

## **Policy Concerning Definition of Capital Expenditures for Land and Buildings**

### **Policy No. 2020-1**

#### **Background:**

Section 10-261(a)(3) of the Connecticut General Statutes defines Net Current Expenditures (NCE), which are used in determination of the Per Pupil Cost used in the calculation of Special Education Excess Cost grants per Section 10-76g. The definition of NCE specifically excludes “capital expenditures for land, buildings, equipment otherwise supported by a state grant pursuant to chapter 173 and debt service”. Through regulation and policy, the State Department of Education (CSDE) narrowed the definition to include minor capital improvements. Specifically, Regulation 10-261(c) provided a definition of capital expenditures, which included remodeling of buildings and extensions of service systems. CSDE Policy No. 85-2 further defined these terms to exclude the more minor types of capital expenditures such as those involving less than 20 percent of the building area or replacing roofs. Regulation 10-261(c) was repealed in 1997; CSDE continues to adhere to the definitions provided in the regulation and policy.

To accommodate the requirements of Policy 85-2, CSDE requires districts to report “major” and “minor” school construction expenditures separately in the Education Financial System (EFS); major costs are excluded, minor costs included, in the calculation of NCE. Federal accounting guidelines do not make a distinction between major and minor construction; CSDE combines these for federal reporting.

#### **Issue:**

Due to the definitions currently being used, significant one-time expenditures for roof replacements or many smaller remodeling projects are included in the annual per-pupil costs used to determine the basic contribution amounts that districts must expend for each special education student before the state begins to reimburse for the student’s special education costs. Additionally, these “minor” school construction expenditures are currently included in per-pupil expenditures calculated for public reporting.

The common definition of “capital expenditures for land, buildings, equipment otherwise supported by a state grant pursuant to chapter 173” would include the types of “minor” expenditures that are currently excluded; projects such as roof replacements would normally be classified as capital expenditures. Inclusion of these “minor” capital expenditures in NCE can cause wide variances in per pupil expenditures from year to year and from one school or district to another.

#### **Recommended Policy:**

Rescind CSDE Policy 85-2. Eliminate the distinction between major and minor school construction for expenditure reporting.

#### **Rationale:**

The recommended policy will exclude all capital expenditures for land and buildings from NCE, improving consistency and comparability of data from year to year and from one school or district to another. This will help to reduce one-year swings in NCE which in turn will make special education excess cost grants more predictable for districts.