

H1031 Working Group Meeting #2
November 16, 2018

Attendees

Working Group Members

- Amy Cannon Cumberland County Manager
- Pam Dubois Senior Deputy Cabarrus County Manager
- Susan Holder Assistant Sampson County Manager
- Jeff Hollamon CFO, Onslow County Schools
- Kimberly Honeycutt Finance Officer, Harnett County
- Ricky Lopes Retired School Finance Officer
- Jennifer Mace Catawba County Budget and Management Director
- Glynn Rollins Halifax County Attorney
- Pam Satterfield Executive Director, NCASBO
- Nick Sojka In-house Counsel, Cumberland County Schools
- Leanne Winner NC School Boards Association
- Mark Winters CFO, Wake County Public Schools
- Kyle Wolf Forsyth County Budget Director

Facilitators

- David Brown Research Director, ncIMPACT, UNC School of Government
- Sharon Edmundson Director, Fiscal Management Section, State and Local Finance Division, Department of State Treasurer
- Kara Millonzi Professor of Public Law and Government, UNC School of Government

Agenda

- I. Chairs call meeting to order
- II. Kara Millonzi reviews Working Group charge
- III. Sharon Edmundson presents on fund balance
- IV. Discussion of school fund balance issue
- V. Identify further data needs
- VI. Set discussion topics for next meeting
- VII. Other issues

School System Fund Balances – Discussion Topics

- Are we considering the encumbered or unencumbered fund balance?
 - Per the Program Evaluation Division’s [report](#) to the legislature (page 22), we’re considering anything other than what’s restricted by state statute.
- Fund balances provide schools systems with flexibility for, e.g., emergency repairs during hurricane season.
- School system budgets are due to counties before all sources and amounts of federal, state, and local funding is known.
- Counties carry fund balances in case of a bad tax collection year.
- School systems carry fund balances because they don’t know where their money is coming from.
 - The commonality between schools and counties is they’re both trying to “keep an even keel” on funding.
- Where does the fund balance come from?
 - A school system’s goal is to spend down its state money by June 30.
 - It’s not unusual for state adjustments to still be coming in the last week of June.
- Is there any way to know how much fund balance is needed year to year, in order to recommend a guideline?
 - It would be challenging to find any two school systems (or districts) that look enough alike to get a state picture.
- School systems are not asking for a minimum guaranteed fund balance from their counties, but they would like to avoid an arbitrary cap.
- Counties see a problem with recurring expenditures tied to the fund balance.
 - Also, if the ADM is decreasing but the fund balance is increasing, and then the same school system is asking for additional funding, this becomes difficult to justify.
 - There may be completely valid reasons for this situation, but the school system needs to share them.

- Is it possible to set up a policy and process? For example, if the fund balance is above a certain amount, the school system should make its case to the county commissioners, including reasons for the existing balance and plans for any expenditures.
 - As discussed at the last meeting, communication and the sharing of information are key.
- What if representatives of county administration were required to meet quarterly with the school system administration to share financial trends and goals?
 - Or, if we wanted to be more specific, we could require the school board or its staff to share a plan for any fund balance.
 - We would want to ensure a meaningful exchange at these meetings while being careful to avoid the imposition of additional onerous reporting requirements.

Data Needs/Next Steps

- Ms. Winner said that she would send some thoughts to the group about the next meeting topic (capital budgets) and, time permitting, would attempt to draft some legislative language to reflect the group's proposed approach to fund balances.
- The group agreed that it already had the necessary capital budget data from Ms. Edmundson.

Next Meeting

- Wednesday, December 12th 9:30am-11:30am to continue discussion of fund balance issue and begin discussion of capital funding issue.