



Hi School District Leaders,

Thank you for your diligence in the School Modernization Facilities Fund process. As a reminder, here are the previously distributed guidelines regarding expenditures from the School Modernization Facilities Fund:

- The funding you are receiving must be used for capital projects.
 - Capital projects are large-scale and involve substantial investments in physical assets (facilities, properties, etc.) expected to have a useful life of at least seven years. This distinguishes capital projects from shorter-term operational or maintenance activities. A capital improvement may include an addition, alteration of a structure, or permanent improvement of real property that:
 - Substantially adds value to the real property or appreciably prolongs its useful life.
 - Becomes a part of the real property or is permanently attached to it, such that removal would cause material damage to the property or improvement.
 - Beyond planning, design, new construction, or site acquisition, capital projects can also encompass significant improvements or renovations to existing structures and building systems, ensuring they meet current standards and building codes.
 - The term “significant” may apply to the asset (school facilities) or to the dollar amount being spent.
 - The size of an institution may influence the criteria for classifying capital projects, affecting factors such as scale, complexity, funding capacity, and strategic priorities. Larger institutions often have higher cost thresholds for capital projects due to greater budgets and resources, while smaller institutions have lower thresholds reflecting their limited financial capacity.
- This funding is from tax-exempt bond proceeds, which are subject to IRS audits at the individual school district level. Therefore, it is crucial for districts to maintain thorough documentation to justify their capital expenditures. Failure to do so may result in the need to repay these funds.
- This funding needs to be in a separate account from all other funds.
 - If you use the Local Government Investment Pool (LGIP) at the State Treasurer’s Office, you can have multiple accounts. If you have questions about the LGIP, Joe Gibson in the Treasurer’s Office can help you: joe.gibson@sto.idaho.gov or 208-332-2948.
- Interest earned on the funding may be transferred into a separate account and used for routine maintenance or other facilities needs.
- Expenditures will need to be tracked as follows:
 - Electrical, Exterior, Fire and Safety, HVAC, Interior, Plumbing, Roofing, Site, Specialties, Structural, Technology, Planning/Design, Components/Features, Site Acquisition, and New Construction

When considering allowable expenditures from the School Modernization Fund, we would ask you to use prudence and wisdom. If there is an expenditure that may not be clear, we would ask that you err on the side of caution.

The webinars, links, and other resources related to this funding can be found on the Idaho Department of Education Public School Finance webpage under “Webinars” and “Facilities:” <https://www.sde.idaho.gov/finance/>.

Thanks again, and please let [Spencer](#) or [Gideon](#) know if you have questions.

Debbie Critchfield, Superintendent of Public Instruction

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