§ 3651. Reserve fund. 1. A reserve fund may be established by the school authorities of any school district, provided, however, that no such fund shall be established (a) until approved by a majority vote of the qualified voters of the district voting on a proposition therefor submitted at a regular or special school district meeting, or in school districts which do not have such meetings, at an election called for such purpose, and (b) unless the notice of such meeting or election shall have stated that a proposition to establish a reserve fund would be so submitted, the purpose of the fund, the ultimate amount thereof, its probable term and the source from which the funds would be obtained. Such reserve fund may be established for financing, in whole or in part, the cost of any object or purpose for which bonds may be issued by, or for the objects or purposes of, the school district pursuant to the local finance law. The proposition shall specify the purpose for which the fund is established, the ultimate amount, the probable term and the source from which the funds are to be obtained. There shall be paid into any such fund an annual amount sufficient to meet the requirements of the proposition. In addition, the voters may from time to time direct the school authorities to pay into such fund moneys derived from any other source.

1-a. Notwithstanding the provisions of subdivision one of this section, any school district may establish a reserve fund for the payment of judgments and claims in tax certiorari proceedings in accordance with article seven of the real property tax law, without approval by the qualified voters of the district, provided, however, that the total of the monies held in such reserve fund shall not exceed that amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of such tax certiorari proceedings. Any monies deposited to such reserve fund which are not expended for the payment of judgments or claims arising out of such tax certiorari proceedings for the tax roll in the year such monies are deposited to the said fund and/or which will not reasonably be required to pay any such judgment or claim shall be returned to the general fund on or before the first day of the fourth fiscal year following the deposit of such monies to said reserve fund. For purposes of this subdivision, such monies shall be deemed reasonably required to pay any

such judgment or claim if the proceeding or claim has not been finally determined or otherwise terminated or disposed of after the exhaustion of all appeals.

1-b. Notwithstanding the provisions of subdivision one of this section, where the city or county is not required to pay to the treasurer of a city school district unpaid taxes during the fiscal year for which such real property taxes are levied, the board of education of such city school district may establish a reserve for uncollected taxes without approval of the qualified voters of the school district, provided that the ratio of the amount of such reserve to the total principal amount of the district's tax levy for such fiscal year shall not be less than the ratio of the principal amount of the school district taxes as levied by the school district for the last completed fiscal year but not received by the district before the end of such fiscal year to the total principal amount of the tax levy for such last completed fiscal year. If the city or county is not required to pay to the treasurer of a city school district unpaid taxes pursuant to section thirteen hundred thirty-two of the real property tax law, the board of education of the city school district shall establish a reserve pursuant to this subdivision, provided that such reserve shall not be less than the amount of taxes for the fiscal year for which such budget is being prepared which are estimated to be unpaid during such fiscal year under the aforesaid provisions of the real property tax law.

2. The moneys in each such fund shall be deposited in one or more of the banks or trust companies designated as depositories of the funds of such school district and shall be known as the "_____reserve fund" of such district. The school authorities may direct the treasurer of such school district to invest the moneys in each such fund in the manner provided in section thirty-six hundred fifty-two of this article. Any interest earned or capital gains realized on the money so deposited or so invested shall accrue to and become a part of each such fund. The separate identity of each such fund shall be maintained whether its assets consist of cash or investments or both.

3. An expenditure shall be made from a reserve fund only by

authorization of the voters and for the specific purpose specified in the proposition.

3-a. Notwithstanding the provisions of subdivision three of this section, any school district which establishes a reserve fund in accordance with subdivision one-a of this section may make expenditures from such fund for the purposes specified in such subdivision without authorization of the voters.

4. The voters may authorize the transfer of all or any part of any reserve fund to any other reserve fund established pursuant to this section.

5. Whenever the voters shall determine that the original purpose for which a reserve fund has been established is no longer desirable, the school authorities may liquidate the fund by first applying its proceeds to any outstanding bonded indebtedness and applying the balance, if any, to the annual tax levy, provided, however, that the amount so applied in any one year shall not be greater than the amount which will reduce the tax rate for school purposes below five mills on actual valuation; provided, however, that the school authorities in any school district having no outstanding bonded indebtedness may, in any year in which no state aid is payable thereto under the provisions of this chapter, liquidate such fund by applying the balance thereof to the annual tax levy, regardless of the tax rate for school purposes, subject to the approval of a majority of the qualified electors of the district voting on a proposition therefor submitted at a regular or special school district meeting, or in school districts which do not have such meetings, at an election called for such purpose.

6. The school authorities shall cause a separate account to be kept of each fund established. Such account shall show:

a. The date and amount of each sum paid into the fund.

b. The interest earned by such fund.

c. The capital gains or losses resulting from the sale of investments of the fund.

d. The interest or capital gains which have accrued to the fund.

e. The amount and date of each withdrawal from the fund.

f. The assets of the fund indicating the cash balance therein and a schedule of the amounts invested in federal or state obligations.

7. The school authorities shall render annually a detailed report of the operation and conditions of each of such funds. Copy of such report shall be filed with the commissioner of education.

8. a. Notwithstanding the foregoing provisions of this section, if in any city any taxes raised on real estate for the purposes of the school district must be included in computing the amount which the city may raise by tax on real estate for city purposes pursuant to the provisions of section ten of article eight of the constitution, the establishment of a reserve fund by the school authorities of the school district shall be subject to the consent of the legislative body of the city.

b. Notwithstanding the foregoing provisions of this section, in any school district which is wholly or partly in the Adirondack park and has within its boundaries state lands subject to taxation assessed at more than thirty per centum of the aggregate taxable assessed valuation of the real property within the bounds of such school district, the school district shall not establish a reserve fund unless, on the recommendation of the commissioner of education, the state comptroller, on behalf of the state, shall consent thereto. Upon the expiration of fifteen days from the date of the filing in his office of the application for such consent, together with the recommendation of the commissioner of education, and upon reaching a determination, the state comptroller shall make an order, in triplicate, granting or denying such consent. One copy of such order shall be filed in the office of the state department of audit and control at Albany, New York, another in the state department of education at Albany, New York, and the third in

the office of the clerk of such school district.

9. Notwithstanding the foregoing provisions of this section, in a city school district in a city having a population of one hundred twenty-five thousand inhabitants or more, such a reserve fund may be established, expenditures may be made therefrom, moneys may be paid into such fund, all or any part of such fund may be transferred to any other reserve fund established under this section, and such reserve fund may be liquidated, all pursuant to the provisions of this section, except that any such action may be authorized or taken by the board of education of such city school district, without approval or authorization of the qualified voters of such district.