



Issue Brief – Fund Balance Interest

Background

Boards of education are charged with governing school systems so that all students receive the best educational opportunities to graduate prepared to enter a postsecondary institution or the workforce. Under the current law, unexpended school district funds must be deposited in a fund balance. This fund balance acts as a savings account for the district. Just like any account, interest is earned on the balance. The law, however, does not require the local funding body to deposit the interest earned on the fund balance back into the account. In some cases, the local funding body uses the interest for non-educational purposes and reallocates it to other departments. This transfer of funds can be done without the approval of the local funding body.

By changing the law, the local funding body would be required to place any interest earned on the fund balance back into the account and prohibit them from taking it away from the school district. This would provide an immediate financial benefit to local school districts and ensure that funds allocated to education would continue to benefit students.

TSBA Position - SUPPORT

TSBA urges the General Assembly to amend the law and require interest earned on a school district's fund balance to be deposited back into the account.