



Home

About

Executive Committee

Board of Fellows

Staff

News

Events

Public School Finance  
Symposium III – May 6, 2015

Public School Finance  
Symposium II – October 3,  
2014

Public School Finance  
Symposium – May 30, 2014

Temple CORP and Pew  
Symposium – Philadelphia  
Taxes, May 3, 2013

CORP Symposium January  
2013

The University Consortium to  
Improve Public School Finance  
and Promote Economic Growth

Publications

Affiliated Centers

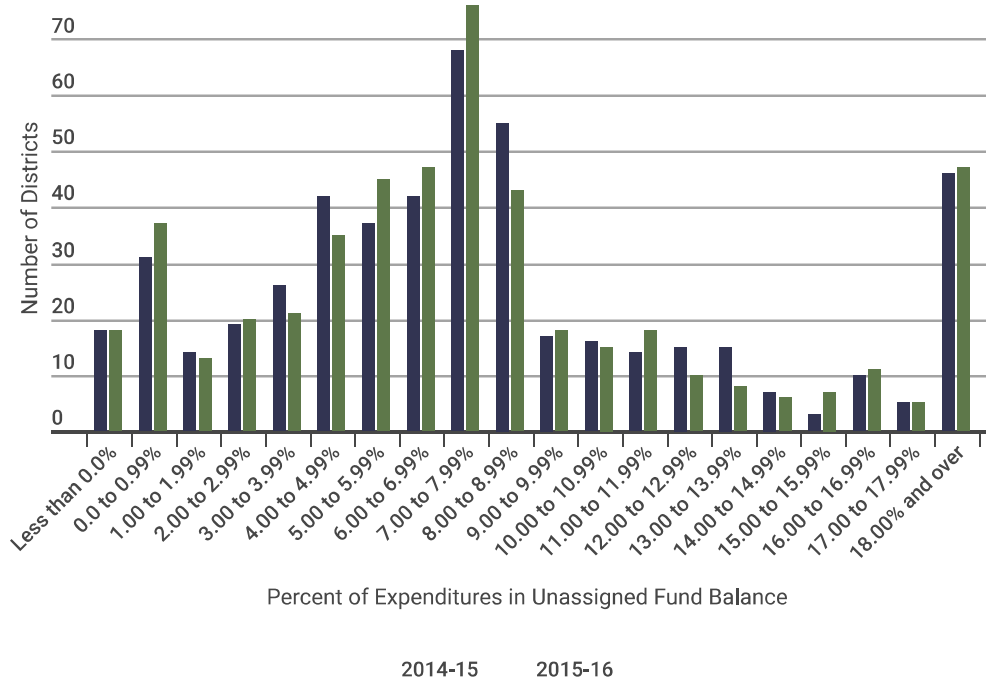
## CENTER ON REGIONAL POLITICS

### Are PA Schools Holding Too Much in Reserve?

July 14, 2017

A [policy brief](#) published by the Center on Regional Politics in July 2017 provides data on the status of fund balances for Pennsylvania's 500 school districts at the end of fiscal year 2015-16. Although the data show that total reserve funds have increased by about \$800 million since 2012-13, from \$3.9 billion to \$4.7 billion, they also show that the flexible reserves of most districts (439 of 500) are within or even below the minimum standards recommended by bond raters and government finance professionals and allowed by state law.

### Distribution of Districts by Percent of Expenditures in Unassigned Fund Balance, 2014-15 and 2015-16



Source: PA Department of Education

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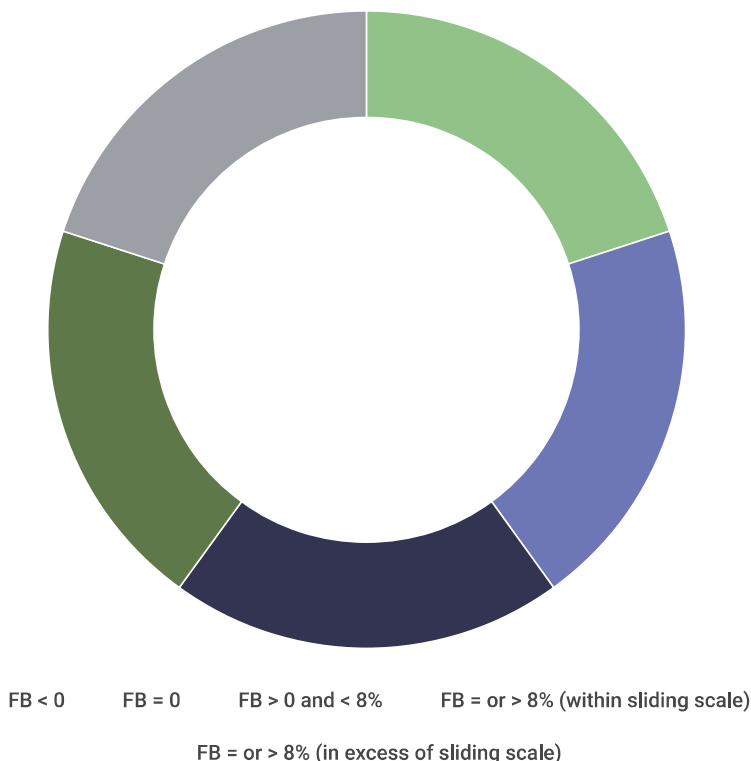
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 Opportunities

The brief summarizes trends for districts, charters, and technical schools, and data on specific school districts has been made available on the CORP website. The brief explains the four types of fund balances: restricted, committed, assigned, and unassigned. It also explains the government accounting standards and the restrictions on unassigned fund balances. Committed funds can be used to save for capital projects, while unassigned fund balances are available for use without restriction and can be used as a hedge against future budgetary uncertainty due to emergencies, delays, or cuts in state funding. School districts may also accumulate unassigned balances to mitigate the impact of predictable increases in pension, health care, or labor contract costs.

