

PRESENTATION TO THE NCSL BUDGET WORKING GROUP

Kirk Fulford

Legislative Fiscal Officer

*Legislative Services Agency – Fiscal
Division*

<https://alison.legislature.state.al.us/lisa-fiscal-division>

December 7, 2023



EDUCATION TRUST FUND PRORATION SINCE 1992

FY 1992: 3.0%

FY 2001: 6.2%

FY 2003: 4.4% (Reduced to 0% after transfer of approximately \$180 million from Rainy Day Account/PPA)

FY 2008: 6.5% (Reduced to 0% after transfer of approximately \$439 million from PPA)

FY 2009: 18.0% (Reduced to 11% after transfer of approximately \$437 million from Rainy Day Account)

FY 2010: 9.5%

FY 2011: 3.0%



ETF ROLLING RESERVE ACT

ETF ROLLING RESERVE ACT: THROUGH FY2023

- Effective beginning in FY 2013
- Capped the annual appropriations from the ETF
 - **tied to the percentage growth in recurring revenues** to the ETF over the last 15 years, dropping the lowest year.
- Limited ETF expenditures to the average of the estimated available revenues when such estimates were less than the ETF appropriations cap
- Prescribed how excess funds are distributed when actual ETF receipts exceed the cap, including:
 - the Budget Stabilization Fund: an additional reserve fund accessible only in the event of proration or for temporary transfers to public schools/higher ed due to natural disasters
 - the Advancement and Technology Fund: funding available for supplemental appropriation to K-12 & higher ed for certain allowable expenses
- **No ETF proration since the ETF Rolling Reserve Act became effective**

Rolling Reserve Act Definitions

NEW RECURRING REVENUE. Revenue of any kind or type constituting a new annual source of money that has been enacted, established, or provided for prior to the first day of the fiscal year of which it is to first be included in the calculation of the Fiscal Year Appropriation Cap for the Education Trust Fund.

NONRECURRING REVENUE. Revenue of any kind or type that is deposited into or causes one-time abnormal revenue impacts on the Education Trust Fund and that is not recurring revenue, including one-time enhancements to revenues resulting from one-time assistance to individuals or businesses provided by the federal government. Any balance remaining in the Education Trust Fund at the end of any fiscal year, and transfers from the Education Trust Fund Rainy Day Account and the Education Trust Fund Budget Stabilization Fund shall be nonrecurring revenue.

RECURRING REVENUE. Any permanent and continuing source of revenue of any kind or type that has been enacted, established, or provided for in fiscal years prior to the fiscal year for which it is to be included in the calculation of the fiscal year appropriation cap for the Education Trust Fund. Recurring revenue shall not include any balance remaining in the Education Trust Fund at the end of any fiscal year. Once a new recurring revenue produces a source of revenue for one complete fiscal year, it becomes a recurring revenue.

ETF Rolling Reserve Act Cap Formula

(b) The fiscal year appropriation cap for the Education Trust Fund shall be equal to the sum of all of the following:

(1) The total of **recurring revenues** deposited into the Education Trust Fund in the last completed fiscal year preceding the date on which the fiscal year appropriation cap is calculated.

(2) An amount equal to the amount in subdivision (1) multiplied by the average annual percent of change in the **recurring revenues** deposited into the Education Trust Fund for the 15 most recently completed fiscal years preceding the date on which the fiscal year appropriation cap is calculated, excluding the highest and lowest years from the calculation.

(3) If **new recurring revenue** measures are enacted that will be deposited into the Education Trust Fund, or if existing revenue sources are amended to increase the amount of money deposited into the Education Trust Fund, for the first time during the year for which the fiscal year appropriation cap is being calculated, then 95 percent of the amount projected in the enacted fiscal note accompanying the legislative act creating the new recurring revenue shall be added or subtracted as a part of the fiscal year appropriation cap. If a recurring revenue source to the Education Trust Fund is removed or reduced during the year for which the fiscal year appropriation cap is being calculated, the negative impact, based on the enacted fiscal note, of the removal or reduction of the recurring revenue shall be included in the calculation of the fiscal year appropriation cap.

(4) **Nonrecurring revenue** shall be added or subtracted as a part of the fiscal year appropriation cap for the fiscal year in which the nonrecurring revenue is deposited into the Education Trust Fund.

