



February 1, 2011

Dear Superintendent:

As the new year begins, Kentucky school districts are facing some serious financial challenges. In the wake of the recent announcement regarding mid-year SEEK cuts and the loss of federal funding coming in fiscal year 2012, local school districts need to communicate to their legislators details about their local school district financial information, specifically information on contingency funds and Fund I balance issues. In conjunction with communicating to legislators, it is important for local school boards to understand this information as well. As we prepare for fiscal year 2012 and the Kentucky General Assembly returns to Frankfort, we need to give our legislators the most accurate picture of the financial future of education.

As you may know, the Kentucky General Assembly has asked the Kentucky Department of Education to provide it a report of Fund I balances and "edujobs" funding to give lawmakers a better understanding of the fiscal state of local school districts.

Unfortunately, as you know, looking at a one-time snapshot report does not provide the legislature or the general public with accurate information on the fiscal realities local school districts face.

For this reason, the Kentucky School Boards Association and the Kentucky Association of School Superintendents are asking for your help in providing the legislature with more information about the current fiscal situation in each local district. We are asking all local school boards to include the issue of contingency funds and Fund I balances as an agenda item at their next school board meeting. We would like for each of you to prepare a report about your district's Fund I balance and contingency fund for discussion at that board meeting.

To assist you in this effort we have included a sample report form. We are also including the most recent list of Fund I balances the General Assembly members received from the Kentucky Department of Education and the statutes pertaining to contingency funds.

Once this information has been reported at your board meeting, please send us a copy of minutes from that meeting and the completed report. This information will assist our governmental relations team in discussing budget issues with the General Assembly.

Please return the minutes and completed form to:

KSBA

Jhan Wilson

260 Democrat Drive

Frankfort, KY 40602

Or by fax: 502.783.1198

Or by email [jhan.wilson@ksba.org](mailto:jhan.wilson@ksba.org)

Sincerely,

Bill Scott  
Executive Director  
Kentucky School Boards Association

Wilson Sears  
Executive Director  
Kentucky Association of School Superintendents



## Explanation of Fund I balance issues and Contingency Fund

School District: Todd County

### Fund I Balances:

Please list your **June 30, 2010** total Fund 1 Balance as reported to the Kentucky Department of Education (see enclosed list): \$4,378,682

What percentage of your total budget does the above number represent? 18%

Have you shared with your local board of education an explanation of your intentions for your district's Fund I balance? Would you provide us with same information and relevant materials?

One month's expenses are \$1,522,085 on average. We would like to have several months set aside. Fund 2 grants are on a reimbursement basis. Our Fund 2 cash balance was as high as -437,718 (negative) during 2010. We have to have money to cover this. Our fund balance has decreased by \$955,148 over the last three years from absorbing cuts handed down by KDE as late as

### Contingency Fund:

June of the school year. ①

Assuming your budget was prorated equally throughout the year (e.g., 2 percent per week), how many weeks of operating expenses would your contingency cover?. For example, if your contingency is \$5 million out of a \$100 million budget (5 percent), that would provide 2 ½ weeks of operating expenses in your district Contingency 1,200,000 3 ½ weeks of expenses

Please return this form with minutes from your meeting which this information was discussed.

Jhan Wilson

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260 Democrat Drive

Frankfort, KY 40601

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① We also have made a strong commitment to technology in Todd County. lease payments for computers are \$392,236. This is not necessarily funded by KDE and we have to have reserves to pay this if necessary.