

Education Committee JOINT FAVORABLE REPORT

Bill No.: HB-5167

AN ACT INCREASING THE AMOUNT A BOARD OF EDUCATION MAY
DEPOSIT INTO A NONLAPSING ACCOUNT FOR UNEXPENDED EDUCATION

Title: FUNDS.

Vote Date: 3/14/2018

Vote Action: Joint Favorable Substitute

PH Date: 2/26/2018

File No.:

***Disclaimer:** The following Joint Favorable Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

Education Committee

REASONS FOR BILL:

HB 5167 modifies an existing law by raising the amount, from 1% to 2%, of a town's prior fiscal year education appropriation that can be deposited in a nonlapsing account for later - use. The existing law overrides contrary statutes, special acts, local charters, and ordinances to allow a town board of finance, board of selectmen in a town with no board of finance, or other appropriating authority for a school district to retain and deposit in a nonlapsing account any unspent funds from the town's total budgeted appropriations for education for the prior fiscal year. The amount deposited in the account in any year is limited to 1% of the school district's total budgeted appropriation for that year.

SUBSTITUTE LANGUAGE:

Lines 13 – 14 **Substitute language specifies** that the funds in the nonlapsing account must be used for educational purposes only and expended upon authorization of the board of education.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Dianna R. Wentzell, Commissioner, State Department of Education:](#)

Commissioner Wentzell testified on behalf of the State Department of Education stating support for HB 5167 and "the ability" of districts "to reserve a small amount of unspent funds for future needs." However, SDE Commissioner wants to ensure that districts are not

purposely setting aside funds in anticipation of “potential future budget issues” and stated that SDE would be happy to work with the committee as the concept moves forward.

NATURE AND SOURCES OF SUPPORT:

Dr. Christine Carver, Superintendent of Bethel Public Schools:

Dr. Carver spoke in support of HB 5167 stating that it leaves flexibility for communities to decide how to best use the funds and increases financial stability for education budgets.

Francine Coss, Superintendent of Thomaston Public Schools:

Ms. Coss spoke in support of HB 5167 stating that it will provide for future school funding issues thus preventing towns from having to increase the local mill rate when unanticipated education costs arise. She also stated that increasing the amount that can be deposited into a non-lapsing account from 1% to 2% will increase “fiscal prudence” since schools will not frantically try to spend any amount above the 1% currently allowed before the school year’s end so the money doesn’t get returned to the municipality.

Orlando Rodriguez, Research and Policy Development Specialist, Connecticut Education Association (CEA):

Mr. Rodriguez spoke on behalf of CEA in support of HB 5167 but with recommendations to increase financial transparency and to ensure that the increase to a 2% reserve fund, which allows districts to have more predictable funding, be spent on K – 12 education services. Specific recommendations from CEA are listed below.

1. Monies placed in such a non-lapsing account can only be used for K-12 education services.
2. Monies placed in such a non-lapsing account shall not be commingled with funds from any other sources.
3. Monies placed in such a non-lapsing account must remain liquid and may be invested only in an account insured by the FDIC.
4. The balance of such a non-lapsing fund cannot exceed five percent of the municipality’s total budget for K-12 education services.
5. Within one month of the end of a fiscal year and before a town meeting can be held, all residents must be informed via postal mail detailing:
 - a. Local taxes collected for K-12 education services in the last fiscal year,
 - b. Local taxes expended on education service in the last fiscal year, and
 - c. Local taxes lapsed from the collected monies for K-12 education services in the last fiscal year.

Patricia Buell, Superintendent of Brooklyn Schools:

Ms. Buell submitted testimony in support of HB 5167 because increasing the amount that districts can deposit into a non-lapsing year end fund will be very beneficial to Brooklyn. She shared the following financial challenge that Brooklyn recently faced: “Brooklyn has had 29 students with disabilities move into district between September 2017 and February 2018. Three of these students require specialized programming in an out of district placement. These funds are not in the budget. As a district we are required to reduced anticipated expenditures or seek additional funding from the Town. This year, this total tuition and transportation costs exceeded \$250,000. Example: As I explore quotes for insurances, the initial quotes were returned at 32% increase. If Brooklyn was to consider a self-funded

insurance option, the rate increases may be lower; however the Board of Education would not have the funds to pay for the stop loss coverage, especially during the first year.”

Dan Syme, First Selectman, Scotland:

Mr. Syme spoke in support of HB 5167. Scotland is a town of 650 homes and is part of a regional school district. The town was able to absorb this year’s initial government educational cut of \$71000 from the state budget by taking the funds from the undesignated fund. Then in November, after having a public hearing on the town budget at which the citizens found out about the first reduction in mill rate (.75%) in 12 years, Scotland learned that the state cut their education funds by an additional \$113,000. Scotland had \$465,000 in their undesignated fund. Further complicating their budgeting is the fact that they are a part of a regional school district which never returns any unspent funds to Scotland. Mr. Syme concluded that the only way to prevent insolvency is by getting the local elementary school to return unspent funds at the end of the year. Mr. Syme supports HB 5167 because it would increase the amount Scotland can deposit into their reserve fund.

ADDITIONAL SOURCES OF SUPPORT:

The following individuals and organizations submitted testimony in support of HB 5167 because increasing the amount that can be deposited to up to 2% of the total budgeted appropriation for education allows a board of education to be better able to meet future expenditures:

[Adam S. Burrows, Superintendent, Voluntown Public Schools](#)

Jennifer Dayton, [CABE](#)

NATURE AND SOURCES OF OPPOSITION:

[Derrilyn Gorski, First Selectman, Bethany, CT Council of Small Towns](#)

Ms. Gorski testified on behalf of The Connecticut Council of Small Towns in opposition to HB 5167 because the bill does not specify clearly enough that unexpended funds would have to go to “academic instruction and other critical needs.” Gorski stated that schools that are part of a regional school district have less control over education budgets, which make up 70-80% of a town’s budget, and it is unclear what oversight town officials have in regard to the school budgets.

Ms. Gorski shared an example of why she is concerned about the lack of clarity regarding how unexpended funds are allocated. All three towns in the Amity Regional School District, of which Bethany is a part, voted against a referendum for an artificial turf field that the Amity Board of Education supported. Without specifying that unexpended funds must go to academic services, the Amity BOE might be able to use the funds to pay for a project that the citizens voted against. Ms. Gorski also stated that HB 5167 “puts additional pressure on towns to increase mill rates to fund education” especially for towns that are a part of regional school districts.

Reported by: Tamara Morris

Date: March 26, 2018