



Trends in School District Cash Balances

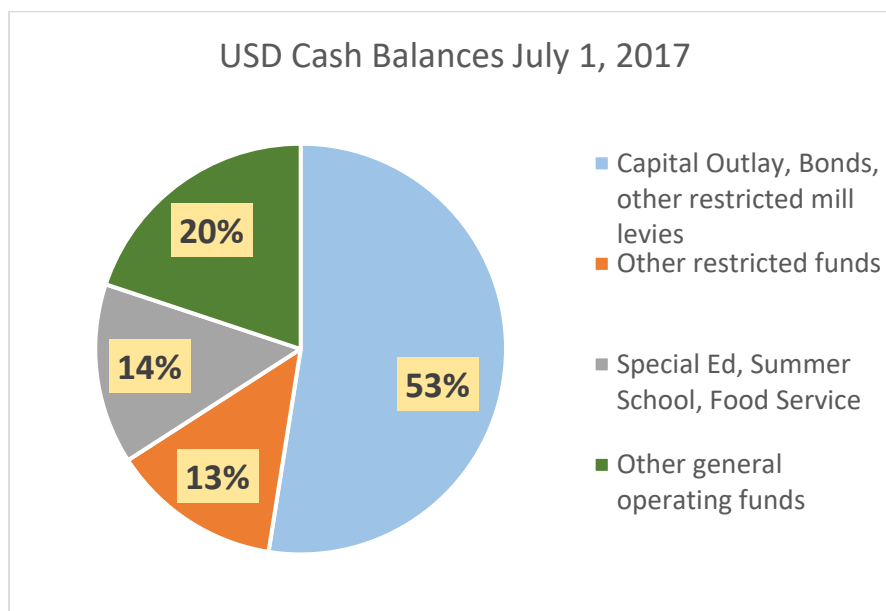
Kansas Association of School Boards - February 21, 2018

Summary

School districts report cash balances in all funds on July 1 of each year, and on the first of each month for most, but not, all funds. Some funds are highly restricted and can be used only for specific purposes like building costs, bond payments and special programs. Other funds are more flexible because school districts may move money in and out with fewer restrictions. The most flexible funds were designated several years ago by the Legislature in SB 111.

As the chart below shows, about two-thirds of cash balance at the beginning of this year were in restricted funds that cannot be used for general operating costs. Over half of balances for capital outlay, which includes savings for long-term costs; bond payments; and other purposes supported by local mill levies. Other restricted funds include areas such as insurance reserves and gifts and grants.

Another 14 percent of balance on July 1 are for programs that need operating funds for summer school, or for areas that do not received revenues until later in the school year, such as special education and food services. That leaves just 20 percent of cash on hand for general operating purposes.



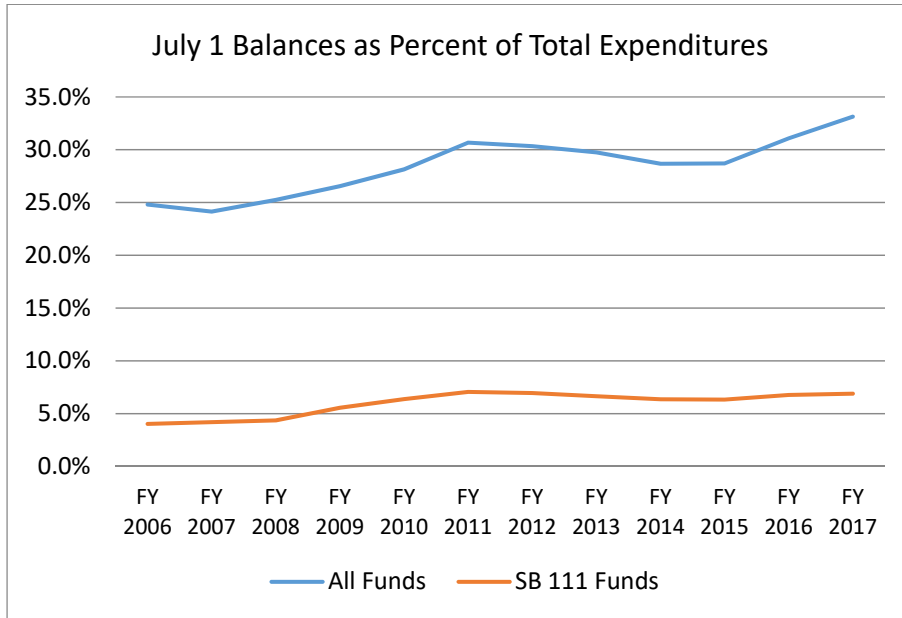
This report shows that school district flexible funds have remained stable as a percentage of school district general fund budgets, local option budgets and special education aid. These components of school district budgets are similar to the general state fund. Furthermore, school balances in these areas are actually lower than the combined state general fund ending balance plus “certificates of indebtedness,” which is how the state provides for cash flow.

