



MORE ON K-12 CASH BALANCES

Some school officials and legislators continue to mischaracterize the K-12 cash balances as funds that districts can carry forward into the next fiscal year. These accounts have argued that transferring these fund balances will punish responsible school districts by raiding the savings accounts that these districts built up to prepare for the ending of excess utilities, for potential declines in classroom site fund revenues, or for potential cuts in state aid. As the proposals to transfer cash balances have only suggested transferring funds that school districts inappropriately levied and that the districts are not authorized to spend, such arguments are completely false.

School districts have the authority to save up to 4% of their budget limit as a contingency fund to prepare for the situations described above. Yet, in violation of A.R.S. §§ 15-991 and 15-992, school districts' cash balances significantly exceed the amount that corresponds to this unspent budget capacity. The portion that exceeds the districts' spending authority cannot be carried forward to the next year's budget, did not result from the districts' prudent saving habits, and cannot be used to replace excess utilities or Prop 301 funding. To argue otherwise is patently incorrect.

Additionally, the argument has been made that sweeping these unexpendable cash balances will result in a property tax increase to replace the transferred funds. State statutes prohibit school districts from deliberately levying more property taxes than the districts are authorized to spend. Statutes even prohibit districts from levying for estimated uncollected taxes or for deficits in the classroom site fund. If districts increase property taxes to replace the unauthorized cash balances it will be in blatant disregard of these statutes. School district property taxpayers that hope to avoid an unauthorized property tax increase should insist that the governing boards of their respective school districts adopt budgets that are consistent with the existing laws.