

Fund Structure Task Force – Discussion Document (7/11/05)

Question	Current Law	Proposed Change	Options/Implications	Recommendation -OR- Int. Comm. Policy Decision That's Needed Before We Can Make a Recommendation
Reserves:				
Operating reserve limit for the enlarged General fund?	Gen Fund--10% of ensuing Yr budget, or at least \$10,000 Tran Fund-20% of ensuing yr budget Retmt Fund—35% of ensuing yr budget	Combine: Trans Fund Retmt Fund Gen Fund	1) Keep 10% op reserve 2) Increase op reserve to ___% 3) Lower op reserve to ___%	Policy—How will the Gen Fund be funded? • Funding sources will drive needs, since timing of receipts and availability of resources is key.
Allow excess Gen Fund reserves?	On top of 10% op reserve in Gen Fund, can keep any amount of: 1) tax audit receipts 2) tax protests settled from a prior year 3) delinquent taxes received from past years.		1) Keep excess reserves as is 2) Allow more or different types of excess reserves 3) Allow fewer types of excess reserves	
How will excess reserves be used in budgeting?	Current options: • keep indefinitely • use in over-BASE budget without a vote • use to fund BASE budget (rare)		1) Retain current uses 2) Allow different uses--?	Policy—How will the general fund budget be calculated and funded?
Budget limits:				
Gen Fund budget limit?	Formula compares prior year budget to BASE and Max, allows certain growth	Gen Fund budget built on entitlements.	Voted, permissive Subsidized, unsubsidized	Policy—How will the general fund budget be calculated and

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	depending on categories and votes	<ul style="list-style-type: none"> • Spending cap? • Voted vs nonvoted portion? • Non-levy revenues? • Tax revenues? 	<ul style="list-style-type: none"> • Should be subsidized to equalize tax effort? <p>Limited, unlimited</p> <ul style="list-style-type: none"> • Some district have very little tax support, so it would exhaust state resources to subsidize unlimited levies. 	<p>funded?</p> <p>What portion of the Gen Fund will the state support vs local funding?</p>
Penalty or reward for overspending budget limit?	<p>Overspending is locally controlled, but uses reserves or unanticipated revenues.</p> <p>Under-spending has no advantage, since unused budgets lapse at 6/30. Returns to the budget and limits taxes and state GTB.</p>		<ol style="list-style-type: none"> 1) No change 2) Add incentive to spend less by allowing a carryover of budget? <ul style="list-style-type: none"> • Leftover taxes should be used to lower local tax burden? 	Policy-If a budget is not spent, should the district be able to carry it forward?
How will the combined Gen Fund accommodate the spikes in retirement fund costs?	<p>Districts add whatever they need to their budget for retirement, then the county levies to make up for it.</p> <ul style="list-style-type: none"> • All districts in county share other districts' obligations. • State GTB subsidies 	Build retirement costs into entitlements	<ol style="list-style-type: none"> 1) Provide a larger Gen Fund operating reserve to pay for budget amendments for retirement cost spikes. 2) Allow a <u>subsidized</u> local tax levy to accommodate extra retirement obligations. Voted? Permissive? Limited? 3) Allow an <u>unsubsidized</u> local tax levy to accommodate extra retirement obligations. Voted? Permissive? Limited? 	Policy—How will retirement costs be built into the entitlement system?
How will the combined Gen	Districts add whatever they need to their budget for	Fund transportation	1) Add 100% X on-schedule to Gen Fund budget so you'll collect subsidized	Policy—How will transportation

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Fund accommodate the differences in transportation costs?	transportation, then levy what's needed. <ul style="list-style-type: none"> All districts in county share other districts' obligations. State GTB subsidies 	costs through an entitlement, either on same reimbursement system or a replacement system. Administrative costs may be built into district level entitlements, so wouldn't have to be covered as transportation costs.	local levy. <ul style="list-style-type: none"> Some spend less than 200% X on-schedule. Some districts are currently paying more than 200% X on-schedule. 2) Reimbursement in following year for some percentage of actual costs for transportation, based on expenditure reports. <ul style="list-style-type: none"> Hard to get consistent reporting? 	entitlement be set? <ul style="list-style-type: none"> Same reimbursement? Different payment?
Transfers Between Funds:				
Allow transfers between budgeted funds and between non-budgeted funds under 20-9-208?	Allowed starting in 2001 for flexibility	Flexibility achieved by combining funds	1) Discontinue transfers except for comp absences fund, etc. specified by law. 2) Continue to allow transfers <ul style="list-style-type: none"> Taxpayer inequities 	Discontinue transfers except for comp absences fund, etc. specified by law.
Budget Amendments:				
What types of budget amendments will be allowed? What process?	Allowed for 6 reasons: <ul style="list-style-type: none"> Enrollment increase Destruction/impairment of property Judgments for damages Late legislation protested tax settlement, 	New system may equalize budgeting by changing non-levy revenue sources. <ul style="list-style-type: none"> Current system is disequalizing, 	1) Same reasons, same process 2) Same reasons, different process 3) Different reasons, same process 4) Different reasons, different process	

