

Fund Balance Policy in Bordering States

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Recommended Minimum Fund Balance

The Government Finance Officers Association has a “Best Practice” statement regarding the appropriate level of unrestricted fund balance for governmental units. Their recommendation is that, in general, political subdivisions maintain an unrestricted fund balance in the general fund of no less than two months of regular general fund revenues or expenditures. For a nine-month budget year, that would equate to 22.2%; for a 12-month budget year it would be 16.67%.

Does the state cap how much excess funds can be carried forward?

| | Does the State Have a Cap? | Cap Description |
|--------------|-----------------------------------|---|
| Iowa | No | <i>See notes</i> |
| Minnesota | No | NA |
| Montana | Yes | 10% of a district’s budget or \$10,000 whichever is greater (<i>See notes</i>) |
| Nebraska | Yes | 20% to 40% depending on size (<i>See notes</i>) |
| North Dakota | Yes | Approximately 45% of the district’s budget (<i>See notes</i>) |
| Wyoming | No | <i>See notes</i> |

Notes:

Iowa: The state does not have a cap on reserve funds. However, if a district’s unspent balance increases by 33% or more from one year to the next then the district may receive an on-site audit from the state. On average, districts in the state carry forward approximately 20% of its budget.

Montana: (Page 14) By law a district cannot carry over more than \$10,000 or 10% of the upcoming school year budget of the general fund (whichever is greater). Reserve limits have also been established for some of the other budgeted funds (Transportation Fund 20%, Retirement Fund 20%, and Adult Education Fund 35%).

Nebraska: The state caps reserve funding to between 20% and 45% of a district's budget depending on a districts size.

| Average Daily Membership of a District | Allowable Reserve Percentage |
|--|------------------------------|
| 0-471 | 45% |
| 471.01-3,044 | 35% |
| 3044.01-10,000 | 25% |
| 10,000.01 and over | 20% |

North Dakota: Districts reserve funds are capped at 45% of the district's budget (not counting debt payment) plus \$20,000. These funds are then placed in the district's "special reserve" fund, which has certain qualifications on how it is accounted for and what the funds can be spent on.

Wyoming: Districts can place unspent state and local dollars in a special reserve fund at the end of the year without a cap. In addition, districts can budget funds into the special reserve fund each year, but that amount is capped at 10% of the district's total budget.