

Minimum/Maximum Fund Balance Policy Proposal (House Bill 2593) Q&A

About the Policy Proposal

1. What does the bill do?

This bill requires each school district to adopt a minimum general fund balance based on a percentage of its prior-year state funding. The goal is to ensure districts maintain a basic financial cushion to manage emergencies, enrollment changes, and cash-flow timing issues without disrupting students' education.

2. How much will districts be required to hold in reserve?

The required minimum varies by district size and is calculated as a percentage of prior-year state funding. Larger districts have lower percentage requirements, while smaller districts have higher percentages to reflect their greater vulnerability to financial swings.

3. Can districts use their fund balance?

Yes. Districts may use fund balance for emergencies, significant enrollment shifts, cash-flow needs, or preapproved one-time costs. However, it may not be used for ongoing salaries or benefits, and districts must have a plan to restore the balance if they go below the minimum.

4. What happens if a district falls below the minimum?

Districts must adopt a formal plan to restore their fund balance within one year, subject to OSPI review. Repeated failure to rebuild reserves can trigger additional financial oversight and corrective action.

5. How does the bill allow flexibility for local circumstances?

Districts may temporarily go below the minimum with board approval and OSPI authorization, particularly in emergencies. The bill also allows exemptions for extraordinary circumstances.



Calculations

6. How is a district's minimum and maximum fund balance calculated?

The minimum and maximum fund balance are calculated as a percentage of a district's prior-year state apportionment funding. For this purpose, "state apportionment" includes the following revenue codes:

- **3100 – General Apportionment:** The core state funding that supports basic education and general district operations.
- **3121 – Special Education Apportionment:** State funding provided to support special education services for students with disabilities.
- **4121 – Student Transportation:** State funding for transporting students to and from school.
- **4155 – Learning Assistance Program (LAP):** State funding for services to support students who are below standard academically.
- **4165 – Transitional Bilingual Instruction Program (TBIP):** State funding for English learners and language acquisition services.
- **4174 – Highly Capable Program:** State funding to support services for highly capable (gifted) students.
- **4199 – Transportation – Operations:** State funding for the operation of the student transportation program.

7. Are federal funds or local levies included in the calculation?

No. The calculation is based only on ongoing state apportionment revenues and excludes federal grants and local levies. This ensures districts are not required by the state to reserve funding that is directed by federal law or approved locally by voters for enrichment. This ensures the reserve requirement reflects predictable, core funding rather than restricted revenue sources.

8. Why are different percentage ranges used for small and large districts?

Smaller districts face higher financial risk from single-student enrollment changes or unexpected costs. Higher reserve percentages for small districts recognize this volatility, while lower percentages for large districts reflect their more stable revenue base and economies of scale.