## School District Unassigned Fund Balances, 2015-16

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The unassigned fund balance taxing limit is 8% according to the PA State Code for districts with expenditures over \$19 million.

Source: PA Department of Education

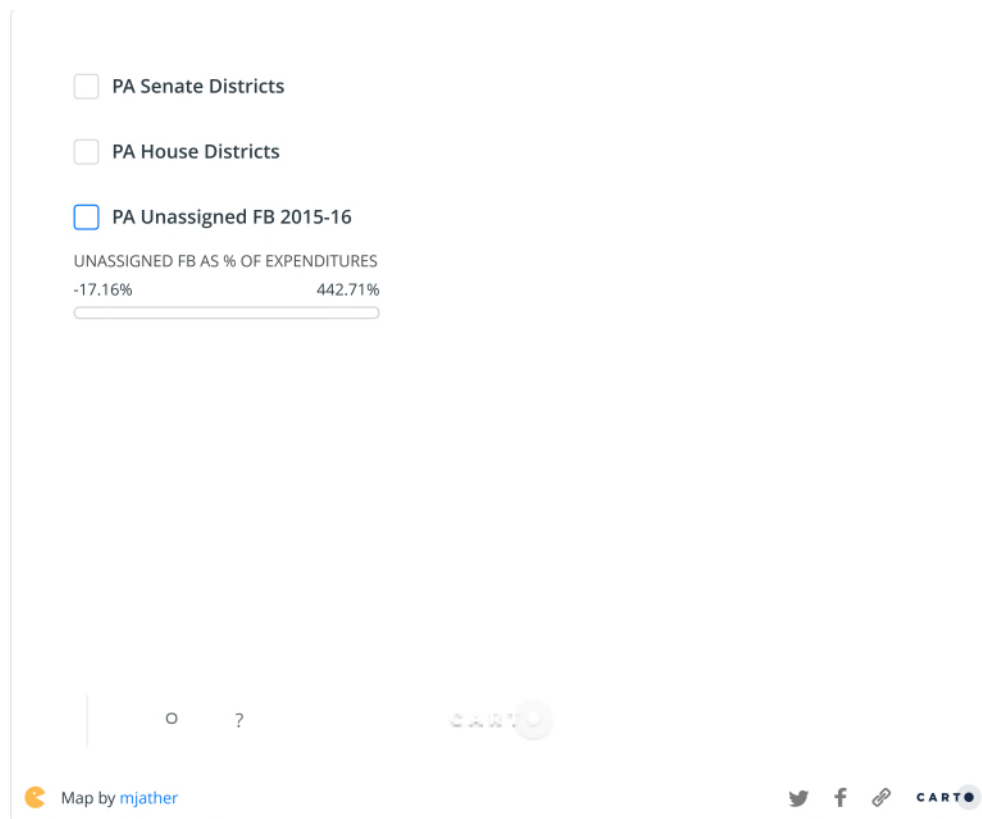
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The financial industry suggests an unassigned fund balance between 5% and 10% of total operating expenditures, while the Pennsylvania School Code limits the amount of unassigned fund balance to 8% for a district whose expenditures exceed \$20 million if that district is going to raise taxes. The Government Finance Officers Association recommends unassigned balances be between 5% and 15% of total expenditures. Thirty-four districts have unassigned balances at or below zero, 281 have balances below 8%, and 124 are above 8% but within a sliding scale allowed by state law.

The question may arise as to whether the relative size of fund balances is related to the relative wealth or poverty of a district. In other words, are more affluent districts likely to have larger fund balances than poor districts? In short, no. Statistical tests show no correlation. Some districts with

high fund balances are poor, perhaps reflecting a desire to fund capital projects or avoid borrowing costs. It should also be noted that fund balance is a point-in-time measure; they change from year to year. The amount of fund balance is not necessarily an indicator that school districts are collectively, or even individually, irresponsibly hoarding a pot of gold that could or should be used to avoid tough budget decisions.

**View the distribution across districts (including by PA House and Senate districts) of unassigned fund balances.**



View the full [policy brief](#) (pdf).

[View the Research at a Glance](#) (pdf).

[View the underlying fund balance data by school district](#) (Excel).



**Center on Regional  
Politics**

840 Anderson Hall  
1114 Polett Walk  
Philadelphia, PA 19122  
p: (215) 204-1600  
e: [corp@temple.edu](mailto:corp@temple.edu)



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