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	delinquent taxes, or a tax audit PLUS a deferred project from earlier years <ul style="list-style-type: none"> • “dire consequences” Process: Req’d open meeting process and public notice, then approval by trustees	since most amendments use “dire consequences” as reason to spend unanticipated revenues.	Note—Transportation budget amendments currently very cumbersome, should be simplified.	
Under what circumstances should additional state funding be paid for budget amendments?	Increased enrollment and transportation cause add'l payments	Entitlements may be partly based on enrollments. Transportation may be funded using current system or may be treated differently as an entitlement.		
Retirement Funding and Cooperatives:				
How should special ed cooperatives get their retirement funding?	Either: <ul style="list-style-type: none"> • Added as another district on eh county’s retirement budget, and paid directly OR <ul style="list-style-type: none"> • Prorated among member districts, who add into their retirement budgets, receive funding from county, and pay the cooperative. 	What will funding source be for retirement costs?	Options depend on how retirement is funded.	
Budget Process:				
Should budget	Election in May	Effort to simplify	1) Keep as is	

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timelines be changed?	<ul style="list-style-type: none"> • Too early in Legis. years Adopt budget on or by Aug 15 <ul style="list-style-type: none"> • Often too early for county tax valuation statements, needed to set levies. 		<ul style="list-style-type: none"> • May election too early in a legislative year, unless funding is known in advance 2) Move election date to ____? <ul style="list-style-type: none"> • Depends on what will be voted on under new system. • What works better? 3) Move budget adoption date to ____?	
Co Supt role in budget process?	Co Supt calculates revenues and submits budgets to commissioners.	May be a set district tax levy for general fund. May be different treatments of sources of funding, non-levy revenues, etc.	1) Keep as is? <ul style="list-style-type: none"> • Revenues may be different based under an entitlement system • Co Supt held legally responsible for somewhat uncontrollable duty. • MAEFAIRS calculates mills based on district's anticipated non-levy revenues. 2) Different duties for small districts and large districts? <ul style="list-style-type: none"> • What would be the categories? 	Add process for budget-setting in cases where districts miss deadlines?
Transitions:				
General Fund-- What happens to fund balances of: <ul style="list-style-type: none"> • Transportation Fund? • Retirement Fund? • Tech Fund? • Flex Fund? 		Combine: Gen Fund Trans Fund Retmt Fund Tech Fund Flex Fund	1) Close to Gen Fund and use as reappropriation or reserves <ul style="list-style-type: none"> • Depends on Gen Fund op reserve limit. 2) Set aside for discretionary use? <ul style="list-style-type: none"> • Sep non-budgeted fund? Could be combined with other fund balances. 3) Return Retmt funds to county <ul style="list-style-type: none"> • Originally came from county, with 	

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			state GTB 4) Use to fund entitlements <ul style="list-style-type: none"> • May help with transition to higher funding levels 	
Capital Projects Fund-- What happens to fund balances of: <ul style="list-style-type: none"> • Building fund • Building Reserve Fund • Bus Depreciation Fund 	Building Fund= Bond Proceeds <ul style="list-style-type: none"> • Closes to Debt Service fund to repay bonds Building Reserve Fund = voted levy to accumulate money for particular projects. <ul style="list-style-type: none"> • Closes to any fund at discretion of trustees Bus Depreciation Fund = permissive levy up to 20% of a bus' cost, up to 150%. <ul style="list-style-type: none"> • After buses all sold, may transfer after vote 	Combine: <ul style="list-style-type: none"> • Building Fund • Building Reserve Fund • Bus Depr Fund Funding: <ul style="list-style-type: none"> • Bond proceeds • Capital Projects Levy? • Capital Proj Entitlement? 	1) Keep bond proceeds separate, combine all other. <ul style="list-style-type: none"> • Allows flexibility. 2) Keep bond proceeds separate, building reserves separate, bus money separate. <ul style="list-style-type: none"> • Not flexible • Should bus money have to be separate? 	
How should the previously voted Tech Fund levy be handled?	Voted in Tech fund, lasts indefinitely, up to 20% of asset value per year	Tech Fund combines with Gen Fund	1) Retain additional tech levy for _ years in general fund, then expires. <ul style="list-style-type: none"> • Technology needs are supposed to be addressed in entitlements. 2) Expire immediately 3) Retain levy indefinitely by building into Gen Fund or adding to General Fund <ul style="list-style-type: none"> • If tech is included in entitlements, this is not equalized. 	

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			4) Allow every district a subsidized tech levy. <ul style="list-style-type: none"> • Not based on previous costs—too complex and dis-equalized. 	
Other:				
Will districts continue to pay for detention center education?	District of residence is changed \$20 per day for each student they have in county detention center. Districts pay using tuition fund or Impact Aid. <ul style="list-style-type: none"> • Not equalized. 	Not specifically addressed, but effort is to provide adequate education funding and equity among payers.	1) Keep as is <ul style="list-style-type: none"> • Not equitable, since it's an unsubsidized levy • complicated 2) Other funding for detention centers? <ul style="list-style-type: none"> • State direct payment for \$20 per day per student to defray educ. costs 	