



## Impact to Shelby County Public Schools

# HB 200

## Shelby County Impact



Item	Per Pupil	Total
SEEK Transportation	\$231	\$1,457,659
Health Benefits	71	448,210
Instructional Resources	27	167,789
Professional Development	15	94,424
Family Resource Centers	5	32,176
Construction Offers of Assistance	5	28,806
Technology Offers of Assistance	1	8,275
CERS Rate Increase *	<u>125</u>	<u>786,013</u>
Total Impact to General Fund	<u>\$480</u>	<u>\$3,023,352</u>

\* Not part of HB 200

## SEEK Transportation



- Transportation has been underfunded for many years
- The enormous proposed cut in HB 200 cannot be resolved by consolidating bus routes or other efficiencies

Shelby County Public Schools	FY 18 Funding	HB 200 Proposed Funding
Actual cost for student transportation	\$3,400,000	\$3,400,000
SEEK Transportation funding	<u>\$2,400,000</u>	<u>\$900,000</u>
FUNDING GAP	<u>(\$1,000,000)</u>	<u>(2,500,000)</u>

## Reserve Funds



- Fund Balance is **NOT** representative of reserve funds
- Fund Balance is simply a snapshot of the difference between assets and liabilities –IT DOES NOT REPRESENT CASH RESERVES
- Total fund balance includes amounts that are committed or assigned for specific purposes and not available for operating expenditures
- Government Finance Officers Association (GFOA) best practice requires two months' operating expenditures, or 12.5% for Shelby County
- Shelby County FY 18 contingency is 12.1% or \$8,041,000

## Reserve Funds



Contingency is crucial to enable districts to respond to unusual or unforeseen events without negatively impacting services to students, such as:

- Severe weather event
- Major equipment breakdown
- Property purchase needs for increasing enrollment
- Safeguard against mid-year cuts from grantors; loss of major taxpayer
- Ensure adequate funds at the beginning of the year until tax revenues begin to flow
  - Many districts see a critical low point near October 31

## Reserve Funds



- Shelby County has made tough financial decisions to ensure maintenance of adequate contingency
- Shelby County contingency could backfill the HB 200 cuts and the CERS increase for two years
- 54 districts don't have enough contingency to offset this impact for just one year
- 108 districts don't have enough to offset this impact for two years
- **Using contingency funds to pay for recurring costs is irresponsible management of public funds**

## “Administrative” Ratio



“Administrative” costs per HB 200 include many significant costs which are NOT administrative in nature:

- School Principals, assistant principals, school bookkeepers
- Technology staff supporting student devices
- Human resources
- Public relations
- Finance (payroll, accounts payable, newspaper publications, Munis fees)
- Tax collection commissions
- Liability insurance for the district
- Sick leave payouts
- Required annual audit, legal fees, KSBIT settlement payments

## “Administrative” Ratio



- Issues with the way HB 200 deals with administrative costs:
  - Many costs in the “administrative” total are essential
    - Example: we can’t run a school district without someone to process payroll
  - Shelby County is at 16.4% (ranked 34<sup>th</sup> lowest); a 12% reduction in “administrative” costs for Shelby County is \$824,000
  - No acceptable ratio the first year
  - Districts interpret the Chart of Accounts differently
  - No specific oversight to ensure codes are utilized accurately
  - May require a very specific query to mine the desired data

## Why HB 200 is Problematic



- Huge cut to SEEK, through transportation
  - This requires local taxpayers to contribute more to maintain the same services to students
- Multiple additional cuts (health insurance, flex focus)
- Districts have already been hit with an enormous increase to the CERS employer contribution rate

## Why HB 200 is Problematic



- The administrative ratio as defined in HB 200 does not, in fact, target true administrative costs; does not recognize there are fixed costs to operate a school district, regardless of enrollment
- HB 200 limits flexibility in spending; when funding cuts are made, districts need MORE flexibility to absorb the impact and continue to provide services to students
- Budgetary reserve is essential and required for sound fiscal management; adequate reserves must be maintained (2 months' operating costs)