

BOE 2021-22 Budget Review

BOF #5

3/3/2021

There were a couple of proposals made by BOF members that we would like to address before deliberations take place.

1. There was a BOF proposal to reduce the budget request based on past experience in various object categories or expense categories. One such object category was Salaries.

We agree that the Salary line ended with a positive balance in the years of 2016-17, 2017-18, and 2018-19 (as seen in the table). It should be noted that in response to this, the estimated Savings From (Staff) Turnover increased from (\$250,000) in 2019-20 to (\$624,138) in 2020-21 and 2021-22 (\$550,000).

NEWTOWN BOARD OF EDUCATION		END OF YEAR BALANCE		
OBJECT CODE	EXPENSE CATEGORY	2016-2017	2017-2018	2018-2019
	GENERAL FUND BUDGET			
100	SALARIES	\$84,140	\$147,774	\$253,394
200	EMPLOYEE BENEFITS	\$2,179	\$34,979	\$76
300	PROFESSIONAL SERVICES	\$497	\$2,793	\$934
400	PURCHASED PROPERTY SERVICES	\$1,097	\$910	\$387
500	OTHER PURCHASED SERVICES	\$1,524	\$8,972	\$2,169
600	SUPPLIES	\$2,556	\$72,698	\$2,033
700	PROPERTY	\$780	\$65	\$441
800	MISCELLANEOUS	\$5,169	\$7,847	\$6,338

	TOTAL GENERAL FUND BUDGET BALANCE		\$97,942	\$276,038	\$265,772
910	SPECIAL ED CONTINGENCY				\$63,000

Details in specific account categories are available if needed.

- The BOF discussed the following statement and a chart (Attachment A) outlining a plan to appropriate monies from the Fund Balance to Capital Non-recurring for BOE use:

“There will almost always be emergency or expenses that otherwise could not have been planned for. Both the BOE and BOS budgets have contingency/emergency funds in their General Funds budget request which would be covered by property tax revenue. There are other ways to have funds available for such events. Since the town’s Fund Balance exceeds to top of the policy range, alternatives should be discussed. The attached was prepared to frame the discussion.”

The two accounts considered in this plan were the SPED Contingency and the Maintenance - Emergency Repair lines. The SPED Contingency line (\$100,000), used in conjunction with the Education Non-lapsing savings account, is a means of “self insuring” against the risk of unpredictable special education costs. The Emergency Repair line (\$230,000) is consistently used throughout the year. Similar to unanticipated special education costs, emergency repairs are also difficult to predict. Several aspects of the proposal raise concerns for us:

- The chart provided by the BOF discusses processes for use of undesignated funds. A process is not currently clearly defined by the Charter or Regulations for the BOE to directly access **undesignated** funds in the Capital Non-recurring Fund.

Given the nature of spending from the Emergency Repairs line - consistent use throughout the year and history of total spend year-to-year - monies must be accessible to the BOE.

To allow the BOE to manage its statutory obligations, the funds should be **designated** for BOE use.

- We sincerely hope that the use of the Education Non-lapsing Account will be supported in the future to provide SPED contingency, thus providing financial stability without adding to the Fund Balance.
 - We propose that the overall scope and intent as well as details of this plan be discussed with the other boards - especially since the plan depends on the Legislative Council's appropriating authority. Prior to implementation, the plan should be researched to ensure that processes are consistent with statutes, clearly outlined, and agreed upon.
 - Finally, while this strategy has been used previously, supplanting tax revenue with Capital Non-recurring funds should be used sparingly and not be a year after year practice. While the plan may address the issue of a high Fund Balance, it leads to larger increases in subsequent budgets (for example, the Capital Non-recurring funds used for technology and maintenance in the 2020-21 budget - \$450,000 - accounts for 0.56% of the 2.58% 2021-22 budget increase). **Most importantly, though, this method of funding a BOE budget may not be consistent with the BOE statutory role of managing the budget as a whole and its authority to transfer money among items within its budget (Connecticut Office of Legislative Research Report 2003-R-0178)**
3. There was a proposal by the BOF to reduce the BOE budget by the amount included in the budget for a Diversity Compliance Coordinator in anticipation of a grant possibly funding the position.

We do not yet know if the position will be grant funded and request that the BOF not make any reductions based on potential funding, but allow the LC be apprised of any updates in funding to make any related adjustments.

ATTACHMENT A

Town of Newtown – Review of 2021-2022 General Fund Budget

Board of Finance

Ned Simpson

Contingencies

The BOE budget includes a \$100,000 contingency and the BOS budget includes a \$140,000 contingency. I would like the BoF to discuss how Newtown should consider contingency funds. Additionally, the BOE proposes \$230,000 for "Emergency Repairs" (pg 161) arguably a contingency by another name.

Motion

Move that the BOE budget be reduced by \$330,000 and the BOS budget \$140,000 Contingency Department (pg 260) fund be reduced to zero. This would reduce the "Amount to be raised by Taxation" to \$112,026,899 a 0.29% reduction.

Discussion

	School District	Municipal
1. Proposed 2021-2022 Budget for Contingency	\$330,000	\$140,000
2. Roles governing use of contingency – "Budget Transfer"	BOE Policy	Charter
3. Process for transferring from contingency	Superintendent <ul style="list-style-type: none"> • BOE approve 	First Selectman <ul style="list-style-type: none"> • BOS approve • BoF approve/recommend • LC

If there was not a contingency line item in the budget and there was an emergency need, how can funds be appropriated?

	School District	Municipal
4. Use Non-Lapsing Fund	Process: <ul style="list-style-type: none"> • BOE initiate • (BOF or LC approval process TBD) 	Not Applicable
5. Special Appropriation	Process: Change Rev & Exp <ul style="list-style-type: none"> • BOE initiate • (BOS may be needed) • BoF recommendation • LC approve Has not been used	Process: Change Rev & Exp <ul style="list-style-type: none"> • BOS • BoF recommendation • LC approve This process is avoided

If contingency funds are not used during the fiscal year:

	School District	Municipal
6. Unused contingency	Funds remain in Fund Balance or Transferred to Non-Lapsing	Funds remain in Funds Balance

If contingency funds are not used during the fiscal year and residual transferred to Capital Non-Recurring:

	School District	Municipal
7. Funds designated (for emergency) when transferred to Capital Non-Recurring	Use of funds in following years: <ul style="list-style-type: none"> • Superintendent 	Use of funds in following years: <ul style="list-style-type: none"> • First Selectman
8. Undesignated Capital Non-Recurring	Use of funds in following years: <ul style="list-style-type: none"> • Special Appropriation see 5 above 	Use of funds in following years: <ul style="list-style-type: none"> • Special Appropriation see 5 above

The rating agencies ask if we have a contingency account (budget flexibility). We can say yes even though it is relatively small.