

Will Budget Surplus be Returned to Taxpayers?

Common Questions About the Amity Budget and Surplus (Part 1 of 2)

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A recent article published in Orange and Woodbridge Town News stated that the Amity BOE voted not to return the surplus to towns. This is the first of a 2-part article to answer common questions and clarify misconceptions about the Amity budget surplus. The second part will be published next month.

1. *We saw the article in the Orange and Woodbridge Town News with the headline "Amity Votes Not to Return \$1.5 Million Surplus to Towns." We are shocked that the BOE would not return unspent money from the budget to the towns and the taxpayers. What is going on?*

NO SUCH VOTE WAS TAKEN by the BOE. This article and the headline are factually wrong.

Here is the story: When there are unspent funds from the budget, the Amity BOE traditionally appropriates a portion of the funds for one-time nonrecurring capital improvements as allowed by state statute, and then returns the remaining funds to the towns in the following year. The towns then use the returned funds at their discretion for other town needs, even though taxpayers voted the expenses only for the school district.

Before he became BOE chair, Paul Davis noticed that the current process may be violating state statute, which requires that unspent funds be used only to reduce the school district's budget in the following year. So, he requested the administration get a legal opinion.

Connecticut General Statute §10-51 subsection 5(c) states: "*The Board shall use any budget appropriation which has not been expended by the end of the fiscal year to reduce the net expenses of the district for the following year.*"

For the September 12 BOE meeting, the lawyers and auditors gave written opinions that the statute requires that unspent funds be used only to reduce future expenses of Amity; they cannot be returned to towns and spent on non-education items. To learn more, the Amity BOE invited the auditors and lawyers to the October 17 meeting. They reiterated their earlier opinions in person.

The administration also surveyed 12 other regional school districts. Ten of these districts use unspent funds towards future budgets or capital reserve and are in compliance with the statute.

The board will discuss the issue again in November. Though the **Board cannot vote on whether to follow a law or not**, it will decide on how best to return unspent funds to taxpayers without violating the law.

2. *Will taxpayers and towns be adversely affected by the change, if Amity BOE decides to follow the recommendation to use the unspent funds to offset the following year's expenses?*

Practically, there will be no change to taxpayers' costs as in either case, the unspent funds will cover a cost that ultimately has to be paid by the taxpayer. But there are benefits for taxpayers and the town in following the law, rather than continue a practice advised as illegal by auditors and lawyers.

1. GREATER TRANSPARENCY: Directly using unspent funds to reduce the next year's Amity expenses is more transparent as the spend is for what taxpayers voted for. When the funds are returned to towns, they use taxpayer-approved school funding for other town needs without taxpayer oversight. Using unspent funds to reduce the next year's education expenses keeps money where taxpayers approved.
2. REMOVING LEGAL RISK: Not following the law puts the Amity school district, the BOE, and all member towns at risk of future litigation costs.
3. *Why did the Amity BOE retain \$929,175 of FY 21-22 surplus funds (~ 1.8% of the budget) to support the capital reserve fund instead of returning it to taxpayers?*

Many board members' natural inclination was to return all surplus to taxpayers. But after careful consideration of the costs and benefits to taxpayers and students, the board members ALL voted UNANIMOUSLY to fund two major items in the *school's capital plan*: (1) replacement of leaky roofs in the two middle schools (about \$710K) and (2) long overdue replacement of musical instruments (about \$190K). In addition, members voted to allocate about 25K for preliminary costs (to obtain bids, architectural drawings etc.) to upgrade the lecture hall.

Remember capital costs will be incurred by taxpayers one way or another. Using current unspent funds for these capital costs NOW is prudent and cost-effective because: (1) delaying roof replacement can potentially increase future costs from mold, damaged walls; (2) issuing bonds for such relatively small capital expenses will incur significant bonding costs.

Indeed, state law allows schools districts to appropriate part of the surplus (up to 2% of budget) for capital expenses, because when used prudently, it saves money for taxpayers.