

# Capital Funds Request (CFR) Guidelines

**Until June 30, 2027, a local school board may adopt a resolution and file it with Kentucky Department of Education (KDE) electing to conduct projects under the provisions of Section 1 of HB 678 (2022 RS) or HB 727 (2024 RS). This will include not requiring a district to submit a Capital Funds Request (CFR) to KDE for approval.**

**If a local school board wishes to conduct projects under HB 727, they must pass a resolution stating so and this resolution must be on file with the Kentucky Department of Education. Resolutions should be emailed to [Tanesha.Keene@education.ky.gov](mailto:Tanesha.Keene@education.ky.gov) and [Katina.Garr@education.ky.gov](mailto:Katina.Garr@education.ky.gov)**

The following instructions detail the procedures and guidelines applicable to all Kentucky Public School Districts regarding a Capital Funds Request. A district may still submit a CFR request for non-operating expenditures listed in KRS 157.420(7) which include:

- School Plant Maintenance/Repair
- Insurance on Buildings
- Replacement of Equipment such as HVAC chillers
- Purchase of School Buses (KISTA or Cash)
- Technology which may include telecommunications, hardware, televisions, computers that is utilized for educational purposes only

CFR related questions should be directed to the following KDE staff:

- Facilities and BG-1 review questions should be directed to the project manager assigned to your district. You can find that person on our [District Facilities Branch webpage](#).
- General CFR questions and financial review questions can be sent to one of the following:
  - MeShaila Fields at [meshaila.fields@education.ky.gov](mailto:meshaila.fields@education.ky.gov) or (502)564-3846, extension 4403.
  - Sheila Miller at [sheila.miller@education.ky.gov](mailto:sheila.miller@education.ky.gov) or (502) 564-3846, extension 4402.

### **Is a Capital Funds Request needed?**

The first step is to determine whether a Capital Funds Request is needed in order to expend the funds as desired. If the expenditure will be for a purpose for which the restricted capital funds are permitted, then no request is necessary.

Examples when a Capital Funds Request is **NOT** required:

- Debt service payments for construction bond payments
- Debt service payments for Energy Bond Payment
- Construction projects which are included on the District Facility Plan (DFP) in priorities 1-4 and the project consists of new construction, addition or major renovation as defined in 702 KAR 4:180

Examples **REQUIRING** a Capital Funds Request:

- KISTA Bus Debt Service principal and interest
- Purchase of land that is not directly related to the construction of a new building or the expansion of an existing building
- Projects noted in the DFP as priority 5 – Discretionary
- Athletic facilities
- Projects not noted on the DFP
- Work that is not for new construction addition or major renovation per 702 KAR 4:180

### **Do I need to submit a (BG-1) “Project Application Form” with the Capital Funds Request?**

Some expenditures for construction projects require an approved Capital Funds Request to utilize restricted capital funds. Generally speaking, a BG-1 is required if the expenditures create capitalized building improvements.

The KDE’s District Facilities Branch determines if a BG-1 is required as per 702 KAR4:160.

Examples **REQUIRING** a BG-1:

- Improvements such as replacement of windows/doors, roofing, HVAC, electrical, plumbing, interior finishes and equipment or services that require a registered design professional and/or compliance with the Kentucky Building Code.
- Improvements such as building additions, new construction or interior renovation to create usable space, regardless of cost.
- Any upgrade for building safety or security, regardless of cost.

If a BG-1 is required, a board approved BG-1 must be properly completed and submitted to KDE's District Facilities Branch.

### **How do I determine the amount of funds available to use?**

Determine the available balances using the latest available SEEK Calculation (Forecast, Tentative, or Final) Capital Outlay Fund and Building Fund Amounts plus any escrowed SFCC, minus any debt service payments that will be paid in the current year, minus the total of all active BG-1s approved to use Capital Outlay Fund 310 cash, Building Fund 320 cash, or SFCC cash, minus any current year capital funds requests previously approved. The SEEK Calculation document is located on the KDE website:

[SEEK Calculations](#)

### [Capital Funds Request](#)

Residual Funds from Construction Fund 360 will be determined by the amount of funds the district has remaining within a project after the project has been closed out and a "Project Closeout Form" (BG-5) has been submitted and approved by KDE's District Facilities Branch.

