

Special Funds

There are three budgeting questions many PTA leaders ask:

- How much should we have in case of an **emergency**?
- Can we designate or **restrict funds** for a specific purpose?
- What happens to the **excess funds** at the end of the school year—how much can we roll over?

Emergency Reserve

The emergency reserve fund is considered an integral part of each PTA's planning and budget process. This fund is intended to serve as a means to retain financial stability in the event of an unforeseen circumstance such as unplanned expenses arising from a project or an unexpected increase in inflation. As a rule, a healthy reserve is between one-half to one full year's average expenditures.

Restricted Funds

While it is a common PTA rule that one board cannot obligate the next year's board, there is one exception to that rule. The IRS has strict rules on restricted funds. When money is raised for a specific purpose (e.g., technology, a new playground, etc.), the money raised *must* be spent on that purpose. It does not matter if it is one year, five years, or 25 years from now.

If your PTA wishes to use restricted funds for an alternate purpose, the donors must be notified and given the option to have their donation refunded to them. However, if you advertise that money raised is going toward something specific *as well as other PTA projects*, the collected funds are not restricted, and your board — and future boards — are able to use that money for whatever budget purpose they desire.

Excess Funds

There is no ruling from the IRS or National PTA that limits the amount of money that a PTA may carry over to the next budget year. No PTA board has the authority to write checks to the school or the principal for unbudgeted items to “clean out” the accounts. Expenditures must be approved by the general membership at a meeting. Every PTA should try to leave sufficient funds for leadership training for new board members (i.e., Council/Regional trainings, State PTA Convention or National PTA Convention), startup expenses for the new school year, etc. Funds not spent in one budget year should be included in the new budget.