

EDUCATION STABILIZATION FUND

What Is the Education Stabilization Fund and How Does It Work?

- ✓ Allows the Governor, subject to appropriation, in any fiscal year in which actual revenues are less than the revenue estimates upon which appropriations were based, to expend from the newly created "Education Stabilization Fund" in lieu of General Revenue.
- ✓ The Fund is capped at the close of any fiscal year at 10% of the previous fiscal year's appropriation to the foundation formula.

Why Is It Needed?

- ✓ The Fund will minimize the financial impact to public education during economic downturns.
- ✓ Reliable funding for schools is critical to avoiding educational disruptions and ensuring teachers get paid timely.



History of Emergency Restrictions to the Foundation Formula During Economic Downturns

FISCAL YEAR	APPROPRIATION	EMERGENCY RESTRICTIONS
FY2014	\$3,075,271,737	\$(65,883,326)
FY2015	\$3,075,271,737	\$(100,200,000)
FY2017	\$3,075,271,737	\$(6,000,000)
FY2020	\$3,075,271,737	\$(139,224,462)
FY2021	\$3,553,211,885	\$(123,358,675)

Effect on the State's Credit Ratings

FACTOR	FACTOR WEIGHTING
Economy	30%
Financial Performance	20%
Institutional Framework/ Governance	20%
Leverage	30%
Total	100%

"The strength of a state's financial performance is important because fund balances and liquid reserves represent the resources available to fund the budget in the event of unforeseen contingencies such as revenue shortfalls and spending overruns... Liquidity is important to help states bridge temporary budgetary imbalances. Larger liquid reserves provide states more time to manage their cash flows and address deficits... if they coincide with low liquidity. Liquidity provides an important perspective in conjunction with a state's fund balance."

Moody's Investors Service: US States and Territories Methodology (March 22, 2022).