A broader definition of “non-restricted” operating funds shows that statewide school district July 1 balances have been at the low end of the range the Governmental Finance Officers Association says is appropriate for “moderate to high” risk.

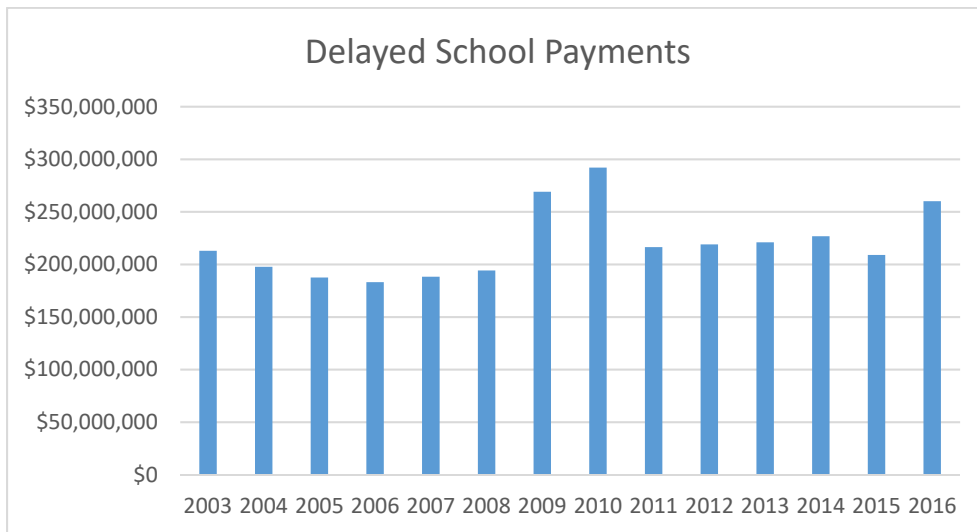
Finally, school districts balances vary significantly by month because of district cash flow needs, which is why a single date to measure balances, such as July 1, is not appropriate.

July 1 Balances as Percent of Total Expenditures

As the chart below shows, total cash balances on July 1 as a percent of total district expenditures have been increasing in recent years. However, most of this increase has been in more restricted funds. SB 111 funds have remained fairly stable since 2011.



The July balances are also inflated by delayed state aid payments. To help with the state’s cash flow, districts are required to record payments as received in June, even though the money is not actually received until *after* July 1. Since 2003, these delayed payments have generally averaged around \$200 million, but increased in to \$260 million in 2016.

