

Reserve Guidance

Vermont Agency of Education

January 29, 2026

Role & Purpose

- **Definition & Scope:** Fund Balance is the accumulated net surplus/deficit (assets - liabilities) in a fund. A Reserve Fund is a restricted, committed, or assigned subset of that balance, representing funds set aside for specific future use, like emergencies.
- **Fund balance by type and meaning:** Nonspendable (Cannot be spent); Restricted (External constraints); Committed (Internal high-level constraints); Assigned (Intent for use); Unassigned (Available).
- Reserves are a standard financial management tool. Used to manage: Cost volatility; Capital needs; Tax rate stability.

Sources: Governmental Accounting Standards Board (GASB), Generally Accepted Accounting Principles (GAAP), Government Finance Officers Association (GFOA)

Frame of Reference

- [16 V.S.A. § 212 \(9\) – Secretary of Education](#)
- [16 V.S.A. § 567 - Surplus](#)
- [24 V.S.A. § 2804\(a\) – Construction, Reserve](#)
- [2024 Act 183, Section 7 - Sec. 7. Reserve Fund Account Standards](#)
- [2025 Act 73, Section 57\(1\)\(G\) Education Fund Advisory Committee](#) - school district use of reserve fund accounts.

Sequencing of Reserve Fund Standards with Act 73 Implementation

- Provisions related to school district reserve funds were enacted in 2024 Act 183, and during subsequent implementation planning and engagement with school business managers, the Agency identified statutory conflicts and budget pressures that complicated development of uniform reserve standards.
- While Standards were explored, the Agency identified that formal rulemaking should be aligned with Act 73 reforms.

District Reserve Data – Collection

- Data collected annually through standard collection (Statbook, July 2025, for FY2025) with a supplemental worksheet.
- Examples from Districts of how funds are used: capital reserve, tax stabilization and education spending reduction, technology reserve, curriculum & equipment, restricted funds (Medicaid/Early and Periodic Screening, Diagnostic and Treatment (EPSDT), pre-paid items (i.e. contracts), tuition reduction, benefits(health/dental) /HRA, after school program, grant funds, legal reserve, assessment relief, safety improvements, pre-K tuition, net zero, equipment reserve.
- Entries from the prior year, FY2024, range of fund balance, all types: (-\$697,252) to \$17,286,949.
- Context - examples from 3 Districts:
 - District reported a fund balance of \$17.3M.
 - \$14.6M is committed for programming and special projects.
 - \$302K is non-spendable or pre-paid expenses.
 - Leaving \$2.4M is unassigned, or available for allocation.
 - District reported the use of fund balance type, as “unassigned,” but then indicated use as capital/facilities/building maintenance reserve, further explanation is needed since reported details are counter to one another.
 - Additionally, validation is needed to ensure that FY2024 data, specifically unassigned fund balance, matches the Audit on record.

Current State & Key Considerations

- Currently there are no statutory reserve caps or targets
- Any statutory change should be informed by deep understanding of impact on school districts.

Key considerations made available through research:

- “No less than two months of regular general fund operating revenues or regular general fund operating expenditures,” [Fund Balance Guidelines for General Fund, GFOA](#).
- Have 5% to 15% of unassigned fund balance of general fund expenditures, variable, dependent on need and risk.

Next Steps for AOE

- Improve data quality – enhance accuracy, consistency, and reliability;
- Improve standardization – streamline procedures, formalize workflows, optimize system;
- Provide training on reserve collection for reporting tied to annual Audits;
- Demonstrate a commitment to a deeper understanding of current state.

Questions?