

**Senate Finance**  
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**April 23, 2020**

Question to business managers about rough estimates of increased or reduced costs being incurred now from school closures due to Covid-19

1. Roughly 25% of business managers responded (12 out of 52) due to the timing of when I asked the question
2. Responses to additional costs incurred:
  - a. 8 stated they thought additional costs were incremental or marginal.
  - b. 4 reported rough estimates, ranging from 62,000 to 170,000.
  - c. Most said they were spending money differently than anticipated.
3. Responses to reduced costs – 10 direct responses:
  - a. 3 stated reduced costs were marginal and were offsetting additional expenditures
  - b. 2 reported reduced costs from 31,000 to 150,000
  - c. 4 report reduced costs are unknown or unquantifiable at this point but expect reduced costs due to buildings being closed, busing not being used, substitutes not being used, program revenue losses, contracts being reviewed
  - d. 1 thinks they could have potentially significant unreserved fund balance at the end of this fiscal year
4. Reduced revenues:
  - a. 1 reported a potential loss of up to 275,000 in food revenues due to meals not served, slightly offset by a minor decrease in food costs.
  - b. There are concerns about reductions in state revenues – special education reimbursement and transportation
5. Business managers are reporting that they are continuing to pay personnel at 100% as per the Governor's order.

For FY2021, all business managers are very concerned with:

6. revenues in FY2021.
7. Increased costs for compensatory special education and mental health services

The use of reserve funds or an end-of-year surplus has come up. Under current law, a reserve fund must be used for its stated purpose unless the voters specify otherwise in an annual or special vote. An end-of-year surplus is used to offset spending unless the voters choose otherwise, but current statutory language states a surplus must be audited prior to its use. That means an end-of-year surplus in FY2020 would be audited in FY2021 and available for use in FY2022. The question is, can a one or two year exemption from the current language be instituted to allow a board to use either reserve funds or an end-of-year surplus without voter approval to offset unexpected increases in costs and homestead tax rates in FY2021?