

LD1198

Thank you for the opportunity to address the Education Committee regarding “LD1198 – An Act Authorizing and Increase to the Maximum Annual Fund Balance for Public School Districts”. As a school business manager with over 20 years’ experience I write in full support of increasing the allowable fund balance.

In the district that I currently work for a 3% fund balance would allow us to carry \$1,020,000.00. That sounds like a lot of money to have on hand, however, that would not be enough to cover our monthly payroll, let alone make payment to vendors, should a curtailment or sudden crisis occur. If the last year has taught us anything, it is that we have to be prepared. While the inflow of Corona Relief Funds (CRF) was a benefit it also required that we be able to withstand fronting the expenses and then being reimbursed by the State. Many school districts, mine included, sought out financing in the form of a Tax Revenue Anticipation Note (TRAN) in order to get through this period while we continued to pay contractors even though many were unable to provide services during the initial shut down, and continue to pay our school staff whether they were able to work or not. Those items had to continue to be paid from the general fund budget – not CRF funds. Add to that the cost of purchasing technology, instructional supplies and PPE – all which had to be covered by cash on hand while we waited for reimbursement from CRF. Unfortunately for districts that had to obtain TRANs CRF funds could not be used to pay the interest, so those costs had to be passed on to the taxpayers.

Additionally, the 3% rule was put in place at a time when school systems were paid “up front” for their Title programs and Local Entitlement allocations. That system was replaced with a reimbursement system which now requires the school system to pay first and wait for reimbursement – another strain on the cash on hand.

Best Practice for private industry is to maintain three to six months’ cash needs on hand in order to cover the down times. As fiduciary agents for the taxpayers it only makes sense that we should be able to maintain a reasonable amount to ensure that we can continue to pay staff and vendors in order to keep our schools running in an emergency. For my district a 10% fund balance allowance would provide \$3,400,000.00; a 15% fund balance allowance would provide \$5,100,000.00. I understand that towns are held to a 10% fund balance maximum, however, I submit to you that schools generally employ more staff than a typical city or town, so should be allowed to carry a larger fund balance in order to meet the educational needs of our students. A 10% fund balance maximum would allow us to meet payroll for three months. In order to meet other obligations such as contractual obligations we would be forced to make difficult reductions within the organization. It’s just good practice to ensure that our school systems are fiscally responsible to our students and our communities.

Thank you.

Respectfully,

Trish Hayes