
Reserves

For district budgeting, surplus from a prior year can be dealt with two ways: voters approve the balance to be moved to a reserve or special fund or in the absence of an electorate decision, the balance is carried forward as revenue to offset education spending.

Some Examples:

1. FY2023 closes 6/30/2023. The district goes through a single audit that is completed by October 2023. At the time the audit closes, the district knows what its surplus value is. That surplus value is \$600,000. Budgeting for FY2025 is in process in the fall of 2023. The board has decided that \$600,000 is going to be used to buy down the FY2025 tax rate, no voter approval needed. No article is added to the district's budget vote.
2. FY2023 closes 6/30/2023. The district goes through a single audit that is completed by October 2023. At the time the audit closes, the district knows what its surplus value is. That surplus value is \$1,000,000. Budgeting for FY2025 is in process in the fall of 2023. The board has decided that \$600,000 is going to be used to buy down the FY2025 tax rate, no voter approval needed. The district puts on the ballot \$400,000 for the voters to approve deposit into a reserve fund.
3. FY2023 closes 6/30/2023. The district goes through a single audit that is completed by October 2023. At the time the audit closes, the district knows what its surplus value is. That surplus value is \$2,000,000. Budgeting for FY2025 is in process in the fall of 2023. The board has decided that \$500,000 is going to be used to buy down the FY2025 tax rate, no voter approval needed. The district puts on the ballot for the voters to approve \$1, 500,000 to be deposited into a reserve fund to buy down the tax rate in FY2026, FY2027, and FY2028 for \$500,000 per year.
4. FY2025 budget includes \$750,000 in capital transfers that the district intends to use for capital. Upon passage of the budget this expense to the voters is transferred into fund balances. No article is needed on town meeting day, in the year in which the transfer is intended, as the fund transfer is an expenditure needing to be funded.

There was discussion of example 4 happening in FY2025 budgets and it was. However, the passage of H.850, did remove a lot of other fund transfer expenditures from budgets.



Prior Year Surplus

The FY2023 stat book collection, the collection of prior year actual transaction activity, requests some detail on fund balances.

FY2022 budget surplus / Impacting FY2024 School District Budgets

- FY2022 audited budget surplus as of 6/30/2022, statewide total \$49,029,868
- FY2024 budgeted usage of "CARRY FWD UNRESERVED SURPLUS," statewide total of \$36,677,417
- Unconfirmed in a data collection, the difference, \$12,352,451 in FY22 budget surplus was voted into reserves during the FY2024 budget approval process

FY2023 budget surplus / Impacting FY2025 School District Budgets

- FY2023 estimated/unaudited budget surplus as of 6/30/2023, statewide total \$43,677,014
- The agency has not collected FY2025 budget detail and will not begin to until the end of April. Template slated for release to the field April 22nd and due June 1 or after the reconsideration period closes for late approvals

Budgeted Surplus Reserves PDF by district supports the statewide values reported

Other Reserve Accounts

Beyond budget surplus, other reserve account data is collected in the stat book.

These reserves are a fund balance type of "reserve account" and in a restricted or unassigned status.

The purpose of the balance is reported into a free text field, so, drawing conclusions on the data is subjective. A few of the common free text identifiers are:

- Building/Building Reserve/ Building Maintenance / Facilities Fund
- Capital Fund/Capital Reserve/ Capital Projects/ Capital Improvements / Construction / Fixed Assets
- Debt Services
- Donations
- Scholarships
- Special Education
- Tuition

FY2022 Reserve account balance, statewide total \$102,014,060

FY2023 Reserve account balance, statewide total \$80,339,562

Reserve Account Balances PDF by district supports the statewide values reported

Survey Data

In the January survey collected prompt17 was “FY25 Total Transfers to Capital Reserve Funds (including separately warned articles)” and with 39 respondents the total reported into AOE was \$15,694,924. At this time, April 2024, the \$15.7M is an old figure and data would need to be collected to revise the value of planned FY25 budget that is intended for a capital reserve fund.

Other Reserve Considerations

In my short time at the Agency, I have been asked by the field numerous times for guidance on acceptable or recommended reserve balances.

Education finance has not found where Vermont statute might contemplate what school district or SU/SD reserves should be. Other states such as New York have specific tax laws governing reserve balances.

“Fund balance represents the cumulative residual resources from prior fiscal years. A board is permitted to retain both a specified amount of surplus fund balance for cash flow needs or unexpected expenditures and reserves for other identified or planned needs. New York State Real Property Tax Law Section 1318 currently limits the amount of surplus fund balance that a school district can retain to no more than 4 percent of the next year’s budgeted appropriations. A board must use any surplus balance over this percentage to reduce the upcoming fiscal year’s real property levy or to fund needed reserves.”

<https://www.osc.ny.gov/files/local-government/audits/2022/pdf/friendship-2022-55.pdf>

“For the two thousand eight--two thousand nine school year, and thereafter, surplus funds as used in this subdivision shall mean any operating funds in excess of four percent of the **current school year budget** and shall not include funds properly retained under other sections of law.”

[New York Real Property Tax Law Section 1318 – Collecting officer's warrant \(public.law\)](#)

Using FY2024 budgeted expenditures, **NOT** education spending, 4% is:

$$FY2024 \text{ Budgeted Expenditures} \times 4\% = 83,800,000$$

$$2,095,027,162 \times 0.04 = 83,800,000$$

Using FY2025 projection budgeted expenditures, **NOT** education spending, 4% is:

$$FY2025 \text{ estimated Budgeted Expenditures} \times 4\% = 89,850,000$$

$$2,246,022,456 \times 0.04 = 89,850,000$$