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Resources to Manage School District Budgeting during the COVID-19 Crisis

The Office of the New York State Comptroller (OSC) recognizes the COVID-19 pandemic has created an environment of uncertainty for school district officials in dealing with their financial operations and the challenges they face as they work to put together balanced budgets for the upcoming fiscal year.

Due to the closure of school districts across New York and the subsequent changes to programs and operations, school districts may end the current fiscal year with significantly different operating results than anticipated prior to the pandemic. This may drive changes to a district's fund balance levels.¹

Next year, school districts may face significant budget shortfalls. As a result, school districts will contend with several financial management challenges. We believe the following information and resources that are readily available may help school districts manage a district's financial operations during these unprecedented times.

Managing Fund Balance Levels

If school district officials project that they will have surplus fund balance as they near the end of the fiscal year, they should consider the following:

- Appropriating surplus fund balance to reduce next year's real property tax levy, especially in light of the current economic times that many taxpayers are currently facing.
- Evaluating current outstanding debt to determine if surplus funds could be used to partially or fully retire debt.
- Determining if there are any needed one-time purchases that could be paid for with the surplus funds.
- Assessing existing reserve fund balance levels to see if there is a need for additional funding to meet future anticipated requirements or creating new reserve funds to meet future anticipated needs.

¹ Fund balance is simply the difference between revenues and expenditures accumulated over time. School districts can retain surplus fund balance, but for the general fund they are limited by law (New York State Real Property Tax Law, Section 1318) to retaining no more than 4 percent of the next year's appropriations.

- It is preferable that funding of reserves is done through the budget process to ensure transparency and accountability and to obtain the approval of the taxpayers. However, Board of Education-approved transfers of surplus fund balance to reserves may be a prudent action as the current fiscal year nears its end.
- School district officials should, however, be mindful that reserve funds **should not** merely be a means to place surplus fund balance in an account without a reasonable expectation for use. Officials need to balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices.

School district officials should consider which options would best suit their specific financial situations while considering both their short- and long-term needs and follow all statutory requirements for whichever options they do use. For example, using significant amounts of fund balance and reserves to finance next year's expenditures could make funding expenditures in future years difficult if limited, or no, fund balance or reserves are available as options to fund them.

Additionally, as school district officials prepare budgets for the upcoming fiscal year, they should be mindful of the following:

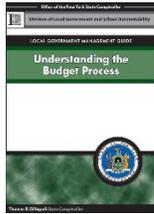
- Spending levels and financial resources must be accurately gauged to ensure that planned services are properly funded;
- Reserve funds, if available, should be considered as a source to fund appropriations related to the purposes for which the reserves were created. Doing so can provide a degree of financial stability and help mitigate the need to cut services or raise taxes; and
- Surplus fund balance should be considered as a source used to address both expected and unexpected revenue shortfalls, any unforeseen expenditures or to help ensure that adequate cash flow is available to help the school districts meet their needs to disburse money in a timely manner.

In the event of COVID-19-related changes to any of the guidance contained in this document, follow-up guidance will be issued.

Resources

The OSC has a number of resources available on our website for school district officials to help address fiscal challenges they face now and in the upcoming fiscal year, including cost savings measures as they examine their operations.

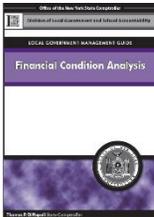
Local Government Management Guide Publications



Understanding the Budget Process



Reserve Funds



Financial Condition Analysis



Shared Services in Local Governments

Recorded Webinars

Click the image to the right to gain access to the library of webinars available for local officials, including:

- Commonly Misunderstood Concepts in Budgeting
- Managing Your Cash Flow
- Appropriated Fund Balance
- Multiyear Planning
- A How-To Guide to Shared Services
- Managing Travel and Conference Expenses



Cost-Saving Ideas

Click the image to the right for a list of cost-saving topic areas and resources, including:

- Cash Management for Local Governments
- Managing Workers' Compensation Costs
- How to Reduce Energy Costs
- Managing Your Travel and Conference Expenses



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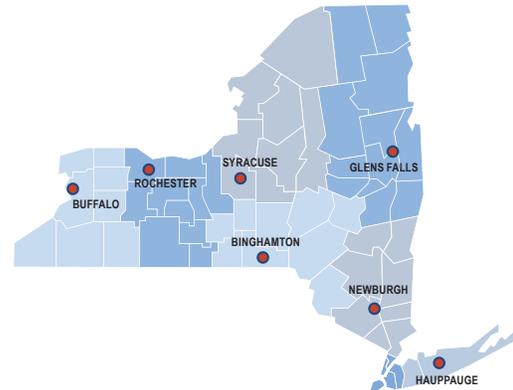
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