Kentucky School Construction Finance

The Board's Role

John Powell, Attorney, KSBA

Interim Joint Committee on Appropriations and Revenue
July 1, 2026 | Kentucky School Boards Association

Construction Finance: A State-Centered System

STATE CONTROLS

- District Facility Plan (DFP) approval
- Commissioner approval of school revenue bonds
- Permanent center criteria review
- BG-1 project application review
- KDE written approval before bid advertisement

BOARD ACTS

- Adopts the DFP
- LPC Activity
- Levies taxes
- Issues school revenue bonds
- Selects fiscal agent & bond counsel
- Submits BG-1 project applications
- Contracts for construction & design

KSBA 90 1936-2026

Funding the District: Three Streams

LOCAL FACILITY LEVIES

KRS 157.440 / KRS 160.597 / KRS 160.476

- **FSPK Nickel:** Required for SFCC state aid eligibility; board votes to impose
- **Growth Nickel:** Available to fast-growing districts; voted by the board
- **Recallable Nickel:** Board imposes; subject to voter recall petition
- **Dime threshold:** Cumulative 10¢ marker with eligibility implications; grandfathering rules apply
- **Building Fund Tax (KRS 160.476):** Board levies 4¢–20¢ per $100 valuation; dedicated fund for site acquisition, construction & major renovation; no SFCC requirement; subject to compensating rate cap

SCHOOL REVENUE BONDS

Board Authority / KRS 160.160

- **General obligation bonds:** Board issues under KRS Ch. 66; Commissioner approves for financial soundness
- **Lease revenue bonds:** Issued by another public body at board's request; KRS 160.160(4) requires KDE approval (bypassed under HB 678 opt-in)
- **Competitive bidding required:** Purchaser/lender determined by public advertising per KRS Ch. 424
- **Intercept mechanism:** If board fails to make rental or debt service payment, KDE withholds and remits on board's behalf

KSBA 90 1936-2026

HB 678: Streamlined Approval Regime (Through June 30, 2028)

	STANDARD REGIME	"HB 678" OPT-IN
DFP Final Approval	Kentucky Board of Education	KDE Commissioner or designee
Review Clock	No statutory deadline	30 business days
Bond Lease Arrangements	Prior KDE approval required (KRS 160.160(4))	Prior approval bypassed
Appeal Pathway	KBE process	Commissioner process
Expires	Permanent	June 30, 2028 (HB 500, Acts Ch. 168)

Note: 702 KAR 4:160 is formally expired, but use as guidance.

How It Works: The Five-Gate Process

1
Needs Assessment
Board surveys facilities; identifies priority needs

→

2
District Facility Plan
Board adopts DFP; submits for state approval

→

3
State Approval
Commissioner reviews DFP

→

4
Financing & Bonding
Board issues bonds; Commissioner approves for soundness

→

5
Project Execution
Board contracts; KDE approves plans before bid advertisement

Everything in the planning process flows toward the board, and everything that costs money flows through it.