Board approves loan planning

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A School Board committee Wednesday gave tentative approval to the staff to begin procedures to borrow as much as $10 million to cover its payroll if the state is late in delivering monthly Minimum Foundation Program funds.

The Executive Committee recommended that the School Board allow school finance officials to go before the state Bond Commission to get permission for the short-term loan.

Administrative Finance Director Richard Raether said the loan may be necessary "come May, June or July" because the local system doesn't have enough money to cover paychecks if the state withholds the funds. So far, the state has paid the checks on time, but Commissioner of Administration Stephanie Alexander has said the checks may be seven to 10 days late in the near future because of state government's money crunch.

Usually, the local school system has been able to cover the checks with reserve funds, but all of the system's $2.1 million in reserve will be needed to cover lower-than-anticipated sales tax receipts.

The school system usually receives checks from the state on the 22nd, 23rd or 24th of each month, Raether said, and many employees, including teachers, are paid on the first of the month.

"We're hopeful we won't have to use this, but come May, June or July, we may need to," Raether said.

Approval of the request by the full board would allow the staff to ask the state Bond Commission for permission to borrow funds. State governing agencies must seek Bond Commission approval before borrowing funds.

The money, if needed, would be sought from Capital Bank, the system's fiscal agent. Raether said the money would be borrowed at 1 percent above the Chase Manhattan prime rate.

The local public school system has enough cash of its own to meet the April payrolls if the MFP funds are not provided on time, Finance Director Grady Hazel said. However, if the state is late in giving the May installments, the system may need to borrow money to pay the checks on time, Hazel said.

The loan would be repaid when the MFP funds are given to the school system.

If the board accepts the committee recommendation at its March 10 meeting, the staff may be able to get the authorization proposal to the Bond Commission this month, Hazel said.

In other matters Wednesday, the Executive Committee discussed altering its budget process and format for the 1987-88 school year with recommendations that public hearings be held in the last two weeks of March to get public opinion on what should and should not be cut.

Because the School Board doesn't know how much state money it will receive until the state Legislature approves its budget, under the committee's recommendation, the board would begin to "assign priorities" to programs in the budget in April.

When the board has a clear picture of its revenues for the upcoming school year, board members could begin "cutting from the bottom" on the programs with the least priority, Chairman Lou Hines said.

"This way, the public can provide input, and the board doesn't have to feel pressured" to make cuts, Hines said.

Board member Frank Millican disagreed with Hines' suggestion that the board invite public opinion on the budget process, saying "A lot of the public don't know nothing about running a school system."

Board member Al Trickett suggested that the board members educate themselves more on the different components of the budget before assigning priorities to programs that may be on the chopping block.