Please note that the funds remaining in a project are subject to the same restrictions of the original funding source(s) of the project, with the most restrictive purpose last.

The Capital Funds Request Form will aid in determining the amount of funds available.

Active or open BG-1 obligated project funds are generally not available to be used in a Capital Funds Request. Residual funds from closed projects may be used toward Capital Funds Requests. Districts must also obtain SFCC approval to use any SFCC funds and any interest earned on those funds. Any residual funds remaining from projects with SFCC participation can only be used in accordance with SFCC regulations which can be found at 750 KAR 1:010 Section 7.

### [750 KAR School Facilities Construction Commission](#)

A reduction in funds committed to a project prior to the completion of the project may be utilized in a Capital Funds Request **ONLY** if the reduction is the result of a lower bid reflected on the first revised BG-1 submitted with the construction contract rather than the initial estimated cost of the project reflected on the initial BG-1.

### **How do I complete the Capital Funds Request Form?**

The Capital Funds Request Form instructions are outlined below. The numbered items correspond to the numbered lines on the form. When completing the Capital Funds Request (CFR) form, please follow the detailed instructions in order to ensure the district's financial data are recorded accurately on the form. This will result in the form being processed by KDE without any delays. Prior to submitting the form to KDE, the local board must approve the proposed use of restricted capital funds.

## **How do I submit the Capital Funds Request?**

Capital Funds Requests shall be submitted electronically through an e-mail and required documentation attached (the Capital Funds Request form, debt service schedules, associated BG-1s, BG-5 approval letter(s) and approval from SFCC, if applicable) to MeShaila Fields at [meshaila.fields@education.ky.gov](mailto:meshaila.fields@education.ky.gov). Indicate “CFR—District Name” in Subject line of the email.

The district’s Superintendent, by signing the form, is certifying the accuracy and completeness of the Capital Funds Request along with the validity of all BG forms, SFCC escrow amounts, interest earned, and other data. The Superintendent is also attesting that local board approval has been obtained for the use of funds as reflected in the Capital Funds Request.

The submission deadline is May 30. KDE needs sufficient time to process and approve all Capital Funds Requests prior to the end of the fiscal year so districts can accurately report those funds on the financial statements. All expenditures made in connection with a Capital Funds Request must be made by June 30th. Any Capital Funds Request approved by KDE that have not been expended by June 30th will revert to the original source and will be subject to escrow requirements. Only the actual expenditure amount shall be transferred and recorded as expenditure and not the maximum approved amount. Any Capital Funds Request submitted to KDE but not approved by June 30 will also revert to the original source and will be subject to escrow requirements.

For detailed instructions on how to record the CFR expenditures and how and when to record escrowing journal entries, please refer to the CFR Guidelines to Record Capital Spending document located on the [Capital Funds Request webpage](#). Fiscal YE Processing BGL-2 document located on the [Enterprise ERP \(Munis\) Support and Guides](#) webpage under the General Ledger-Year End section, and the *GASB 54 Best Practices* document located on the [Fund Balances, Revenues and Expenditures, Chart of Accounts and Indirect Cost Rates](#) under Chart of Accounts Section.

## **Can I submit more than one Capital Funds Request?**

Yes. Multiple Capital Funds Requests may be made throughout the fiscal year as needed. Each subsequent request must begin with line 12. No other information from the previous requests should be included on subsequent requests. When completing a subsequent Capital Funds Request form, please indicated the district’s name and fiscal year at the top of the form and then begin completing the form at line 12. If there have been significant monetary changes in available revenues, the district may record **ONLY** those changes on lines 2 through 11 as needed.

District staff will need to consult with KDE’s District Facilities Branch prior to submitting to KDE a proposed revised BG-1 that is associated with previous KDE approved Capital Funds Requests and the proposed revised BG-1 funding source(s) and/or dollar mount(s) will be changing.

