

Budget Reserve Fund Activity and Balance

The current balance in the Budget Reserve Fund (Rainy Day Fund) is \$406.0 million.

FY 15 ended with a General Fund deficit of \$113.2 million. The Budget Reserve Fund balance at the beginning of FY 15 was \$519.2 million. The deficit of \$113.2 million will be eliminated through a transfer from the Budget Reserve Fund; thus reducing the BRF balance to \$406.0 million.

The following table shows activity and balances in the Budget Reserve Fund from FY 04 - FY 15.

Budget Reserve Fund Activity and Balance: FY 04 - FY 15 (in millions)

Fiscal Year	Beginning Balance \$	Deposits/ (Withdrawals) \$	Ending Balance \$
04	-	302.2	302.2
05	302.2	363.8	666.0
06	666.0	446.5	1,112.5
07	1,112.5	269.2	1,381.7
08	1,381.7	-	1,381.7
09	1,381.7	-	1,381.7
10	1,381.7	(1,278.5)	103.2
11	103.2	(103.2)	-
12	-	93.3	93.3
13	93.3	177.2	270.7
14	270.7	248.5	519.2
15	519.2	(113.2)	406.0

Changes to the Budget Reserve Fund in PA 15-244

PA 15-244, the FY 16 and FY 17 budget bill, establishes, beginning in FY 19, a transfer of any excess General Fund (GF) revenue to the Budget Reserve Fund (BRF) and the State Employees' Retirement Fund (SERF). This results in a potentially significant diversion of revenue from the GF to the BRF and SERF in FY 19 and annually thereafter.³

In order for a revenue transfer to be triggered, total "combined revenue"⁴ must be in excess of a calculated threshold based on the average difference (as a percentage)

³Per the act, BRF revenue can be accessed in the event of a decrease in GF revenue greater than 2% over the prior year (for example, during a recession).

⁴For the purposes of the act "combined revenue" is equal to the sum of: (1) the corporation business tax, and (2) the estimated & final payments portion of the personal income tax.

between actual revenue and the ten year average. The act allows for the threshold to be adjusted for changes in tax policy that impact the corporation business tax or the personal income tax.

Based on historical data, the transfer of GF revenue to the BRF and SERF may exceed \$800 million in a fiscal year. The table below compares actual deposits into the BRF to deposits that would have occurred had the new law been in effect.

Comparison of Historical BRF Transfers to Formula (in millions)

FY	Actual Deposit into BRF \$	Transfers as Calculated Under the Act \$
04	302.2	24.6
05	363.9	433.6
06	446.5	697.1
07	269.2	815.8
08	-	818.5
09	-	-
10	(1,278.5)	-
11	(103.2)	-
12	93.5	75.0
13	177.2	200.4
14	248.5	-

The breakout of the transfer from the GF to the BRF or SERF varies based on the amount of funds currently in the BRF relative to total GF appropriations, which is illustrated in the table below.

BRF and SERF Diversions Calculation

BRF Balance / Appropriations	Budget Reserve Fund	State Employees Retirement Fund
0 to 5%	95%	5%
5 to 10%	90%	10%
10 to 15%	85%	15%
Greater than 15%	0%	100%