

The FISCAL REPORT 32 informational update

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Volume 33

For Publication Date: April 19, 2013

No. 8

2011-12 Statewide Averages for Reserve Levels

The 2011-12 financial data that comes from school agency Unaudited Actuals reports have been collected and certified by the California Department of Education (CDE). The 2011-12 unrestricted ending fund balance in the General Fund plus the entire balance in Fund 17—Special Reserve for Other Than Capital Outlay—as a percentage of total General Fund (including restricted programs) Expense, Transfers, and Other Uses by district type was as follows:

2011-12 Average Unrestricted General Fund, Plus Fund 17 Net Ending Balances, as a Percentage of Total General Fund Expense, Transfers, and Other Uses	
Unified Districts	15.44%
Elementary School Districts	23.75%
High School Districts	19.79%

The 2011-12 percentages are almost flat when compared to the 2010-11 percentages of 15.54% for unified school districts, 23.59% for elementary school districts, and 20.96% for high school districts. This despite the fact that for the 2011-12 fiscal year, the state once again provided school agencies with fiscal uncertainty for planning purposes. Recall that when districts built their budgets for 2011-12, the Budget Act provided, if state revenues fell short of projections, trigger reductions of approximately \$260 per average daily attendance (ADA) for unified districts, \$300 per ADA for high school districts, and \$250 per ADA for elementary school districts. In the end, the final cut to districts for that year ended up being about \$55 per ADA. In past years, this type of uncertainty drove up ending fund balances.

Over the past few years, school districts have had several outside factors influence their growing fund balances, including large infusions of federal one-time money, one-time state categorical sweeps, threatened cuts from the state that don't materialize late in the year, and the fact that school districts have proactively slowed down spending or actually instituted hiring and spending freezes to build their reserves as a means to provide time to make longer-term adjustments.

A 15% to 23% reserve for school districts is about five to seven times the reserve for economic uncertainties required by the state of California for most districts. However, remember that if your fund balance was cash, which it isn't, thanks to the apportionment deferrals, it would only equate to a couple of months of your district's payroll. A thin margin indeed.

—John Gray and Dave Heckler

posted 04/17/2013