

**School Districts have three main funds to account for school district finances. They are the General Fund, Special Education Fund, and the Capital Outlay Fund.**

### **What is the General Fund?**

The General Fund is a fund to meet all the operational costs of the school district, excluding capital outlay fund expenditures and special education fund expenditures. Operational costs include instructional costs, administration costs, support services such as custodial, bus, library, counselor, nursing, board costs, extra-curricular activities and technology.

### **What is the Special Education Fund?**

The Special Education Fund is a fund established to pay the costs for the special education of all children in need of special assistance and prolonged assistance and who reside within the district.

### **What is the Capital Outlay Fund?**

The Capital Outlay Fund is a fund to meet expenditures which include costs for the acquisition of equipment such as computers, desks, and chairs. It also includes purchases for cars and buses, athletic equipment, uniforms, land and/or buildings. Principal and interest payments for capital outlay certificates are also made in the Capital Outlay Fund.

### **What are Capital Outlay Certificates?**

Capital outlay certificates are a type of school district debt used to acquire or construct new facilities and/or other large improvements to existing facilities. The certificates are sold to investors and the money received from the sale of these certificates is placed in the capital outlay fund to be used to pay for the expenditures related to the construction and improvement projects. The debt is then repaid to the investors through yearly principal and interest payments for a time period not to exceed 20 years.

### **What safeguards are in place to ensure school districts do not overextend the Capital Outlay Fund with too much debt?**

1. Any school district using the capital outlay fund for payment of construction of new facilities or construction of additions to facilities must develop and maintain a five-year plan on the annual projected revenues and the annual projected expenditures for the capital outlay fund. The annual projected expenditures must include itemized projected costs for new or additional facilities.
2. The total accumulated unpaid principal balances of outstanding principal amounts of capital outlay certificates and installment contracts/lease-purchase agreements may not exceed 3% of the school district's taxable valuation. The school district shall provide a sufficient levy each year to meet capital outlay certificate payments, including interest, and any other annual installment contracts or lease-purchase agreements.
3. Any school district using the capital outlay fund for payment of construction of new facilities or construction of additions to facilities, must have a public hearing at least ten days prior to the advertisement of the construction or improvement project. Following the public hearing and after approval from the school board, the school district may use the capital outlay fund for the construction or improvement of facilities

4. Any proposed issuance of capital outlay certificates which will exceed 1.5% of the taxable valuation of the school district and will obligate the school district for future payments of principal may not be issued unless the school board conducts a public hearing. Notice of the public hearing must be published at least twice in the school district's official newspaper at least 10 days before the hearing. After the hearing, the board may approve the issuance of the certificates or may refer the issuance of the capital outlay certificates to a vote of the district's registered voters.
  - a. In this instance (the certificates will exceed 1.5% of the taxable valuation of the school district), the school district voters may refer the issuance of the capital outlay certificates to a vote. 5% of the registered voters would need to petition within 20 days after school board approval to place the issuance of the certificates on a ballot at the next regular election or special election.
  - b. Notice of the election would be published in the official district newspaper and 60% of the voters would need to approve the issuance of the capital outlay certificates.