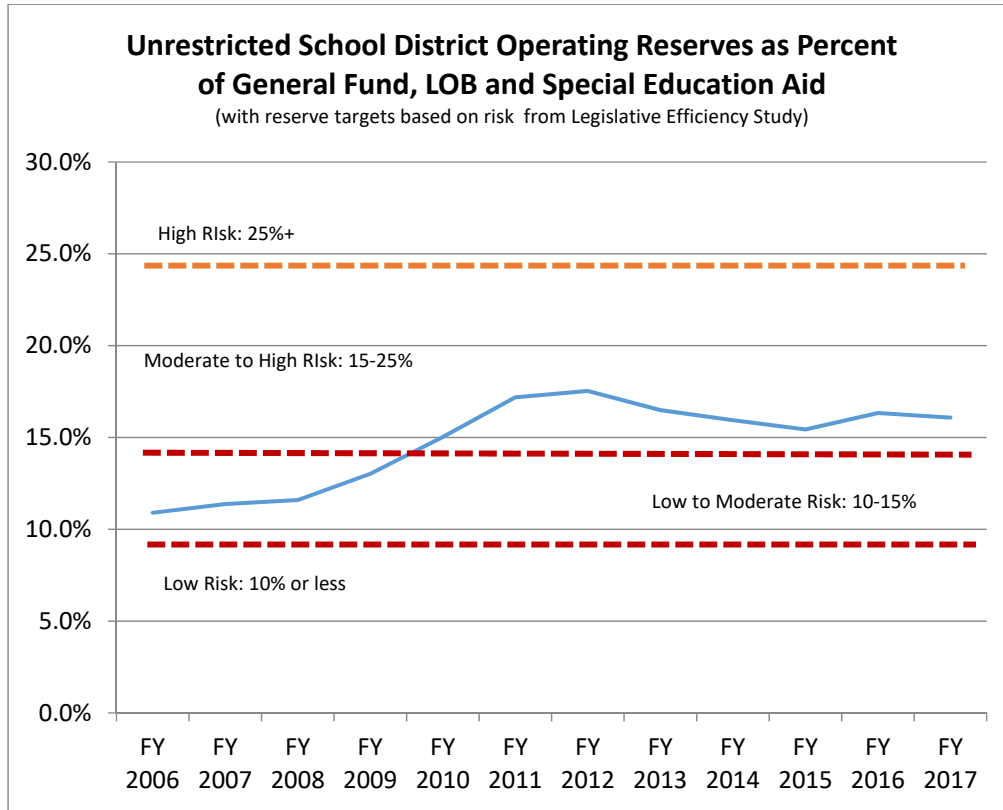


School Districts Compared to Recommended Reserve Levels

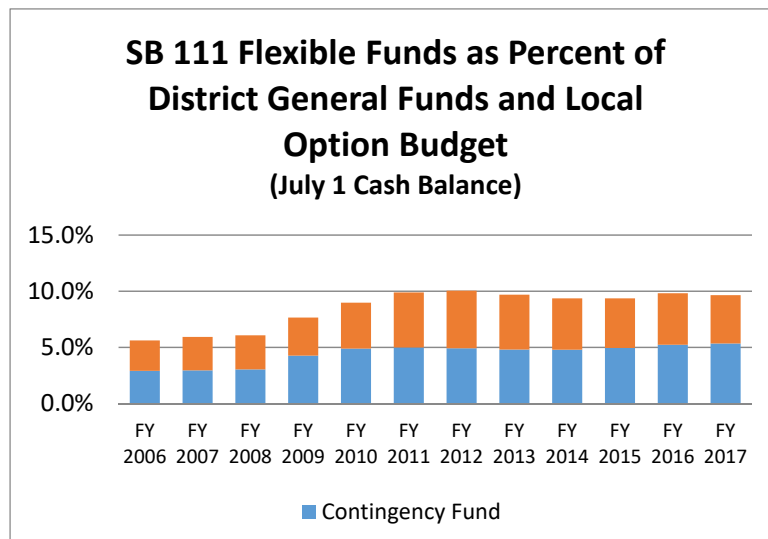
The next chart compares school district balances or reserves to the recommendations from the Governmental Finance Officers Association, quoted in the 2016 Alvarez and Marsal efficiency study commissioned by the Kansas Legislature. The A&M study said the GFOA recommends balances of 10 percent or less in low risk financial conditions; 10-15 percent for low to moderate risk; 15-25 percent for moderate to high risk, and 25 percent or higher for high risk conditions.

For this chart, KASB used a broader group of funds than the SB 111 funds. It compares the total balances of all “unrestricted” funds to school district general funds, local option budget and special education state aid.

