



THE NEW YORK THE STATE EDUCATION DEPARTMENT

Room 475 EBA • Office of Educational Management Services • Albany, NY 12234 • (518) 474-6541

Fund Balance - Reservations and Designations

The following Reserve Funds are available to school districts.

1. **Capital Reserve** (ED § 3651)

The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. Proposition(s) put before voters must specify purpose(s), ultimate dollar amount(s) to be deposited into reserve(s), probable term(s) or life/lives, and source(s) of funds. Voter approval required to spend from these reserve(s). Expenditures must be specific i.e., to purchase school buses, facility construction, equipment, etc. Annual appropriations to fund reserve(s) further authorized by voters.

The creation of a Capital Reserve fund **requires** authorization by a majority of the voters. The forms of the required legal notice for the vote on establishing and funding the reserve and of the proposition to be placed on the ballot are both set forth in Section 3651 of Education Law. Limited to term or life approved by voters; may extend term only before end date.

Reserve(s) defunct after term(s) expire, except to spend remaining funds with voter approval.

This reserve is accounted in the **General Fund**. (A 878)

2. **Repair Reserve** (GML § 6-d)

The Repair Reserve Fund is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually or at shorter intervals. Sources of funds include budgetary appropriations or other revenues that may be legally appropriated and are not required by law to be paid into any other fund or account

Voter approval is required to fund this reserve (See Opinion of the State Comptroller 81-401).

Unexpended balance may be transferred to Capital, Tax Certiorari, or Retirement Contribution Reserves pursuant to Section 3651 of the Education Law and GML Section 6-r. Expenditures from this reserve may be made only after a public hearing has been held requiring 2/3 majority vote of BOE, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

This reserve is accounted in the **General Fund** (A 882)

3. **Workers' Compensation Reserve** (GML § 6-j)

The purpose of this reserve fund is to pay for Workers Compensation and benefits, related medical/hospital expenses as authorized by Article 2 of the Workers' Compensation Law.

Districts that qualify as a self-insurer may establish reserve by board action under Section 50[4] of the Workers' Compensation Law.

The reserve is funded by budgetary appropriations and such other source(s) as may be legally appropriated. Funds remaining in excess of requirements to pay all pending claims, may be transferred, within sixty days of the close of the fiscal year, to other reserve(s) or applied to the next succeeding fiscal year's budget.

This reserve is accounted in the in the **General Fund** (A 814)

4. **Unemployment Insurance Reserve** (GML § 6-m)

This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the school district or BOCES has elected to use the benefit reimbursement method, in lieu of contributions under Article 18 of the Labor Law.

The reserve may be established by board action and is funded by budgetary appropriations or funds from other reserves subject to permissive referendum. The Board of Education may terminate if district converts to tax contribution method of funding.

If the district elects to convert to tax contribution basis, excess of fund over the sum sufficient to pay pending claims may be transferred, to other reserve fund(s) authorized by GML or ED § 3651. Within sixty days after the end of the fiscal year, excess amounts may either be transferred to other reserve fund(s) or applied to the appropriations of the next succeeding fiscal year's budget.

This reserve is accounted in the **General Fund** (A 815)

5. **Reserve for Tax Reduction** (ED § 1604 [36])
(ED § 1709 [37])

This reserve is for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the district is permitted to retain the proceeds of the sale for a period not to exceed ten years and to use them during that period for tax reduction.

This reserve is accounted in the **General Fund** (A 891)

6. **Mandatory Reserve for Debt Service** (GML § 6-l)

Restricted proceeds from the sale of district capital assets or improvement for debt service. Expenditures are for debt service only or for the purpose of retiring the outstanding obligations. Remaining balance of sale in excess of indebtedness may be expended for any other lawful district purpose.

The funding of the reserve as defined in GML § 6-c is from (1) the proceeds of the cash sale of capital assets and improvement (including, but limited to land, buildings, equipment, and vehicles), and (2) State and Federal Aid received on account of a capital improvement to the retirement of outstanding obligations issued to finance such improvement.

This reserve is accounted in the **Debt Service Fund** (A, V 884)

7. **Insurance Reserve** (GML § 6-n)

This reserve is used to pay liability, casualty, and other types of uninsured losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee.

The reserve is funded by budgetary appropriations or funds from other reserves subject to permissive referendum. May not be used for any purpose for which a special reserve may be established pursuant to law e.g., Unemployment Compensation Insurance.

