

MEMORANDUM No. 2

TO: Kentucky School Architects

FROM: Timothy K. Lucas
Planning Branch Manager, Division of Facilities Management

DATE: February 4, 2009

RE: School Project General Construction- Direct Material Purchase Procedures

In our administration of school projects the change in the terms of the General Construction procedures that allow for the direct purchase of materials by the districts has created some challenges for Architects and our office. Please clearly note the items below in your documents and administer the contracts as follows;

1. The breakout of materials for direct purchase must be clearly noted in the bidding documents prior to the receipt of bids. These material cannot be broken out “after the fact” once bids have been accepted.
2. Transferring money from a non-taxed Purchase Order previously reviewed and approved by the Architect, Owner, and KDE, into the taxable contract with the General Contractor without evidence of taxes being paid is not allowable.
3. If a credit exists within a non-taxed Purchase Order, the credit shall be noted via a Change Order to the Purchase Order, and the credit reverts to the Owner and not to the General Contractor or to any of the sub contractors.

KDE does not administer tax law. The transfer of non-taxed materials to a taxable contract is in violation of 103 KAR 26:070.

If you have any questions, please do not hesitate to contact me at 502-564-4326.