

Date: April 14, 2015

To: House Education Committee

From: Frank Rucker Business Administrator Windham Southeast Supervisory Union (frucker@wsesu.org) 802 254 3730

Re: Testimony respectfully submitted on H154, Edits (below); yellow highlights are suggested edit inserts, followed by suggested strikeouts.

Rationale for Bill: Provide School District Boards with the similar fiduciary options available to Vermont Select Boards used to manage municipal fiscal operations.

Examples of destabilizing effects on school district fiscal operations and associated school property tax rates included; changes in equalized students, changes in CLA indices, unanticipated variations in revenue (tuition) and expenses (special needs student program costs) vs. budget plan. Also illustrated the immediate impact changes in equalized student statistics (announced in December) have on the school tax rate vs. the constraints school boards face in when considering staff reductions over an extended period of time. For example:

An elementary school with 140 students divided by 7 grades (K-6) equals 20 students per grade level. This could equate to 1 teacher per grade level or a student to classroom teacher ratio of 20 to 1. If school enrollment drops by 30 students (21%) down to 110 students and the same staff was retained, the student teacher ratio would be 15.7 ($110/7=15.7$). The board may be still unlikely to reduce the classroom teacher employment through layoffs (minimal opportunity to cut spending). However, a 30 student drop in enrollment (all other assumptions remaining the same) is likely to increase the school tax rate approximately 25%. A general fund reserve ("unassigned Fund Balance") would provide the board and community time and resources to address these types of variations and mitigate the severity of tax rate variations that will occur without reserves.

1 H.154

2 Introduced by Representatives Partridge of Windham, Olsen of Londonderry,

3 and Trieber of Rockingham

4 Referred to Committee on

5 Date:

6 Subject: Education; school districts; budgets; fund balance

7 Statement of purpose of bill as introduced: This bill proposes to permit a

8 school district to use surplus monies to create a reserve fund without prior

9 voter authorization, provided the fund shall not exceed five percent of the

10 district's budget and the fund may ~~only~~ be used to address **fiscal stability**. ~~cash flow issues and~~

~~11 respond to emergencies.~~

12 An act relating to permitting school districts to create a reserve fund without

13 prior voter authorization

14 It is hereby enacted by the General Assembly of the State of Vermont:

15 Sec. 1. 16 V.S.A. § 567 is amended to read:

16 § 567. SURPLUS

17 If an audit reveals that a school district has surplus funds, the school

18 board shall:

19 (1) **record the surplus in accordance with generally accepted accounting principles**. ~~carry the funds~~
into the next year as revenue unless authorized by the

20 voters, at an annual or special meeting warned for the purpose, to;

1 ~~(1)~~(2) or deposit the funds into a reserve fund established pursuant to

2 24 V.S.A. § 2804; or

3 (2)(3) use the funds for a specific purpose authorized by the voters at an

4 annual or special meeting.

5 Sec. 2. 24 V.S.A. § 2804(c) is added to read:

6 (c) Notwithstanding subsection (a) of this section, a school district may

7 establish a reserve fund without prior voter authorization for the purpose of

8 retaining receiving surplus funds at the end of the fiscal year; provided, however, that:

9 (1) the fund balance shall not exceed five percent of the district budget

10 in any year; and

~~11 (2) the fund shall be used solely to address cash flow issues and respond~~

~~12 to emergencies.~~

13 Sec. 3. EFFECTIVE DATE

14 This act shall take effect on July 1, 2015.