

SUPPORT

Unrestricted Reserve Fund Flexibility S.5069 (Mayer)/A.6185 (Wallace)

THE COUNCIL SUPPORTS an increase in the unrestricted reserve fund as a tool to prevent educational damage in the event of a downturn

The Council supports this legislation which would increase the cap of 4% on the unrestricted fund balance limit of 4% to 8% through the 2024-25 school year. 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.

Fundamentally, the state, municipalities, and schools are in substantially better shape than expected when the calendar turned from 2020 to 2021. This is due to significantly improved economic conditions, legislative actions, and an influx of federal support.

While we have full confidence that the legislature will continue to fund Foundation Aid and support public schools over the next several years, the additional pandemic related support dollars will phase out and be fully utilized. Many of these services schools will want to continue to support and may have the resources to do so, but they need a legal mechanism to plan effectively.

Increasing the unrestricted fund balance to 8% would provide a mechanism. Even at 8%, this figure is substantially lower than the 15% rainy day fund that the Governor proposed as part of her Executive budget and highlighted during her State-of-the-State address. Municipal governments in New York have no specified percentage limit on unrestricted fund balance, yet schools operate with more financial disclosure requirements, a tighter tax cap, and annual budget approval referenda. Independent experts generally recommend that state and local governmental entities maintain an unrestricted fund balance equivalent to two months expenditures, or about 15%.

Schools not only need to ensure students are provided with every educational opportunity to succeed; they also must be proper stewards of taxpayer dollars. Increasing the unrestricted fund balance does not mean schools will increase taxes more than they would otherwise. Its main, and truly only purpose, is to provide a planning tool to ensure ongoing educational and fiscal success.

The Council STRONGLY supports this legislation and urges its approval