

Budget scenarios target reserve fund numbers

Written by Brenda Johnson Brandt

Looking at the amount of monthly expenditures in reserve, Holyoke Re-1J Board of Education considered three budget scenarios at a work session following the May 18 board meeting.

Two scenarios—one with 3.64 months expenditures in reserve and the other with 3.5 months in reserve—will be built with more specific numbers and documentation on effect on student achievement. These will be reviewed at the June 1 board meeting.

Supt. Bret Miles noted the current year looks to end under-budget on June 30. The estimate ending fund balance is \$1.6 million or 3.85 months in reserve.

Proposed reduction in state funding for the district is \$172,115.

Scenario #1 proposes the reserve offset half of this shortfall, with a new estimated ending fund balance for 2010-11 at \$1,513,943 or 3.64 months expenditures in reserve.

This proposal was presented in board parameters and was intended to only offset the decline in revenue, not the increase in expenditures.

Scenario #2 adds PERA (Public Employees Retirement Association) increase, step increase and health insurance increase to the proposed reduction in state funding for a total budget reduction need of \$281,371.

It proposes using the fund balance to offset half of this, \$140,686. The new estimated 2010-11 ending fund balance would be \$1,459,315 or 3.51 months expenditures in reserve.

Supt. Miles proposed Scenario #3, which works backwards from a responsible reserve amount of 3.50 months expenditures, or \$1,455,972 as the 2010-11 ending fund balance.

He noted this still leaves the district \$250,000 above the old \$1.2 million goal for the fund balance. It amounts to \$144,028 available over the target.

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Miles explained there's not that big of a difference in terms of having a responsible reserve from using \$86,000 (Scenario #1) or \$144,000 (Scenario #3) in one year.

Recommending Scenario #3, Miles said using more fund balance this year will help with three major areas of the budget.

First, spending on employees needs to increase. The PERA increase is mandatory. Step increases and increased cost of health insurance are both ways to attract and retain quality staff.

Secondly, Miles said costs associated with learning need to be a priority. Two specific expenses he highlighted are textbooks and professional development.

Thirdly, while not guaranteed, Miles said using more fund balance will increase the likelihood the district can restore building budgets.

The potential mill levy override question will have an impact on the scenario. However, Miles admitted he's unable to confidently predict the reaction.

Board president Dan Kafka noted Scenario #1 isn't necessarily the best the district can do for students. He asked if there's a reason to be so conservative as to take away from what will affect kids.

Miles responded it's much less about the dollar and more about how you talk to people concerning how you handle the reserve.

Board member Jeff Tharp cited the difference in 3.5 and 3.65 months expenditures in reserve, and referenced an arbitrary 15 days difference.

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Looking at an ending fund balance in June, Tharp noted the more conservative Scenario #1 could see saving 15 days reserve by cutting resources from the classroom. "If we can get texts or something that would benefit kids, I'd give up 15 days expenditures in reserve," he added, showing support for Scenario #3.

While there was agreement for looking at the 3.5 months expenditures in reserve, board member Linda Jelden had reservations. She said she thinks they have to consider the scenario if next year would be a bad year budgetarily.

With that in mind, specifics for the two budget scenarios will be built, to make sure there's an understanding within the school and community.

Board member Kim Killin asked how, for instance, a \$30 million wind project coming into the school district would affect funding.

Supt. Miles said it would definitely be a benefit in that one mill would generate more money. However, it would not change the general fund or the per pupil operating revenue. The state share would decrease and the local share increase in terms of funding.