make an annual tax levy for a period not to exceed ____ years in an amount not to exceed _____ mills upon the taxable tangible property in the school district for the purpose of acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing and equipping of buildings necessary for school district purposes, including housing and boarding pupils enrolled in an area vocational school operated under the board, architectural expenses incidental thereto, the acquisition of building sites, the undertaking and maintenance of asbestos control projects, the acquisition of school buses and the acquisition of other equipment and for the purpose of paying a portion of the principal and interest on bonds issued by cities under the authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the school district. The tax levy authorized by this resolution may be made, unless a petition in opposition to the same, signed by not less than 10% of the qualified electors of the school district, is filed with the county election officer of the home county of the school district within 40 days after the last publication of this resolution. In the event a petition is filed the county election officer shall submit the question of whether the tax levy shall be authorized to the electors in the school district at an election called for the purpose or at the next general election, as is specified by the board of education of the above school district.

CERTIFICATE

This is to certify that the above resolution was duly adopted by the board of education of Unified School District No. _____, _____ County, Kansas, on the ____ day of _____, year.

Clerk of the board of education

All of the blanks in the above resolution shall be appropriately filled. The blank preceding the word "years" shall be filled with a specific number, and the blank preceding the words "mills" shall be filled with a specific number and no word shall be inserted in either of such blanks. Such resolution shall be published once a week for two consecutive weeks in a newspaper having general circulation in the school district." (K.S.A. 72-8801)

2. There is hereby established in every school district of the state a fund which shall be called the "capital outlay fund." The capital outlay fund shall consist of all moneys deposited therein or transferred thereto in accordance with law. The proceeds of any tax levied under article 88 of chapter 72 of Kansas Statutes Annotated, except for an amount to pay a portion of the principal and interest on bonds issued by cities under the authority of K.S.A. 12-1774, and amendments thereto, for financing of redevelopment projects upon property located within the school district, shall be deposited in the capital outlay fund of the school district making such levy. (K.S.A. 72-8803)

CAPITAL OUTLAY FUND continued...

3. All expenditures attributable to capital outlay shall be paid from the capital outlay fund except any district may make capital outlay expenditures from its general fund for acquisition of equipment and repair of school buildings. Another exception is allowed under law to purchase certain equipment from specific funds. Example: Equipment for approved vocational education programs may be purchased from the vocational education fund.
4. The following expenditures may be paid from the capital outlay fund: acquisition, construction, reconstruction, repair, remodeling, additions to furnishing and equipping of buildings necessary for school district purposes, including housing and boarding pupils enrolled in an area vocational school operated under the board of education, architectural expenses incidental thereto, the acquisition of building sites, the undertaking and maintenance of asbestos control projects, the acquisition of school buses, and acquisition of other equipment. (K.S.A. 72-8804)
5. The maximum mill rate limit has been set at eight (8) mills and is determined by the local board of education based upon the successful passage of a resolution and election, if protested. There is still a five-year limit. (K.S.A. 79-5040)
6. Listed below is the table which shows potential revenue that may/shall be deposited in the capital outlay fund. When filing reports with the State of Kansas and the State Department of Education, all revenue should be identified in the following categories.

POTENTIAL SOURCE OF REVENUE	LEGAL FUND THE REVENUE MAY BE DEPOSITED IN
<u>LOCAL</u>	
▪ Ad Valorem Property Tax	Capital Outlay Fund
▪ Interest on Idle Funds (Permissive)	Capital Outlay Fund
▪ Transfer from General Fund (no limit)	Capital Outlay Fund
▪ Miscellaneous Revenue (Permissive)	Capital Outlay Fund
▪ * Reimbursements	Capital Outlay Fund
<u>COUNTY</u>	
▪ Motor Vehicle Property Tax (if a levy is made)	Capital Outlay Fund
▪ Motor Vehicle 16/20M Truck Property Tax (if a levy is made)	Capital Outlay Fund
▪ Recreational Vehicle Tax (if a levy is made)	Capital Outlay Fund
▪ In lieu of Tax Payments from Industrial Revenue Bonds (if a levy is made)	Capital Outlay Fund
<u>STATE</u>	
▪ Capital Outlay State Aid	Capital Outlay Fund
▪ State Aid for Loss of Machinery and Equipment	Capital Outlay Fund
<u>FEDERAL</u>	
▪ Impact Aid - Construction	Capital Outlay Fund

*** Reimbursements**

Includes those revenues which are received for materials and supplies purchased by students which were paid out of this fund. This would also include reimbursement for items such as insurance premium payments if the cost(s) were paid from that fund.

