

R277. Education, Administration.

R277-420. Aiding Financially Distressed School Districts.

R277-420-1. Authority and Purpose.

(1) This rule is authorized by:

(a) Utah Constitution Article X, Section 3, which vests general control and supervision over public education in the Board;

(b) Subsection 53E-3-401(4), which allows the Board to make rules to execute the Board's duties and responsibilities under the Utah Constitution and state law; and

(c) Subsection 53G-7-306(5), which requires the Board to develop standards for defining and aiding financially distressed school districts.

(2) The purpose of this rule is to specify eligibility requirements and procedures for nonrecurring or nonroutine interfund transfers for financially distressed school districts.

R277-420-2. Definitions.

(1)(a) "Interfund transfer" means a transaction which withdraws money from one fund and places it in another without recourse.

(b) An interfund transfer is regulated by statute and Board rules.

(c) "Interfund transfers" do not include interfund loans in which money is temporarily withdrawn from a fund with full obligation for repayment during the fiscal year.

(2) "Without recourse" means there is no obligation to return withdrawn money to the fund from which it was transferred.

R277-420-3. Eligibility.

(1) A school district may qualify as financially distressed if the district:

(a) has a deficit of three percent or more in its year end unappropriated maintenance and operation fund balance following a reduction for any amount in an undistributed reserve;

(b) is unable to meet its financial obligations in a timely manner;

(c) is unable to reduce the maintenance and operation deficit by 25 percent in its budget for the next year;

(d) can demonstrate that it has made reasonable, local efforts to eliminate the deficit;

(e) is financially incapable of meeting statewide educational standards adopted by the Board; and

(f) has a deficit resulting from circumstances not subject to administrative decisions.

(2) The Superintendent shall evaluate the criteria outlined in Subsection (1) and make a determination on whether a district is financially distressed following an on-site visit and consultation with the school district and local school board.

R277-420-4. Procedures for Making Interfund Transfers.

(1) A local school board may apply for an interfund transfer under this rule by filing a request with the Superintendent, which shall include:

(a) evidence that the district meets the criteria set forth in Section R277-420-3; and

(b) a plan to eliminate the district's budget deficit.

(2) As part of a district application under Subsection (1)(a), the Superintendent shall:

(a) visit the school district; and

(b) conduct a financial analysis.

(3) The Superintendent may only approve an interfund transfer under this rule if the Superintendent determines that:

(a) the district meets the eligibility requirements of Section R277-420-3; and

(b) the district's request does not conflict with Subsection 53G-7-306(6)(d).

(4) The Superintendent shall advise the Board of any transfers approved under this rule at the next regularly scheduled Board meeting.

(5) A school district designated as financially distressed may make nonrecurring or nonroutine interfund transfers to the district's maintenance and operation fund upon

the approval of the Superintendent and in accordance with the plan submitted by the district under Subsection (1)(b).

(6) An interfund transfer shall be established by a school district under the direction of the local school board in an undistributed reserve account consistent with Section 53G-7-304.

KEY: education finance

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Authorizing, and Implemented or Interpreted Law: 53G-7-306; 53E-3-401(4); 53G-7-304