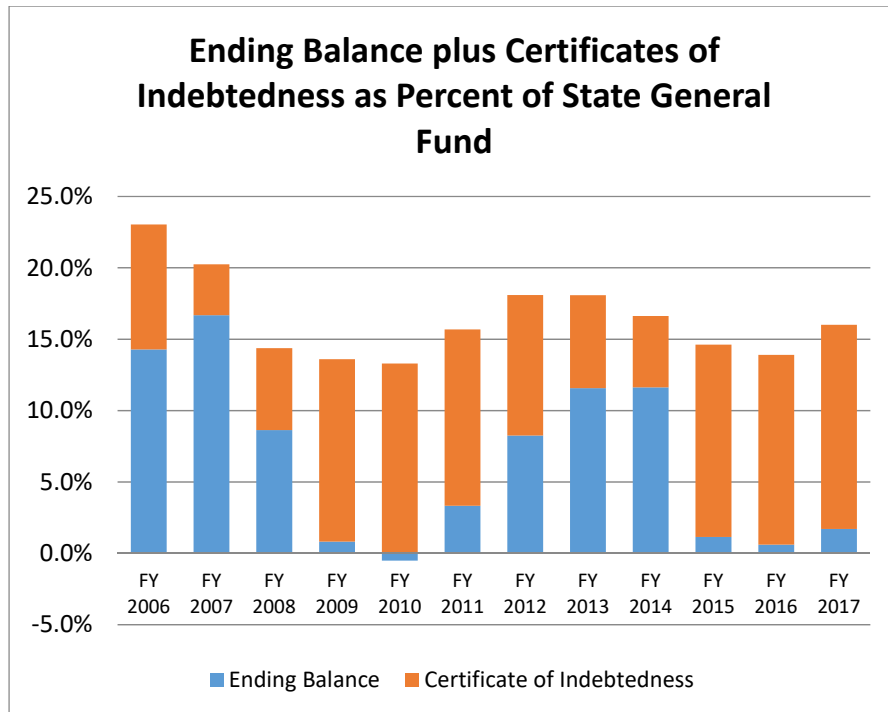
School districts raised balances sharply after 2008 when Kansas entered the most difficult economic and budget circumstances since the 1930’s; reduced the percentage as conditions improved after 2012; and have increased balances modestly during the last two years amid uncertainty over school finance and the possibility of a court-ordered action that could close schools.



The next chart compares SB 111 funds (both the contingency reserve fund and all other SB 111 funds) as a percentage of school district general funds and local options budgets. SB 111 funds are basically used as reserve or contingency funds for general operating budgets and for cash flow. These funds have remained very stable at approximately 10 percent of budget since 2011.



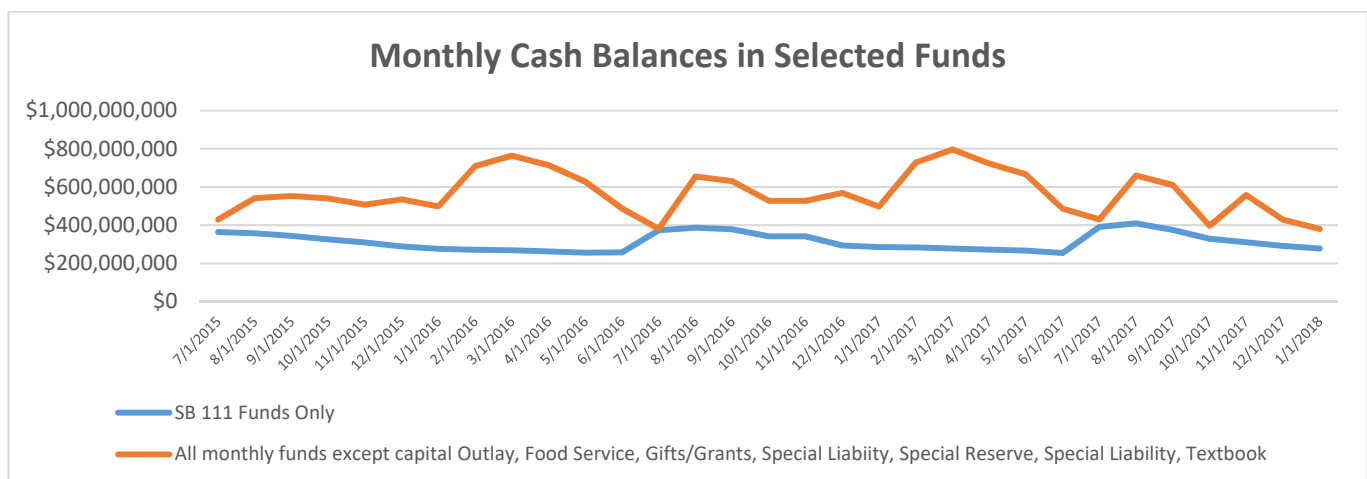
School district balances may be compared to the state general fund in the next chart, which shows the SGF ending balance plus the amount of certificates of indebtedness annually. The certificates are basically the state borrowing from other funds for contingency and cash flow. This level has been approximately 15 percent since 2008, which is similar to the percentage of all unrestricted funds compared to school districts general operating budgets and higher than the percentage of SB 111 funds.



