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# 3% Fund Balance Test

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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## 3% Fund Balance Test

Reference Number: CTAS-740

Public Chapter 223 materially changed the state statute regarding uses of unassigned fund balance; however, the 3% fund balance test will have to be met before a Local Education Association's budget will be approved.

There are provisions applicable after the operating budget is adopted that allow for the use of fund balance. It shall be available to offset shortfalls of budgeted revenues and shall be available to meet unforeseen increases in operating expenses, i.e., major increases in fuel prices or utility cost.

The accumulated fund balance in excess of three percent (3%) of the budgeted annual operating expenses for the current fiscal year may be budgeted and expended for any education purposes but must be recommended by the board of education prior to appropriation by the local legislative body.

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