Recurring Revenue Adjustments

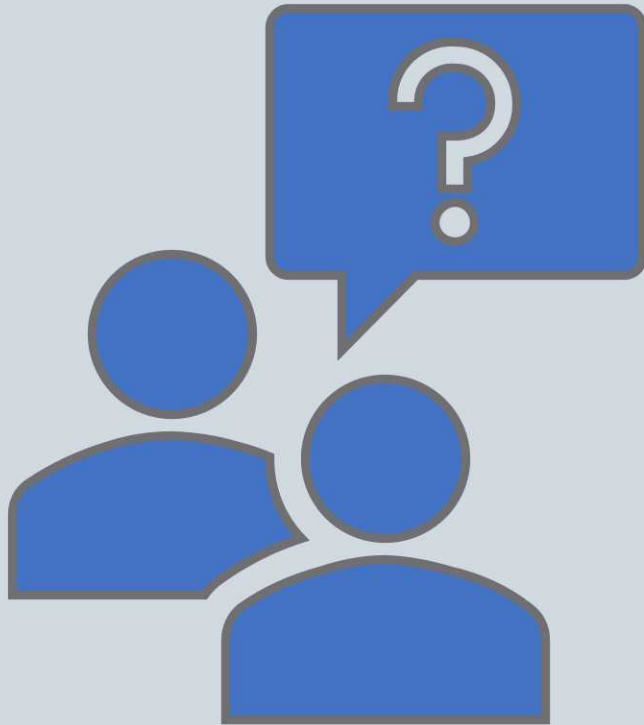
Fiscal year	Total ETF receipts	Adjustment for nonrecurring and new recurring items	Total Recurring Receipts	Growth	% Growth in Recurring Revenue
2008	6,414,630,671	(471,372,515)	5,943,258,155	89,284,298	1.53%
2009	5,679,120,475	(437,520,418)	5,241,600,057	(701,658,098)	-11.81%
2010	5,217,470,126		5,217,470,126	(24,129,931)	-0.46%
2011	5,337,663,842	(32,302,687)	5,305,361,155	87,891,029	1.68%
2012	5,704,207,619	(30,000,000)	5,674,207,619	368,846,464	6.95%
2013	5,683,296,432	52,000,000	5,735,296,432	61,088,813	1.08%
2014	5,802,736,486		5,802,736,486	67,440,054	1.18%
2015	6,048,341,073	81,058,000	6,129,399,073	326,662,587	5.63%
2016	6,072,936,061	33,952,000	6,106,888,061	(22,511,012)	-0.37%
2017	6,327,327,215		6,327,327,215	220,439,154	3.61%
2018	6,753,565,379		6,753,565,379	426,238,164	6.74%
2019	7,215,276,203		7,215,276,203	461,710,824	6.84%
2020	7,741,237,483	(316,665,743)	7,424,571,740	209,295,537	2.90%
2021	8,643,813,063	(639,382,270)	8,004,430,793	579,859,053	7.81%
2022	10,419,531,598		10,419,531,598	2,415,100,805	30.17%
2023	10,430,960,185		10,430,960,185	11,428,587	0.11%

ETF Rolling Reserve Act Cap for FY 2024

FY 2023 Total ETF Receipts	10,419,531,598
FY 2023 Nonrecurring Revenues and New Recurring Revenues	-
Net Recurring Revenues (Base)	10,419,531,498
PLUS:	
Average growth for the 14 highest years out of the last 15 (5.38%)	560,570,800
New recurring revenue measures	<u>-40,100,000</u>
FY 2024 ETF Appropriations Cap	10,940,002,398

ETF ROLLING RESERVE ACT: ACT 2023-390 CHANGES

- Effective **beginning in FY 2024**
- Established a secondary spending limit for annual appropriations from the ETF equal to 106.5% of prior year appropriations in FY2024, reduced by .25% annually to 105.75% in FY 2027 and thereafter
- Capped the annual appropriations from the ETF to the appropriation cap, or secondary spending limit **whichever is less**
 - Dropped the high growth year from the calculation of the appropriation cap
- Created the ***Educational Opportunities Reserve Fund*** and provided for the use of funds
- Prescribed a new allocation of annual ETF receipts in excess of expenditures, including:
 - Budget Stabilization Fund – an amount equal to 1% of prior year ETF expenditures
 - Advancement and Technology Fund – 50% of the remaining balance, not to exceed \$1 billion annually
 - Educational Opportunities Reserve Fund – 20% of the remaining balance



Q&A