Monthly Cash Balances

The 2015 Legislature passed a requirement that school districts make monthly reports of cash balances in certain funds throughout the year. As the following chart shows, any single month, including the July 1 report, shows only part of the story. Like the state general fund, school district revenues and expenditures vary by month. In fact, many revenues such as property tax payments are received at selected times throughout the year, while districts have relatively steady operating costs.

For example, the orange line below shows large increases in certain times of the year because school districts receive state aid payment or local property tax distributions, but then spend down those balances. The orange line also is unusually low in July because these reports do NOT include delayed state aid payments, which are not recorded until the August report. On the other hand, SB 111 funds are at their high point in July, and steadily decline during the year. Districts usually transfer money into the funds in June to provide enough operating funds to begin the next year.



For example, districts always begin the year in July with the highest balance in the special education fund – over \$170 million statewide each of the past three years. However, by May that number has dropped to about \$50 million. If districts did not have large enough balances to begin the year, they would run out of money before state and federal aid payments are made during the year. The \$50 million “low point” represents less than 10 percent of combined federal and state special education aid.

Like the state using certificates of indebtedness to borrow from other funds during the year, school districts must manage all funds for cash flow, savings for future projects and contingencies such as unexpected expenses and reductions or delays in revenues.

Cash Balances in Fund Groups

Table I (beginning on next page) shows the July 1 beginning balance for all school district funds since 2006, grouped in several categories. It shows the total of all funds, funds managed by school districts but not for USD operations, and four groups defined by KASB:

Group 1 - Constitutionally Restricted Funds (raised by Local Mill Levies), which can be only spent for those purposes. Primarily these are for capital costs. Although some districts receive state aid, these funds can only be spent for the same purpose.

Group 2 - Other Effectively Restricted Funds, which are not limited by tax levies but can only be spent on restricted purposes such as federal funds, gifts and grants (which are rarely for general operating expenditures) special reserves for school district insurance programs, and student materials which cover the cost of textbooks and other specific items.

Group 3 - Funds to Cover Expenses until Revenues are Received; Funds with Summer Expenses. This group is also restricted to specific purposes, and districts must have money in these programs at the beginning of the fiscal year to cover costs until state aid or other revenues are paid later in the year.

Group 4 - General Education Operating Funds are those funds associated with general school district operations.

Finally, in yellow shading, are funds designated as “flexible funds” in SB 111 passed several years ago, in which the Legislature gave school districts more authority to use reserves for other purposes.

(It is important to know that the beginning balance is inflated by the fact that school districts are required to count certain state aid payments as being received in June, even though the actual money is not received until July.)

Note that total cash on hand July 1 increased by \$270 million over the past two years, but \$155 million was in capital outlay, in which districts may accumulate funds for capital projects without using debt; and in bond and interest funds, which increase when districts must have more local property tax on hand to make bond payments.

A further \$60 million increase was in federal funds, special reserves for school district insurance programs, and textbook/student materials funds where money may be accumulated for major textbook or software purposes.

Table 1

	USD Total	Non-USD Funds Administered by USDs				
		Historical Museum	Public Library Board	Pub. Lib. Emp. Benefits	Recreation Commission	Rec. Com. Emp. Benefits
2006	1,163,505,241	23,088	5,279,368	669,345	9,417,521	1,216,312
2007	1,241,380,417	33,508	5,058,974	876,961	8,938,645	1,488,840
2008	1,375,139,138	36,223	5,194,133	850,339	9,599,757	1,299,345
2009	1,504,829,912	45,233	4,246,678	789,872	9,628,162	1,311,813
2010	1,572,903,869	53,913	5,112,979	742,542	9,348,332	1,181,335
2011	1,713,870,651	59,856	6,209,908	986,851	9,693,551	1,302,004
2012	1,720,775,319	57,854	7,685,836	940,438	9,846,903	1,220,484
2013	1,740,825,405	59,837	6,395,839	902,570	11,275,405	1,207,162
2014	1,713,794,470	65,094	7,177,189	946,677	10,728,203	1,196,906
2015	1,745,557,046	27,450	8,196,777	927,299	10,472,946	1,332,428
2016	1,871,026,493	18,141	9,433,850	1,012,344	11,704,004	1,430,690
2017	2,015,805,500	18,108	10,852,473	1,084,160	11,880,857	1,686,255

