



Ten Ways to Raise Emergency Funds Fast for Your Township

-C.L. Coonrod & Co. is an ITA Associate Member and has written this article to help member townships. Our thanks to Curt Coonrod and his associates for their support of township government.

1. Reallocate Local Income Tax (LIT)

Townships generally receive a share of local income tax, and the revenue is budgeted in one or more funds. However, the Trustee is not bound by that part of the budget. LIT revenue can be redirected during the year. It is ideal, but not required, to obtain a Board resolution. The Trustee has the authority to make the reallocations. Suppose, for example, one half of your township's LIT is budgeted in your Township Assistance Fund, one half in the Fire Protection Fund. The Trustee can redirect some of the LIT so that only one quarter is deposited into the Fire Protection Fund and three-quarters into the Township Assistance Fund. (What to watch out for: the reallocation should be made at the time the LIT is received and deposited. Once the LIT has been deposited into a fund, an additional appropriation (see below) is required to transfer it to another fund. Also, if LIT is allocated away from a fund, make sure that fund still has enough revenue to cover its expenditures for the current year.)

2. Reallocate rate cap (circuit breaker) credits

Most townships' property tax draws are reduced by rate cap credits. The rate cap credits are usually allocated in proportion to the size of each fund that has a property tax levy, with the exception of debt service funds. However, the Township can change that allocation. For example: suppose the Township Assistance Fund has \$10,000 of rate cap credits and needs more money. The Trustee can reduce all or some of the Township Assistance Fund rate cap credits, up to the full \$10,000, and increase the rate cap credits by a like amount in other funds. The result: up to \$10,000 of additional revenue into the Township Assistance Fund. (What to watch out for: the reallocation should be made by the time the draw are received and deposited. Once a tax draw has been deposited into a fund, an additional appropriation (see below) is required in order to transfer it to another fund. Also, before increasing the rate cap credits in any fund, make sure that fund can still collect enough revenue to cover its expenditures for the current year. No statute requires a Board resolution, but we recommend one be obtained. We also recommend sending a copy of the resolution and/or a letter from the trustee to the County Auditor and the DLGF, so they can take the reallocation into account in their future calculations.)

3. Transfers through the Rainy Day Fund

Generally, unappropriated funds can be transferred by Board Resolution to the Rainy Day fund. Once the resources are in the Rainy Day Fund, they can be appropriated for general township purposes. Example: Suppose a Cemetery Fund has \$10,000 of unappropriated funds. Meanwhile the Township Assistance Fund needs money. Up to \$10,000 can be transferred from the Cemetery Fund to the Rainy Day Fund. The money can then be appropriated from the Rainy Day Fund for township assistance purposes. (What to watch out for: Transfers to the Rainy Day Fund are limited to 10% of the Township's annual budget. If the transfer is from a fund with a property tax levy, be prepared for the DLGF to question whether your Township needs to continue that levy in future years. Also, the SBOA has taken the position that the Rainy Day Fund cannot be appropriated for fire protection purposes and that certain funds, including the Fire Protection Fund and the Township Assistance Fund, may not make transfers to the Rainy Day Fund.)

4. Options for using Cumulative Fire Building and Equipment Fund (Cumulative Fire Fund) balances:

- As explained above, available, unappropriated balances can be transferred to the Rainy Day Fund and thereafter appropriated for general purposes. That includes transfers from the Cumulative Fire Funds to the Rainy Day Fund. (What to watch out for: be prepared to explain to DLGF why the township continues to need a cumulative fire fund levy if it can afford to transfer balances to other funds.)
- Similarly, as explained above, rate cap credits can be reallocated to Cumulative Fire Funds from operating funds, such as the Township Assistance Fund. Example, reallocate \$5000 of rate cap credits away from the Township Assistance Fund and into the Cumulative Fire Fund, resulting in \$5000 of new resources for the Township Assistance Fund. We recommend a Board resolution and some communication of the reallocation to the County Auditor and DLGF.

5. Additional appropriations:

The DLGF is typically over-conservative in approving or making cuts in annual appropriations. As a result, each fund with a property tax levy usually has unused resources. These can be accessed by additional appropriations. Obtain and prepare the form Certified Copy of Additional Appropriations Form, available from the DLGF website. The form will help you calculate how much is available. (What to watch out for: and additional appropriations require 10 days public notice and a public hearing for a Board resolution, and also DLGF approval.)

6. Revise budget revenue estimates

When the current Township budget was adopted, the revenues may have been under-estimated. Watch your ledgers, and you may see current revenues exceeding the budget. If so, obtain and prepare the form Certified Copy of Additional Appropriations Form (SF 55819) from the DLGF website. The form will help you calculate how much is available. If so, an additional appropriation is required in order to make use of the additional revenue. (What to watch out for: and additional appropriations require 10 days public notice and a public hearing for a Board resolution, and also DLGF approval.)

7. Dis-appropriations

The term “dis-appropriation” sounds like a decrease in resources, but in practice it is an increase. For example: Suppose your Township has an appropriation in the current year, but you now see that it will not be used. The most common example is a personal services appropriation for a job position that has been vacant, or for which the full fringe benefits are not being used. The trustee can declare the dollar amount of the unused appropriation to be void. A Board resolution is recommended. Once the dollar amount is voided, that amount is added back to the available, unappropriated fund balance. It can then be appropriated for other purposes (See Additional Appropriations, above). (What to watch out for: When DLGF reviews the additional appropriation, they will want to see documentation that the original appropriations has been voided and will not be expended)

8. Use the Township General Fund for township assistance

Generally, the Township General Fund may be used for township assistance, subject to appropriation by the Board, but the Township Assistance Fund cannot be used for general purposes.

9. Dormant Funds

If the Township has an unused fund on its books, and the purpose of that fund has been fully satisfied, and remaining claims or other obligations remain against that fund. the Township Board may declare the fund “dormant”, and the balance can be transferred to the Rainy Day Fund. The balance can then be appropriated for any purpose. For example, if the Township has remaining resources in a fund that was used to pay bonds or loans, and all bonds and loans are fully paid. The balance in the fund could be transferred to the Rainy Day Fund and later expended for general purposes.

10. Contributions

The Township may accept contributions of cash or physical goods from any source. If the source is a taxpayer, the contribution is tax-deductible to the taxpayer, in the same way as a charitable contribution to a 501(c)(3) organization.

For any of the ideas above, consult your Township Attorney for applicability to your particular township. ITA can assist. Call us with questions.

Also consider:

Ways to raise cash that are only temporary and/or cannot be done quickly:

Borrow among funds

Recover property tax shortfalls

Establish or re-establish cumulative funds

Public safety LIT

Temporary loans