



Fund Balances Help School Districts Manage Resources

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In simple terms, fund balance is the difference between assets and liabilities in a governmental fund as of the close of the fiscal year. School districts use their fund balances to responsibly manage cash flow — especially in districts that pay recapture and cannot lean on regular state funding. Some legislators have suggested that school districts should tap their fund balances to cover for what could be a loss of state funding in the upcoming legislative session.

A healthy fund balance is part of fiscal responsibility for school districts

- Local property tax payments often lag behind the start of the school year.
- School districts begin their fiscal year in July or September but many property owners do not pay tax bills until end of January.
- Districts use their fund balance to pay expenses, such as teacher salaries, until tax payments arrive.
- Fund balances provide fiscal security in cases of unforeseen emergencies, such as a hurricane or a pandemic.
- A healthy fund balance contributes to a better credit rating, lowering borrowing costs for taxpayers.

Fund balances are especially important for districts that receive little or no state funding

- Some districts rely almost exclusively on funding from local property taxes, and that certainly applies to any district that pays recapture.
- While some districts receive regular monthly payments from the state for their operations, locally funded districts cannot rely on state funding to help bridge the gap between the start of the fiscal year and the arrival of property tax payments.
- The fund balance helps bridge that gap in locally funded districts.
- Without a healthy fund balance, districts that rely so heavily on local revenue may not be able to meet payroll and cover other daily operating expenses.

The amount of money in a school district's fund balance is fluid

- The amount of money in a school district's fund balance at any given moment depends on where the district is in its fiscal calendar.
- A district's fund balance could change in a matter of weeks, depending on when tax payments come in or when the district must make a major expenditure.
- The total amount of a fund balance includes revenues earned within a year but not yet received. Fund balances also include longer-term investments.
- The most recent snapshot of fund balance totals that state leaders have is data from the 2018-19 school year, and the world has changed considerably since that time.