# Capital Funds Request Form (CFR) Instructions

The CFR form must be completed in Excel with amounts entered as whole dollar amounts only. Any amounts ending with fifty cents or more shall be rounded up to the next whole dollar and any amounts ending with less than fifty cents shall be rounded down. For example, \$234,502.52 shall be rounded up to \$234,503 and \$234,502.45 shall be rounded down to \$234,502. **Please note KDE does not accept handwritten CFRs.**

1. **District and FY.** (Required for all CFRs) Enter the district's name and number and current fiscal year.
2. **Capital Outlay Fund 310 - Complete only for the initial request.** This section will not need to be completed on subsequent requests.
  - a) **Capital Outlay Fund 310 SEEK Amount** (Required for initial CFRs only) Enter the amount of capital outlay funds shown in the lower left-hand corner below the box from the latest SEEK calculation available on the KDE website: Forecast, Tentative, or Final, respectively.
  - b) **Carryover.** (Optional) Enter the amount of prior fiscal year capital outlay fund carryover balance, if any. The capital outlay fund (Fund 310) carryover amount is reported on the district's most current Unaudited AFR, Audited AFR or audit report, respectively.
  - c) **Interest Earned.** (Optional) Enter the amount of interest earned which is allocated to capital outlay funds in an interest-bearing account, if any. The School Facilities Construction Commission's (SFCC) written approval (email or letter) must have been received by the district and attached to the CFR in order to include any interest earned on SFCC funds. Use actual year-to-date (YTD) amounts already received. Estimates of amounts to be collected/earned are not permitted. Indicate SFCC approval date in the space provided. If the interest earned amount is a significant amount, then KDE's District Financial Management Branch (DFMB) staff may request an YTD Budget Report from the district's MUNIS system that shows the YTD Actual available interest earned. An example of the report is located on KDE's [Capital Funds Request webpage](#).
  - d) **Escrowed SFCC.** (Optional) Complete only if these funds are to be used. If applicable, enter the amount of funds from capital outlay fund balances leftover at the end of each odd-numbered fiscal year that shall be escrowed for future debt service and used to address priorities listed in the approved facilities plan. District's total School Facilities Construction Commission (SFCC) escrow amounts included on the Capital Funds Request(s) are recorded in the districts most current Unaudited AFR, Audited AFR or audit report, respectively. Those amounts must reconcile to the total of what has been approved by SFCC. The SFCC's written approval (email or letter) must be attached to the CFR in order to include any escrowed SFCC funds on a Capital Funds Request. Indicate SFCC approval date in the space provided along with the SFCC approval date for interest earned as referenced in section 'c.' above, if applicable.

3. **Total Available Capital Outlay Fund 310 Revenue** (Lines 2a + 2b + 2c + 2d, computed automatically).
4. **Building Fund 320 - Nickels - SEEK - Complete only for the initial request.** This section will not need to be completed on subsequent requests.
- a) **Building Fund 320 Nickel SEEK Amount.** (Required for initial CFRs only) Enter the total of the amounts in all rows shown in the “Local” and “Adjusted State” columns in the lower left hand corner of the box labeled “Nickels Calculation” from the latest SEEK calculation available on the KDE website: Forecast, Tentative, or Final, respectively.
- b) **Carryover.** (Optional) Enter the amount of prior fiscal year building fund carryover balance, if any. The building fund (Fund 320) carryover amount is reported on the districts most current Unaudited AFR, Audited AFR or audit report, respectively.
- c) **Interest Earned.** (Optional) Enter the amount of interest earned which is allocated to building funds in an interest-bearing account, if any. The SFCC’s written approval (email or letter) must have been received by the district and attached to the CFR in order to include any interest earned on SFCC funds. Use actual YTD amounts already received. Estimates of amounts to be collected/earned are not permitted. Indicate SFCC approval date in the space provided. If the interest earned amount is a significant amount, then KDE’s DFM staff may request a YTD Budget Report from the district’s MUNIS system that shows the YTD Actual available interest earned. An example of the report is located on KDE’s [Capital Funds Request webpage](#).
- d) **Additional Nickel(s) Not shown on SEEK Calculation document.** (Optional) An additional Nickel may be obtained by a local district tax levy, passed at the local level, which is not paid, enforced or governed by KDE or the state. If applicable, enter the amount to be collected from the additional nickel(s) on this line. Because this information is not reflected in SEEK calculation, please submit a copy of the YTD Budget Report from the district’s MUNIS system that shows the additional nickel’s Revised Budget. An example of the report is located on KDE’s [Capital Funds Request webpage](#).
- e) **Escrowed SFCC.** (Optional) **Complete only if these funds are to be used.** If applicable, enter the amount of funds from building fund balances leftover at the end of each odd-numbered fiscal year that shall be escrowed for future debt service and used to address priorities listed in the approved facilities plan. District’s total SFCC escrow amounts included on the Capital Funds Request(s) are recorded in the districts most current Unaudited AFR, Audited AFR or audit report, respectively. Those amounts must reconcile to the total of what has been approved by SFCC. The SFCC’s written approval (email or letter) must be attached to the CFR in order to include any escrowed SFCC funds on a Capital Funds Request. Indicate SFCC approval date in the space provided along with the SFCC approval date for interest earned as referenced in section ‘c.’ above, if applicable.

