

In Brief

April 17, 2020

Managing School Finances During Uncertain Times: What Should I Be Doing Now?

Revenues and expenses are always difficult to predict, so preparing a viable budget and keeping it in balance are among the most challenging demands school financial officials will face. Even during the most prosperous and stable of times, managing a school's finances can test the most seasoned and accomplished administrators. But what happens to your best-laid plans when a state-wide shutdown impacts your funding sources? Do you believe rumors about extended tax payment deadlines and delayed distributions? What if it looks like county sales tax revenues you need are drying up? What can you do to mitigate the impact of these external factors and how do you get started?

Assess Your Situation: Will You Likely be Facing a Budgetary Shortfall?

Now is the time to reevaluate your budgetary health and make predictions with a critical eye and a sharp pencil. The following are some factors to evaluate:

- Attempt to identify potential revenue shortfalls.
- Attempt to identify how the shutdown impacts your expenses.
- Can any contractual expenditures or special projects be avoided or postponed?
- What are your expectations with respect to state appropriations and federal aid?
- Are there any new initiatives or grant opportunities that may generate revenues?

Identify and Evaluate Your Options

Depending on the type and extent of any deficits you project, Illinois law authorizes several fund management and short-term borrowing alternatives, including the following commonly used techniques:

- Interfund loans and transfers may assist in managing fund deficits.
- Working Cash Fund abatements or abolishment.
- Tax Anticipation Warrants ("TAW") can provide an ideal source of short-term funding.
- A district can establish lines of credit with a bank or other financial institution.

Contact Your Professional Consultants

Whether considering one of the commonly used measures discussed above, or whether you are interested in evaluating any additional options that are permissible under the School Code, it is

essential to begin your planning as soon as you identify a budgetary deficit. Your lawyers and auditors can assist you with:

- Evaluating concerns and identifying alternatives for your particular situation.
- Engaging banks and financial institutions that will make funds available.
- Addressing taxable and tax-exempt options, along with IRS compliance assistance.
- Preparing documents and resolutions in compliance with applicable laws.
- Ensuring that all approvals are obtained in compliance with applicable laws.
- Closing transactions quickly to ensure funding arrives in time to meet your needs.

Remain Calm!

Early detection of potential budgetary problems, when coupled with the timely engagement of your professional consultants, can help to minimize your budgetary concerns. In these uncertain times there are measures to aid you in overcoming challenges and maintaining a viable and healthy budget.

If you have any questions, please contact a Robbins Schwartz attorney.