

# USE OF THE FOUNDATION AID STABILIZATION FUND AND BUDGET STABILIZATION FUND

## OVERVIEW OF USE OF FUNDS Foundation Aid Stabilization Fund

The principal of the foundation aid stabilization fund may only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 ([Appendix A](#)) provides the Director of the Budget may order an allotment to control the rate of expenditures of state agencies. This section provides an allotment must be made by specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent the allotment can be offset by transfers from the foundation aid stabilization fund.

## Budget Stabilization Fund

The budget stabilization fund was established in 1987 and contains funds that may be used to offset a revenue shortfall as provided in Chapter 54-27.2 ([Appendix B](#)). Any amount in the state general fund in excess of \$65 million at the end of the biennium must be transferred to the budget stabilization fund. However, the maximum balance of the fund is limited to 9.5 percent of the general fund budget as approved by the most recently adjourned Legislative Assembly.

The Governor may order a transfer from the budget stabilization fund to the general fund if the Director of the Office of Management and Budget (OMB) projects general fund revenues for the biennium will be at least 2.5 percent less than estimated by the most recently adjourned Legislative Assembly. The amount transferred is limited to the difference between an amount 2.5 percent less than the original legislative general fund revenue forecast and the revised forecast prepared by OMB.

## Estimated Fund Balances

The table below summarizes the estimated ending fund balances of the foundation aid stabilization fund and budget stabilization fund on June 30, 2015, based on estimates made during the 2013 legislative session.

	Estimated Balance June 30, 2015
Foundation aid stabilization fund	\$615,436,791
Budget stabilization fund	\$583,545,799 <sup>1</sup>

<sup>1</sup>Does not reflect any potential transfers to be made from the general fund to the budget stabilization fund at the end of the 2013-15 biennium.

## USE OF BUDGET STABILIZATION FUND FOR STATE SCHOOL AID PAYMENTS

In the event the Governor orders a budget allotment, funding from the foundation aid stabilization fund is to be used to offset the budget allotment for foundation aid, transportation aid, and special education aid payments to schools. If the projected revenue shortfall is 2.5 percent or less, the foundation aid stabilization fund would be used to offset the entire allotment. If the projected revenue shortfall is 2.5 percent or greater, it appears that any allotment of school aid payments in excess of 2.5 percent may be offset by either a transfer from the foundation aid stabilization fund or the budget stabilization fund. The determination of which funding source to use for allotments in excess of 2.5 percent would be made by the Governor, who has the authority to order transfers from either fund subject to constitutional and statutory provisions. Any allotment of other general fund appropriations may only be offset with a transfer from the budget stabilization fund.

Below is a schedule summarizing options to offset allotments.

Use of Foundation Aid Stabilization Fund and Budget Stabilization Fund to Offset Allotments		
	State School Aid Payments	Other General Fund Appropriations
First 2.5 percent of allotment	A transfer from the foundation aid stabilization fund must be used to offset allotment.	No offset of allotment allowed.
Portion of allotment greater than 2.5 percent	A transfer from either the foundation aid stabilization fund or budget stabilization fund must be used to offset allotment.	The Governor may order transfer from budget stabilization fund to offset allotment.

**AMOUNT OF FUNDING REQUIRED TO OFFSET A GENERAL FUND ALLOTMENT**

For the 2013-15 biennium the Legislative Assembly appropriated \$1,695,374,000 from the general fund for state school aid payments and appropriated \$5,167,213,354 from the general fund for other purposes. The table below summarizes the amount of funding that would be required to offset allotments of 2013-15 biennium general fund appropriations for state school aid payments and other general fund appropriations.

<b>Amount of Funding Required to Offset General Fund Allotments</b>			
<b>Amount of Allotment Percentage</b>	<b>State School Aid Payments<sup>1</sup></b>	<b>Other General Fund Appropriations<sup>2</sup></b>	<b>Total</b>
2.5	\$42,384,350	\$0	\$42,384,350
5.0	\$84,768,700	\$129,180,334	\$213,949,034
7.5	\$127,153,050	\$258,360,668	\$385,513,718
10	\$169,537,400	\$387,541,002	\$557,078,402
15	\$254,306,100	\$645,901,669	\$900,207,769
20	\$339,074,800	\$904,262,337	\$1,243,337,137

<sup>1</sup>The first 2.5 percent of allotment of state school aid payments must be offset with a transfer from the foundation aid stabilization fund. Any allotment greater than 2.5 percent must be offset with a transfer from either the foundation aid stabilization fund or the budget stabilization fund.

<sup>2</sup>The Governor may order a transfer from the budget stabilization fund to offset any general fund revenue shortfall greater than 2.5 percent.