

## **SCHOOL BOARD ACTION ITEMS FOR OCTOBER 6, 2022**

### **Year-end Financials/Motions to Approve**

- 1) Move approval to authorize budget transfers for accounts overspent by more than \$10,000, as presented to the School Board by the Business Office.
  
- 2) Move approval to transfer year-end fund balance to the new School Capital Reserve Fund. Funds allocated are \$488,512 in state subsidy revenues as approved by the School Board and Town Council in May of 2021, and \$111,488 of additional General Fund surplus created in FY22, for a total transfer of \$600,000. The School Capital Reserve Fund will be used as revenue for future capital projects as determined by the Board through the annual budget process. Surplus funds at year end in future fiscal years may be added to the School Capital Reserve Fund by vote of the Board.

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### **Notes on the Capital Reserve Fund**

As we reached the end of our FY22 budget development process, we received word that the Governor's proposed budget planned to increase the level of General Purpose Aid to Maine schools. Scarborough's GPA increase was calculated at \$977,025, however preliminary allocations announced by the Department of Education on May 17, 2021, were still awaiting approval by the State Legislature at the time of the School Board's and Town Council's votes later that month.

A state statute – Title 20-A M.R.S.A. §1485 (5) – exists to address the situation of subsidy increases received after a school district already has an approved budget. The statute permits a school district to include language in budget votes to signal their intent to use any additional subsidy for three allowable purposes, and advise the voters of that intent in the referendum materials. The three allowed uses are: increasing school expenditures; allocating funds to a reserve fund; and decreasing the cost to local taxpayers.

Because the Town's FY22 budget proposal had already met the goal of a less than 3% tax increase, school and town leaders developed a plan to allocate half of the additional subsidy to non-tax revenue for the FY2022 school budget, and the other half to establishing a School Capital Reserve Fund. The Reserve Fund could be used in later budgets to support capital project expenditures, particularly for the types of long-range planning and engineering costs that are not eligible for bonding under current guidelines.

As a result of this decision, both the School Board and Town Council added the following language to their budget approval votes (on May 19 and May 26, 2021, respectively):

BE IT FURTHER ORDERED, that in the event that the Scarborough School Department receives more state education subsidy (General Purpose Aid) than the amount included in its Budget, that pursuant to Title 20-A M.R.S.A. §1485 (5), fifty percent (50%) of the increase in State Education Subsidy be allocated to lower the local contribution to the total cost of funding education and thereby provide property tax relief in FY2022; and the remaining fifty percent (50%) be allocated to a School Capital Reserve Fund to be established in accordance with Title 20-A M.R.S.A. §1491.

The School Board's vote to transfer funds as part of the FY22 year-end financial action items will officially establish the new School Capital Reserve Fund.