

# 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 1<sup>st</sup> or until budget approved locally

# STATE FISCAL CONTROL

As of December 1<sup>st</sup> 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
  - 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  
<http://www.doe.mass.edu/lawsregs/603cmr41.html>.
- Guidance for Regional School Districts - assessment methodologies
- Preparing the Regional Budget
- Department's web site on RSD issues:  
<http://finance1.doe.mass.edu/regional/>