Regional School District Budget Process and Financial Procedures

Presentation to Association of Town Finance Committees
October 23, 2010

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Regional School District Stats

- **Membership**
  - Over 300 cities and towns are members of either multiple or one regional school district
    - 160 in Academic Districts
    - 232 in Vocational Districts

- **New Interest**
  - 5 independent towns in serious exploration of academic mergers
  - 5 existing regions exploring expansion
Topics

- Regional Budget:
  - Assessments
  - ESE involvement when no approved RSD budget
  - Impact of state budget changes on local budget

- Regional Spending:
  - Revolving: Choice
  - E&D and Stabilization

- Borrowing
  - Types
  - Changes
Regional Budget: Preparation and Approval

➢ School Committee Adoption - 2/3 vote
  • Classified into line items, capital, debt, operating
  • Identify all revenue sources to support budget and spending
    • Grants, revolving, trust funds not part of budget, but presented to member municipalities for informational purposes.
  • Specify method of calculating member assessments
Member Municipality Approval

- Required Votes:
  - Statutory method - 2/3 local approval
  - Alternative method - unanimous annual local approval
- Presentation
  - Supt may address the membership at a town meeting when the regional school budget is being considered
- Vote to appropriate the assessment constitutes approval of the regional budget
Failure to Approve a Budget

- Reconsideration of Budget within 30 days (+15)
  - Approved by member if no vote within 45 days
  - Disapprove by member if town meeting is dissolved prior to voting
- District wide meetings for two member districts
  - Majority of voters present and voting
- School Committee may agree to amount approved at town or district-wide meeting, but not required to do so
- Notification to DESE in the event of failure to approve
DESE: 1/12 Budget

- Timeline: Prior to July 1
- Commissioner sets interim monthly budget
  - Based on previous FY
  - Higher amount as the Commissioner determines
- Assessments must be recalculated
- Member payments made in accordance with time frame in regional agreement
- In effect until, December 1st or until budget approved locally
STATE FISCAL CONTROL

As of December 1\textsuperscript{st} if budget is not passed

- Commissioner establishes the final budget for the FY
- Control continues until end of FY or until members approve budget for subsequent FY
- No additional state funding as a result of DESE control
COMMISSIONER’S OVERSIGHT

- Adoption or reconsideration of budget
- Transfer of budgetary authority between line items
- Encumbrance or expenditure of funds not included in general fund budget
- Borrowing
- New or amended collective bargaining agreements
- New contracts or amendments with a value of $25,000 or more
- Establishment, increase or decrease of user fees
Commissioner’s Authority

The Commissioner

- may impound any unencumbered funds for such period of time as he determines
- may undertake any initiatives that he deems necessary to secure the financial stability of the district
- may designate a person to act on his behalf.
Guidance When Adjustments are made to Chapter 70 Calculations

- **Districts without** an approved budget
  - School committee adopts and certifies a new budget based on the final MLC and state aid
  - Provides to local appropriating authorities
  - If warrant has already been issued, arrange with select boards to have revised numbers substituted through a floor amendment
- **Contact DESE for approval of 1/12 budget**
Guidance: Districts with an approved budget

- If the approved assessment for each member town **exceeds** the revised contribution then the budget remains valid and in force.
  - School committee **may** amend the budget and recalculate assessments but is **not required** to do so
  - Amendments must be approved by a **2/3** local vote and the approval of any member whose assessment has increased
Guidance: Districts with an approved budget (Continued)

- If one or more members do not meet MLC, contact DESE

- If the budget is out of balance: Options
  - Reduce the budget
  - Increase the assessments through an amendment
  - Use available special funds:
    - E&D: requires town notification
    - Circuit breaker: would reduce budget
Regional Spending

- Outside of budget
  - Revolving: choice etc
  - Grants

- Part of appropriated budget
  - E&D

- Stabilization Accounts
Revolving Funds

- Guidance to be issued on DESE web in Fall
  - Choice Tuition out Expenses are included in budget
    - reported as school committee expense on EOY report
  - Revenues deposited in a separate revolving account
    - Not included in school committee budget
    - Not part of general fund
    - Not part of E&D
    - Not subject to town approval, only provided for information

- Other types of revolving to be include in Guidance
EXCESS AND DEFICIENCY (E&D)

• Authorized by Chapter 71, Section 16B1/2
• Surplus or deficit in the district’s general fund must be closed to the E&D fund at the close of the FY
• Balance in account must be certified by DOR annually
• Deadline for submission to DOR is 10/31
USE OF E&D FUNDS

• School committee may use as a revenue source for annual budget during budget approval process
• School committee may use during the course of the year by amending budget
• School committee must use as a revenue source for annual budget or as a rebate to the towns if the balance exceeds 5%
• Credited to members based on RSD agreement apportionment methodology.
Stabilization Funds

- Authorized by G.L. Chapter 71, Section 16 G ½ as amended by Chapter 188 of Acts of 2010

- School committee may establish a stabilization fund through a majority vote and with the majority vote of the member municipalities
STABILIZATION FUND: Transfers and Limitations

- School committee may include a line item in the annual budget for transfers into a stabilization account.
- Annual amount not to exceed 5% of the aggregate amount apportioned to the member municipalities for the preceding FY.
- Larger amount as may be approved by the Director of Accounts.
Custodian of Stabilization Fund

- The treasurer of the regional district is the custodian of the fund and may deposit or invest the fund.
- Interest accrues to this fund.
- Report sent to member municipalities annually.
- To include fund balance, withdrawals, and additions for the year.
Use and Purpose of Stabilization Fund

- May be appropriated by vote of two-thirds of all the members of the regional district school committee for any purpose for which regional school districts may borrow money or
- Other district purpose as the director of accounts may approve
- Expenditures made from the fund and are not part of the school committee budget
Purpose for borrowing funds - Section 16(d)

- Acquiring land and constructing, reconstructing, adding to, and equipping a school building
- Remodeling and making extraordinary repairs to a school building
- Constructing sewerage systems and sewerage treatment and disposal facilities, or for the purchase of use of such systems with municipalities
- Purchasing departmental equipment
- Constructing, reconstructing or making improvements to outdoor playground, athletic or recreational facilities or roadways and parking lots
- Any other public work or improvement of a permanent nature
- For planning, architectural or engineering costs relating to any of above purposes
Chapter 71, Section 16 (d) as amended by Chapter 188 of the Acts of 2010

Debt incurred under this section shall be payable **within 30 years**, but no such debt shall be issued for a period longer than the maximum useful life of the project being financed as determined in accordance with guidelines established by the division of local services of the department of revenue.
RESOURCES

- Chapter 71, Section 16B
- CMR 41.05 Regional Regulations [link]
- Guidance for Regional School Districts - assessment methodologies
- Preparing the Regional Budget
- Department’s web site on RSD issues: [link]