**5. Total Available Building Fund 320 Revenue** (Lines 4a+ 4b + 4c + 4d + 4e, computed automatically)

**Construction Fund 360.** (Optional) **Available Funds from BGs - Complete only if these funds are to be used.** The district must have received the KDE's District Facilities Branch approval of the BG-1 before including the funds in a Capital Funds Request.

A reduction in funds committed to a project prior to the completion of the project may be utilized in a Capital Funds Request **ONLY** if the reduction is the result of a lower bid reflected on the first revised BG-1 submitted with the construction contract rather than the initial estimated cost of the project reflected on the initial BG-1.

For example:

- A – Initial BG-1 \$500,000
- B – 1<sup>st</sup> Revised BG-1 \$450,000
- C – 2<sup>nd</sup> Revised BG-1 \$430,000
- D – BG-5 \$420,000

The initial BG-1 (A) is an estimate made by the district when the project is first submitted for approval to the District Facilities Branch (DFB). KDE's DFB and DFMB approve the initial BG-1. The district then bids the project. After the BG-1 is revised to conform to the bid, the 1<sup>st</sup> revised BG-1 (B) is submitted to DFB. A reduction in the estimated cost of the project from the initial BG-1 to the 1<sup>st</sup> revised BG-1 approved by KDE's DFB and DFMB may be utilized in a CFR (B-A = \$50,000).

As the project progresses, some of the estimated costs change and another revision is made to the BG-1 (C). This difference may **not** be utilized in a CFR. (C-B = \$20,000).

When the project is completed and the BG-5 is approved by DFB. The difference in the completed project total (D) and the 1<sup>st</sup> revised BG-1 (B) may also be utilized in a CFR as long as approval is obtained from SFCC if SFCC funds remain (D-B = \$30,000). **Note: The residual construction fund money is not available toward a CFR if a funding source listed on the closed BG-1 is a SFCC Bond Sale with the latest approved amount equal to or higher than available residual funds.**

- 6. 1st Associated BG-#.** (Optional) Enter the BG-# that is associated with the completed construction project which is linked to a BG-5, or the BG-# assigned to the project if utilizing funds available when the 1<sup>st</sup> revised BG-1 is revised to conform to the bid. Only residual funds from BG-5s that have been approved by KDE's District Facilities Branch can be utilized. If the project was closed on or after September 6, 2013, then the BG-5 Closeout Approval letter from KDE's District Facilities Branch (DFB) must be attached to the CFR in order to include any residual funds. Indicate the BG-5 Approval letter date in the space provided. If the project was closed prior to September 6, 2013, then the BG-4 Closeout Approval letter from KDE's DFB must be attached to the CFR and indicate the BG-4 Closeout Approval letter date in the space provided for the BG-5 Closeout Approval letter. Then continue to complete the CFR based on the residual funds and interest earned information from the BG-4 and/or district's MUNIS information instead of the BG-5 information.

