

## Unrestricted Reserve Fund Flexibility S.5069 (Mayer)

The Council supports this legislation which would increase the cap of 4% on unrestricted fund balance to 8% for five years. Financial experts have long recommended fund balances that exceed 4% and local governments have no cap on their unrestricted fund balance, yet schools are constrained by this artificially low and fiscally unsound figure.

The need for this legislation now is compelling: over the near-term, school district fund balances may benefit from forced expenditure savings and an infusion of federal stimulus aid, longer-term prospects are worrisome due to the non-recurring nature of that federal assistance. In the aftermath of the Great Recession, school districts found it necessary to impose drastic reductions in spending and services once federal stimulus aid had been exhausted. For example, a Council survey found that 80% of districts eliminated teaching positions and 72% cut other student services personnel in their budgets for 2011-12—the year that special federal help was no longer available.

Due to concerns regarding potential 20% across the board state aid cuts threatened by the Governor and his Budget Director, as well as actual withholdings of state aid, districts took steps to responsibly reduce their spending. Only since the release of the Executive Budget on January 19 has the Division of the Budget announced all withholdings will be restored.

Due to local cost-control measures some districts could be in a situation where they would have to spend funds in the current year solely to get below the 4% limit. The near-term funding outlook for schools is hard to predict but we can anticipate that, once federal stimulus aid is exhausted, hard choices will face state and school district leaders.

To date, NYS has received \$1.1 billion from the federal CARES Act and another \$3.8 billion from the December 2020 stimulus law. Under the Biden proposal that is working its way through Congress, New York schools may receive an additional ~\$10 billion in additional aid. But someday that special federal assistance will end.

A slowly recovering economy could lead to flat or diminished support for schools from state sources, increasing the likelihood of a steep fiscal cliff in the coming years. Schools need additional financial tools to manage potentially difficult years ahead. Increasing the unrestricted fund balance would provide a valuable financial tool to manage school finances over the next five years. In the end, without good fiscal management, it becomes challenging for any school district to provide strong academic offerings to its students.

***THE COUNCIL STRONGLY supports this legislation and urges its approval.***