

NON-LAPSING ACCOUNT/EDUCATION FUND

(BACKGROUND INFORMATION FOR POLICY REVIEW COMMITTEE)

***2024 Legislative Update Impacting Board of Education Non-Lapsing Account/Education Fund**

Prior to the passage of Public Act 24-45 An Act Concerning Education Mandate Relief, School Discipline, and Disconnected Youth, Section 7 state law (Connecticut General Statutes §10-248a) allowed a town board of finance (or the board of selectmen in a town with no board of finance, or the authority otherwise making budget appropriations for the school district) to deposit unexpended funds from the education budget into a non-lapsing account.

Beginning with the **2023-2024 fiscal year**, Section 7 of Public Act 24-45 will allow the local board of education to make this deposit. Current restrictions in the law will continue to apply: 1) the deposited amount cannot exceed 2% of the prior fiscal year's education budget; 2) any expenditures from this account are only made for educational purposes; and 3) any expenditure must be authorized by the town's board of education. However, this new provision will allow local boards of education to decide how much, if any, to place into such an account (up to the 2% cap) or create one if one does not exist. Previously, local boards of education were reliant upon the willingness of a town's fiscal authority to create such an account (and then make any deposits into it), and often, a town's fiscal authority would refrain from doing so, since any unexpended monies would otherwise revert back to the town at the end of the fiscal year.

Regional Boards of Education: Authority to Use Reserve Funds for any Educational Purpose

Prior to the same Act, Section 8, state law (Connecticut General Statutes §10-51(d)(2) allowed regional boards of education to create reserve funds for "capital and non-recurring expenditures," to be financed by appropriated funds and year end surplus operating (budget) funds. **Beginning with the 2023-2024 fiscal year**, Section 8 of Public Act 24-45 will allow *regional boards of education* to create (and expend monies from) these funds *for any "educational expenditure,"* not just capital projects/improvements and equipment purchases. The Act renames the account "**the reserve fund for educational expenditures**" instead of the former "reserve fund for capital and nonrecurring expenditures." The other current restrictions for these reserve funds will remain in effect (for example, that such accounts be created by a majority vote of the regional board of education's members, the aggregate amount of annual appropriations and supplemental appropriations from the surplus by the regional district to the fund cannot exceed 2% of the annual district budget for the fiscal year). However, this revision provides an additional tool for regional school districts to consider when determining what to do with any surplus, and whether to 1) reduce the budget assessments to their member towns for the next year, or 2) use the surplus for educational purposes in the future via a deposit into a reserve fund.

Policy Implications

A revision to policy, #3171.1, taking into consideration 2024's Public Act 24-45, Section 7, "Non-Lapsing Education Fund," and Section 8 "Reserve Fund for Educational Expenditures" follows for consideration. This is considered an optional policy for inclusion in a district's policy manual.

A "Memorandum of Agreement" between the board of education and the board of finance is no longer required.

April 2015

Revised July 2019

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