- a) Remaining Capital Funds** (Optional) Enter the available residual funds from the approved BG-5 on the construction fund for the 1<sup>st</sup> associated BG-#. (D-B in the example above.) If utilizing

funds made available when the 1<sup>st</sup> revised BG-1 is revised to conform to the bid, enter the difference between the initial BG-1 and the 1<sup>st</sup> revised BG-1. (B-A in the example above.) The SFCC's written approval (email or letter) must be attached to the CFR in order to include any SFCC residual funds. Indicate SFCC approval date in the space provided. Any residual funds remaining from projects with SFCC participation can only be used in accordance with SFCC regulations which can be found at [750 KAR 1:010 Section 7](#).

- 7. 2nd Associated BG-#.** (Optional) Enter the BG-# that is associated with the completed construction project which is linked to a BG-5, or the BG-# assigned to the project if utilizing funds available when the 1<sup>st</sup> revised BG-1 is revised to conform to the bid. Only residual funds from BG-5s that have been approved by KDE's District Facilities Branch can be utilized. If the project was closed on or after September 6, 2013, then the BG-5 Closeout Approval letter from KDE's District Facilities Branch (DFB) must be attached to the CFR in order to include any residual funds. Indicate the BG-5 Approval letter date in the space provided. If the project was closed prior to September 6, 2013, then the BG-4 Closeout Approval letter from KDE's DFB must be attached to the CFR and indicate the BG-4 Closeout Approval letter date in the space provided for the BG-5 Closeout Approval letter. Then continue to complete the CFR based on the residual funds and interest earned information from the BG-4 and/or district's MUNIS information instead of the BG-5 information.

- a) Beginning Available Balance.** (Optional) Enter the available residual funds from the approved BG-5 on the construction fund for the 2<sup>nd</sup> associated BG-#. (D-B in the example above.) If utilizing funds made available when the 1<sup>st</sup> revised BG-1 is revised to conform to the bid, enter the difference between the initial BG-1 and the 1<sup>st</sup> revised BG-1. (B-A in the example above.) The SFCC's written approval (email or letter) must be attached to the CFR in order to include any SFCC residual funds. Indicate SFCC approval date in the space provided. Any residual funds remaining from projects with SFCC participation can only be used in accordance with SFCC regulations which can be found at [750 KAR 1:010 Section 7](#).

- 8. 3rd Associated BG-#.** (Optional) Enter the BG-# that is associated with the completed construction project which is linked to a BG-5, or the BG-# assigned to the project if utilizing funds available when the 1<sup>st</sup> revised BG-1 is revised to conform to the bid. Only residual funds from BG-5s that have been approved by KDE's District Facilities Branch can be utilized. If the project was closed on or after September 6, 2013, then the BG-5 Closeout Approval letter from KDE's District Facilities Branch (DFB) must be attached to the CFR in order to include any residual funds. Indicate the BG-5 Approval letter date in the space provided. If the project was closed prior to September 6, 2013, then the BG-4 Closeout Approval letter from KDE's DFB must be attached to the CFR and indicate the BG-4 Closeout Approval letter date in the space provided for the BG-5 Closeout Approval letter. Then continue to complete the CFR based on the residual funds and interest earned information from the BG-4 and/or district's MUNIS information instead of the BG-5 information.

- a) Beginning Available Balance.** (Optional) Enter the available residual funds from the approved BG-5 on the construction fund for the 2<sup>nd</sup> associated BG-#. (D-B in the example above.) If utilizing funds made available when the 1<sup>st</sup> revised BG-1 is revised to conform to the bid, enter the difference between the initial BG-1 and the 1<sup>st</sup> revised BG-1. (B-A in the example above.)



The SFCC's written approval (email or letter) must be attached to the CFR in order to include any SFCC residual funds. Indicate SFCC approval date in the space provided. Any residual funds remaining from projects with SFCC participation can only be used in accordance with SFCC regulations which can be found at [750 KAR 1:010 Section 7](#).

