

School District Cash Balances: What is Available? What is Prudent to Spend?

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A major area of interest in recent years has been the amount of money in various school district budget funds, which are reported each year on July 1. At the beginning of the current year, districts had a total of \$1.567 billion in unencumbered cash balances. Some have suggested these funds could help school districts absorb deeper cuts in state aid. But "unencumbered" does not mean districts can spend these funds as they wish. Most of these funds are already committed for certain purposes.

1. Funds raised from local mill levies cannot be constitutionally used for other purposes.

Capital Outlay	\$429.8 million	Local mill levy; no state equalization aid provided
Bond and Interest	\$361.9 million	Proceeds from construction bonds or required for scheduled debt service payments later in the year
Adult Education	\$1.2 million	Mill levy for adult basic education programs
Special Liability	\$7.2 million	Mill levy for attorney fees, judgments, etc.
Total	\$800.1 million	51% of total balances

2. Certain other funds are also effectively restricted.

Federal Funds	\$1.1 million	Only available for purposes authorized by federal law
Gifts and Grants	\$24.0 million	Can only be used for purposes of donation (i.e. scholarships)
Special Reserve	\$102.4 million	Used by for a few districts for self-insurance: health care, uninsured losses, worker's compensation as actuarially required
Textbooks and Student Materials	\$50.5 million	Primarily composed of fees for scheduled purchases of books and supplies. If fees are used for general education purposes, they could be considered "tuition" which is prohibited by the state constitution
Total	\$178.0 million	Cumulative total: \$978.1 million; 62.4% of total balances

3. Several funds have balances on July 1 to cover operating expenses until revenues are received.

Special Education	\$181 million	These funds must be on-hand for the first 3.5 months of the year until state aid payments are made in October (if on time)
Special Ed Co-op	\$35.1 million	Same as above for districts in special education cooperatives
Food Service	\$46.1 million	Primarily federal funds and student fees; used to begin food service operations until new meal charges and reimbursements are received
Total	\$262.2 million	Cumulative total: \$1,240.3; 79.1% of total balances

4. Remaining cash balances: \$327.1 million (\$193.9 million in Contingency Reserve Fund; balance in 14 other funds.)

- This amount is less than the money *not actually paid* by the state by the end of the year, but school districts were required to book by June 30 (\$400 million).
- Equals 8.2% of operating budgets (\$3,036.6 million total general fund plus \$959.6 total Local Option Budgets).
- This amount equal almost exactly one month's operating costs. (One month equals 8.3% of a year).
- State aid payments have been consistently late for the past two years. Without reserves, districts could delay salaries and other vender payments.
- Statutory ending balance requirement for State General Fund: 7.5%.