Group 1 - Constitutionally Restricted Funds (Local Mill Levies)

	Capital Outlay	Bond & Interest 1	Bond & Interest 2	Special Liability	No Fund Warrants	Special Assess.	Adult Education	Group Total	% of Cash Total
2006	364,204,808	283,535,871	15,610,800	7,339,589	49,436	5,865,401	2,505,807	679,111,712	58.4%
2007	383,995,018	290,843,116	16,529,146	8,480,038	50,116	4,991,340	1,217,386	706,106,160	56.9%
2008	449,291,653	300,989,612	19,551,173	8,733,690	0	5,982,252	1,300,921	785,849,301	57.1%
2009	451,672,840	327,700,705	16,550,982	8,693,872	0	5,926,934	1,368,027	811,913,360	54.0%
2010	429,794,605	349,486,618	12,355,705	7,230,830	42,902	5,041,797	1,237,066	805,189,523	51.2%
2011	470,822,923	352,745,579	13,415,458	6,851,816	127,016	3,706,427	983,074	848,652,293	49.5%
2012	453,159,920	365,897,037	11,642,696	7,006,236	148,211	3,076,160	1,119,705	842,049,965	48.9%
2013	446,089,843	391,257,800	12,338,450	6,570,277	153,138	3,826,023	1,322,792	861,558,323	49.5%
2014	432,142,687	421,301,351	13,515,632	6,402,754	68,392	3,947,369	1,392,318	878,770,503	51.3%
2015	411,553,818	459,502,615	16,137,952	5,866,331	149,461	5,575,878	1,585,707	900,371,762	51.6%
2016	431,320,086	486,949,044	17,640,796	5,463,080	35,025	7,242,605	1,439,445	950,090,081	50.8%
2017	492,088,292	535,624,953	18,960,903	3,991,326	946	6,312,486	1,459,842	1,058,438,748	52.5%

Group 2 - Other Effectively Restricted Funds

	Federal Funds	Gifts/Grants	School Retire.	Special Reserve	Textbook	Group Total	% of Cash Total
2006	150,948	21,269,478	314,918	56,697,898	39,054,872	117,488,114	10.1%
2007	2,744,259	23,557,447	257,432	54,221,927	39,971,840	120,752,905	9.7%
2008	3,666,675	22,756,045	438,674	70,604,187	37,781,758	135,247,339	9.8%
2009	3,827,639	23,468,699	504,675	86,098,237	43,286,401	157,185,651	10.4%
2010	1,067,258	24,022,841	440,206	102,361,425	50,621,897	178,513,627	11.3%
2011	4,786,796	20,381,080	889,717	103,063,982	54,257,210	183,378,785	10.7%
2012	-1,820,740	23,125,547	761,360	108,499,916	55,362,208	185,928,291	10.8%
2013	2,791,807	26,432,720	539,541	130,129,403	55,898,194	215,791,665	12.4%
2014	-14,181,937	28,787,855	0	118,323,187	54,242,918	187,172,023	10.9%
2015	5,126,268	30,691,575	99,845	117,941,892	56,394,836	210,254,416	12.0%
2016	24,390,277	35,509,826	120,564	117,986,623	64,286,710	242,294,000	12.9%
2017	42,135,766	39,383,824	133,112	122,068,589	66,947,481	270,668,772	13.4%

Group 3 - Funds to Cover Expenses until Revenues are Received; Funds with Summer Expenses

	Special Ed.	Sped Coop	Summer Sch.	Food Service	Group Total	% of Cash Total	
2006	130,416,781	19,056,607	8,202,858	33,900,433	191,576,679	16.5%	
2007	149,536,176	22,649,907	7,735,683	38,077,263	217,999,029	17.6%	
2008	163,666,930	27,090,889	6,964,103	36,928,843	234,650,765	17.1%	
2009	183,341,090	24,114,960	5,971,828	41,223,348	254,651,226	16.9%	
2010	181,078,898	35,121,588	5,099,631	46,082,491	267,382,608	17.0%	
2011	209,691,371	51,495,094	4,646,232	53,931,627	319,764,324	18.7%	
2012	206,848,701	40,846,279	4,286,953	59,350,567	311,332,500	18.1%	
2013	191,956,262	33,123,181	3,645,662	58,188,912	286,914,017	16.5%	
2014	187,473,642	24,665,221	3,922,777	58,234,698	274,296,338	16.0%	
2015	192,216,218	20,924,338	3,557,018	59,652,292	276,349,866	15.8%	
2016	193,457,902	22,532,155	3,273,998	62,380,779	281,644,834	15.1%	
2017	195,223,659	19,114,194	3,635,249	67,997,020	285,970,122	14.2%	