There is no limit on the amount that may be accumulated in the reserve balance; however, the annual contribution(s) to this reserve may not exceed the greater of \$33,000 or 5 percent of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

This reserve is accounted in the **General Fund** (A 863)

8. **Property Loss Reserve** (ED § 1709 [8-c]), and
Liability Reserve (ED § 1950 [4][cc])

These funds are used to establish and maintain a program of reserves to cover property loss and liability claims incurred. Separate funds for property loss and liability claims are required. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. Annual contribution(s) limited to 3 percent of the annual budget or \$15,000, whichever is greater. (A separate bank account required for BOCES).

Funds cannot be used for another purpose without voter approval except Board of Education may use monies not required to settle pending claims, to purchase insurance policies to cover losses previously self-insured. Balances may not be reduced below amounts required to settle all pending claims.

Property Loss Reserve: (A 861)

Liability Reserve: (A 862)

These reserves are accounted in the **General Fund**.

9. **Tax Certiorari Reserve** (ED § 3651 [1-a])

Chapter 588 of the Laws of 1988 amended Section 3651 of the Education Law to permit the establishment of a reserve fund for tax certiorari and to expend from the fund without voter approval of the qualified voters of the school district.

The new chapter further stipulates that the total of the monies held in the reserve fund shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings in accordance with Article 7 of the Real Property Tax Law.

Any monies deposited to such a reserve fund which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies into the reserve unless claim(s) are still open and not finally determined or otherwise terminated or disposed of.

This reserve is accounted in the **General Fund** (A 864)

10. **Reserve for Uncollected Taxes** (ED § 3651 [1-b])

The purpose of this reserve is to allow certain city school districts to establish a reserve fund to cover uncollected taxes. Where the city or county is not required to pay to the treasurer of a city school district unpaid taxes during the fiscal year for which such real property taxes are levied, the board of education of a city school district may establish a reserve for uncollected taxes without approval of the qualified voters of the school district.

The board of education of the city school district shall establish a reserve, that is not less than the amount of taxes for the fiscal year in which the budget is being prepared and are estimated to be unpaid during the fiscal year under provisions of the real property tax law.

This reserve is accounted in the **General Fund** (A 899)

11. **Reserve for Insurance Recoveries** (ED § 1718 (2))

This account is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held here pending action by the Board of Education on their disposition. This account will not be used if the insurance recovery is expended in the same fiscal year it was received.

This reserve is accounted in the **General Fund** (A 887)

12. **Reserve for Encumbrances** (A 821)

The balance of this account represents the amount of outstanding encumbrances at the end of the fiscal year.

13. **Reserve for Inventory** (A 845)

The purpose of this account is to limit the maximum investment in inventory and to restrict that portion of fund balance, which is not available for appropriation.

14. **Reserve for Employee Benefit Accrued Liability** (GML § 6-p)

The purpose of this account is to reserve funds for the payment of accrued 'employee benefits' due employees upon termination of service for vacation, sick leave, and personal leave, etc.

This reserve fund may be established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves authorized in the GML, subject to permissive referendum.

Upon termination by Board of Education, balance not required to satisfy all incurred or accrued liabilities may be transferred to any other reserve fund(s) authorized in the General Municipal Law. (May not be used to fund health or other post-retirement benefits.)

The reserve is accounted for in the **General Fund** (A 830)

15. **Retirement Contribution Reserve Fund** (GML § 6-r)

The purpose of this account is to fund employer retirement contributions i.e., any portion of the amount(s) payable by an eligible school district to the New York State and Local Employees' Retirement System (ERS), pursuant to Sections 17 or 317 of the Retirement and Social Security Law.

This reserve is created, and expenditures authorized, by resolution of the governing board to finance retirement contributions (except a school district in a city with a population of 125,000 or more). A referendum is not required either to create or expend moneys from the reserve. Transfers from or back to other reserve funds require a public hearing with 15 days' notice published in official newspaper(s).

- (a) Budgetary appropriations or taxes raised for the reserve
- (b) Revenues not required or restricted by law to be paid into another fund or account
- (c) Transfers from Tax Certiorari, Capital or Repair Reserves

This reserve is accounted in the **General Fund** (A 827)

NOTE: Any capital gains or interest earned shall become part of the respective reserve fund. A separate bank account is not necessary; however, a separate identity for each reserve fund must be maintained.