If monies are received after the close of a fiscal year for an expense that was paid in a previous year, then the money is considered miscellaneous revenue under K.S.A. 72-6427 and is placed in one of the special funds authorized by that law.

CAPITAL OUTLAY FUND continued...

A letter from the Office of the Attorney General dated July 31, 1969, examined items which could be properly charged against a capital outlay fund established prior to May 1, 1969, under K.S.A. 1968 Supp. 72-8214, as amended by Sec. 12, Ch. 353 of the 1969 Session Laws.

It calls to attention the variance in the provisions of Section 12, which is the particular subject of this opinion, and the first few provisions of Chapter 353. Section 1 applies to capital outlay funds established by resolution from and after the effective date of Chapter 353. Section 12 deals with expenditures from capital outlay funds already in existence at the time of the adoption of the act. The distinction is important, in that the statement of purpose with respect to section 1 is broader in scope than the existing provisions of K.S.A. 1968 Supp. 72-8214 as amended by Section 12.

Eligible Expenditures

It is our opinion that, subject to the conditions note in certain instances, all of the following items could properly be charged against the capital outlay fund:

Architectural fee (incidental to construction)	Musical instruments
Athletic field expansion	Parking lot
Boilers – replacement	Projectors and screens
Building (Quonset) for athletic games, etc.	Remodeling kitchens & eating facilities
Buses (school buses, athletic buses)	Cleaning and painting (attributable to new construction and remodeling)
Fire extinguishers	Science & laboratory equipment
File cabinets	Score board
Furniture	Television equipment
Globes	Tractors
Improvement to sites	Typewriters
Lighting athletic fields and school grounds	
Mowers	

Athletic equipment:

Yes - Substantial items of gymnasium equipment, such as parallel bars, horses, tumbling mats, etc.
No - "Supplies" such as balls, bats, shoulder pads, uniforms, etc.

Computer equipment:

Yes – hardware and software (as part of purchase)
No – software and operating system upgrades for existing computers

Lease of school facilities

Library books:

Yes - Books purchased in order to establish a school library
No - Books purchased for replacement purposes, or as part of a continuing supply--resupply program

Mathematics laboratory:

Yes - Machines and major equipment
No - Miscellaneous "supplies" such as paper, pencils, chalk, etc.

Scroll down for a list of ineligible expenditures...

Ineligible Expenditures

The following items would not be proper expenditures from a capital outlay fund:

Athletic "supplies" such as balls, bats, shoulder pads, uniforms, etc.	Publications
Cleaning supplies	Repairs to equipment
Computer software, operating system upgrades (for existing computers)	Repairs to vehicles
Contracted services – consultants	Supplies for professional services
Custodial salaries	Taxes for paving and sewer
DVDs	Textbooks
Instructional charts	Tires
Insurance	Toiletries
Filters (air, fuel)	Videos
Fuel	Uniforms – Band, Pep Club, athletic, etc.
Maps	Upkeep of grounds, streets
Music	

Read below for criteria how to define supplies and equipment from the Kansas Accounting Handbook:

Criteria for Supply Items:

A supply item is any article or material which meets any one or more of the following conditions:

- 1) It is consumed.
- 2) It loses its original shape or appearance with use.
- 3) It is expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit rather than repair it.
- 4) It is an inexpensive item, having characteristics of equipment, whose small unit cost makes it inadvisable to capitalize the item.
- 5) It loses its identity through incorporation into a different or more complex unit or substance.

Criteria for Equipment Needs:

- 1) It retains its original shape and appearance with use.
- 2) It is non-expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it rather than replace it with an entirely new unit.
- 3) It represents an investment of money which makes it feasible and advisable to capitalize the item.
- 4) It does not lose its identity through incorporation into a different or more complex unit or substance.

Link to Kansas Accounting Handbook: <http://www.ksde.org/Default.aspx?tabid=1877>

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