

Education Stabilization Account

What is the Education Stabilization Account?

The Education Stabilization Account allows the State to set aside surplus revenue designated for K-12 education. These funds may be utilized if the State experiences declining revenues or budget deficits during a fiscal year. If the revenue collected in the State Education Fund is 97 percent or less than the amount authorized by the Legislature for that fiscal year, the Interim Finance Committee of the Legislature may authorize a transfer from the Education Stabilization Account to the State Education Fund, ensuring the State Education Fund remains appropriately funded.

As the Education Stabilization Account grows, over time, excess revenue in the account may be transferred to the State Education Fund. For instance, if the balance in the Education Stabilization Account at the end of a fiscal year exceeds 15 percent of the revenue in the State Education Fund for the prior fiscal year, then the amount greater than 15 percent will be transferred to the State Education Fund.

How is the Education Stabilization Account funded?

The Education Stabilization Account is funded through transfers from local school districts and the State Education Fund. At the end of each fiscal year, each school district will transfer the amount of its ending fund balance that exceeds 16.6 percent of its total (actual) expenditures for the fiscal year. Additionally, any balance remaining in the State Education Fund at the end of a fiscal year will be transferred to the Education Stabilization Account. The Education Stabilization Account may earn interest and income, both of which will remain in the account.

These transfers begin in fiscal year (FY) 2022, when the Pupil Centered Funding Plan is implemented.

What if a school district's ending fund balance already exceeds 16.6 percent?

At the end of FY 2020, if a school district has an ending fund balance greater than 16.6 percent of the total budgeted expenditures for FY 2020, the school district may maintain all of its ending fund balance until such time as the balance decreases below 16.6 percent. For example:

FY 20 Ending Fund Balance = 20% of total budgeted expenditures → school district may retain ending fund balance; does NOT transfer to Education Stabilization Account

FY 21 Ending Fund Balance = 20% → continue to retain ending fund balance
or

If a school district has an ending fund balance greater than 16.6 percent of total expenditures as of June 30, 2020, that becomes the new threshold for the ending fund balance in the subsequent fiscal year.

The ending fund balance in each subsequent fiscal year may not exceed the ending fund balance for the immediately preceding fiscal year. Any amount over the preceding fiscal year's ending fund balance percentage must be transferred to the Education Stabilization Account.

For example:

FY 20 Ending Fund Balance = 20% of total budgeted expenditures → resets the baseline to 20% for the succeeding FY

FY 21 Ending Fund Balance = 22% → 2% transfers to Stabilization Account

FY 22 Ending Fund Balance = 22% → 0 transfers to the Stabilization Account

For a school district with an ending fund balance greater than 16.6 percent as of June 30, 2020, once a school district has reduced its ending fund balance to below 16.6 percent, then any amount over 16.6 percent will transfer to the Education Stabilization Account at the end of each fiscal year.