

SCHOOL BOARD ACTION ITEMS FOR OCTOBER 3, 2024

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 School Capital Reserve Fund. Funds allocated are \$800,000 of General Fund surplus created in FY24, as recommended by the Business Office and the School Board Finance Committee.

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 would 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.

In October of 2022, the Board used the extra GPA funds (\$488,512) and added \$111,488 in General Fund surplus to create the new Capital Reserve Fund with a balance of \$600,000. At the end of FY23, the Board voted to allocate another \$800,000 to the fund, and we propose to transfer \$800,000 again in FY24.

School Capital Reserve Fund

FY22	Funds reserved	Funds used in budget	For	Available funds
FY22	\$600,000	0		\$600,000
FY23	\$800,000	\$199,000	CIP equipment purchases	\$1,201,000
FY24	Pending BOE action	\$405,783	School bus replacement	\$795,217
FY25		\$585,000	LRP - Building project	\$210,217