Group 4 - General Education Operating Funds

	Contingency Res.	General Fund	Supp. General	Virtual Ed.	Declining Enroll.	Cost of Living	Ancillary	Prof. Develop.	Tuition Reimb.	Activities	
2006	97,636,498	1,600,933	39,358,766		0	0		10,184,305	209,739		
2007	107,425,894	1,281,800	38,845,906		0	0		11,644,420	336,372		
2008	119,016,020	1,381,116	42,148,769		0	0		12,617,382	44,409		
2009	175,712,033	1,435,657	42,183,718	915,204	0	0		13,400,850	65,878		
2010	194,276,118	598,170	43,091,299	2,112,120	0	0		15,165,095	14,349		
2011	198,767,766	1,670,107	40,873,956	4,064,565	661,279	1,183,772	2,571,600	15,055,381	15,822	8,250,908	
2012	192,814,557	968,123	60,676,472	3,842,150	222,279	1,503,620	697,789	14,728,633	412	10,115,769	
2013	193,199,655	1,248,562	53,779,815	5,641,445	338,640	1,370,470	1,553,559	14,355,616	1,422	10,440,712	
2014	194,349,988	1,408,321	59,496,260	5,758,600	-22,686	677,988	1,037,586	12,071,827	3,039	11,018,022	
2015	203,547,771	506,881	40,985,124	4,827,172	145,100	1,005,966	1,131,012	10,018,426	3,026	11,618,126	
2016	217,394,610	6,787,088	51,815,044	5,516,992	18,569	1,071,817	1,189,094	10,908,121	10,682	12,852,570	
2017	221,288,602	364,965	49,394,976	6,195,696	283,001	2,259,447	961,136	12,189,727	0	14,510,240	
Restricted Weightings; Early Childhood											
	At Risk (4yr Old)	At Risk (K-12)	Bilingual	Extra Sch.	Voc. Ed.	Area Vocational	PAT	Adult Supp. Ed.	Driver Training	Group Total	% of Cash Total
2006	602,051	3,720,615	661,051	2,178,502	2,668,059	6,891,671	2,005,311	233,599	7,377,636	175,328,736	15.1%
2007	1,082,436	9,625,158	1,324,905	2,332,468	4,497,365	7,880,680	2,275,155	233,430	7,736,334	196,522,323	15.8%
2008	1,741,581	12,572,940	1,668,342	2,659,790	6,575,701	8,558,360	2,130,185	204,911	8,072,227	219,391,733	16.0%
2009	2,532,263	17,388,282	3,435,130	2,385,556	10,827,870		2,220,704	252,131	8,324,399	281,079,675	18.7%
2010	3,651,510	28,565,629	5,832,170	2,389,785	15,771,083		2,516,827	267,311	7,566,645	321,818,111	20.5%
2011	4,835,973	41,527,138	6,858,050	3,368,448	20,989,708		3,145,624	290,794	7,944,358	362,075,249	21.1%
2012	5,394,759	47,634,889	7,152,051	3,351,649	21,760,891		2,995,670	295,384	7,309,466	381,464,563	22.2%
2013	4,895,134	45,622,835	7,712,151	3,234,919	22,391,683		3,055,301	318,403	7,401,078	376,561,400	21.6%
2014	4,197,508	40,099,678	8,589,180	2,998,277	21,506,899		3,064,583	255,670	7,044,866	373,555,606	21.8%
2015	4,430,121	36,997,609	6,919,810	3,433,909	22,938,893		2,651,351	289,985	7,130,720	358,581,002	20.5%
2016	4,926,183	38,544,367	7,556,213	3,689,691	24,615,519		2,952,192	145,997	7,002,829	396,997,578	21.2%
2017	5,231,690	41,572,413	7,409,791	3,319,579	25,989,292		2,600,672	128,306	7,028,325	400,727,858	19.9%