**9. Total Available Fund 360 Revenue from BGs** (Lines 6a+7a+8a). The total available Fund 360 revenue for Capital Funds Requests, computed automatically.

**10. Previous Remaining Available Capital Funds.** (Required for all subsequent CFRs) The amount shown on line 17 of the district's previous Capital Funds Request form. Please include the CFR tracking number that is reported on the district's previous Capital Funds Request approval letter from KDE. This line will not be used on the initial CFR for the fiscal year.

**11. Adjustment to SEEK Calculation Capital Outlay Fund and/or Building Fund Amounts.** (Required for all subsequent CFR's if in a different SEEK run from previous CFR) This line reflects adjustments made to the SEEK calculation capital outlay and/or building fund amount(s) compared to what was reported on a previous CFR. An adjustment will occur if a subsequent SEEK calculation is posted with different amounts after the initial Capital Funds Request is made in current fiscal year. Enter the difference in the SEEK calculation on this line, if any. Please reflect increase in the fund(s) with a positive amount and decrease with a negative amount on the form. This line will not be used on the initial CFR for the fiscal year but is required on subsequent CFR if SEEK amount changes.

**12. Capital Funds Commitments (Expenditures).**

a) **Debt Service Payments.** (Required for initial CFRs only) Enter the total amount of debt service payments, district's portion net of federal rebates, for which capital funds are utilized. The debt service payment amount shall be recorded on the district's initial request only. This section will not need to be completed on subsequent requests unless the debt service amount changes.

**Debt Service Schedule.** District shall include/attach its debt service schedules, district's detailed gross and net of federal rebates to the Capital Funds Request form. The only schedule acceptable is the one obtained from the district's fiscal agent.

If the district receives federal rebates or any form of debt service reimbursements, the total amount of rebates received during current year must be shown separately as an additional column on the debt service schedule.

If during the year the debt service amount decreases (due to bond refinancing) or increases (due to additional bond sale), the district must submit the latest debt service schedule obtained from fiscal agent and report the adjustment (+ or -) amount in line 14a.

b. **Fund 310 and Fund 320 BG-1 Cash.** (Required for all CFRs, if applicable) Enter the total amount(s) approved on all current projects (BG numbers) and any active prior fiscal

year(s) projects (BG numbers) using current year capital outlay and/or building fund cash, if applicable. Include the BG number for each in the space provided. For example, if the district has previously submitted a BG-1 which includes funds from Fund 310 or 320 (including SFCC funds, if applicable) that amount is already committed to that particular construction project and cannot be considered available for a CFR.

**13. Total Capital Funds Commitments (Expenditures)** (Lines 12a + 12b). The total of the amounts listed on lines 12a and 12b, computed automatically.

**14. Current Capital Funds Available After Commitments** (Lines 3+5+9+10+11-13)

The remaining amount of capital funds, computed automatically, is the result of the current fiscal year's commitments deducted from available revenues. This number **CANNOT** be a negative number.

**15. Current Capital Funds Requested Detail.** Consists of the expenditures information for which the district is requesting to use capital funds. The district shall provide the MUNIS Object Expenditure Code that will be used to record the expenditure, detailed description of expenditure, amount Requested in whole dollars only, and any current year Associated BGs, if applicable. If the BG-1 has been submitted to KDE's District Facilities Branch but has not been assigned a BG number, please type "TBD" (To Be Determined) in the Associated BG# field.

**16. Total Amount Requested.** The total amount of capital funds that the district is requesting to use for expenditures. When individual line item amounts are entered into Schedule A, the total is computed automatically.

**17. Total Capital Funds Available after Capital Funds Request (lines 14-15)** The total remaining available capital funds, computed automatically, is the result of the current fiscal year's commitments and the current requested amount deducted from available revenues. This number **CANNOT** be a negative number.

**18. Sign and Date the form.** Actual signatures are required from the district's superintendent and finance officer as well as the date the district's board approved the Capital Funds Request.