

APPENDIX F. Budget Reserve ("Rainy Day") Fund Update

In his financial statement of August 2, 2021, the State Comptroller [anticipates](#) an FY 21 General Fund operating surplus of \$306.9 million in addition to a Volatility Adjustment Transfer of \$1,220 million for a total, projected deposit into the Budget Reserve Fund of \$1,526.9 million. This deposit amount would increase the balance of the Budget Reserve Fund to \$4,539.8 million in total, which is equal to 22% of the enacted (net) amount of General Fund appropriations in FY 22.

State law and a bond covenant require the State Treasurer to apply any amounts in the Budget Reserve Fund which are in excess of 15% of the (net) amount of General Fund appropriations in the current fiscal year to reduce unfunded pension liabilities (either the State Employees Retirement System (SERS) or the Teachers' Retirement System (TRS)), then potentially reduce other outstanding debts. The State Treasurer's decision is anticipated to be announced after the State Comptroller has determined the FY 21 year-end financial results (state law requires this be done no later than September 30, 2021).

To reduce the balance of the Budget Reserve Fund to 15% of net General Fund appropriations in FY 22, a transfer of \$1,427.9 million would be made to SERS, TRB, or some combination thereof. This estimate is tentative, and subject to finalization by the State Comptroller in September 2021. Based on current projections and net General Fund appropriations in FY 23, it is projected that a subsequent transfer of \$1,125.9 million would be made in the Fall of 2022.

Budget Reserve Fund /SERS/TRS deposits

In Millions of Dollars

Description	FY 21	FY 22	FY 23
Starting balance	3,074.6	4,539.8	4,356.1
Deposit into pension funds	(61.7)	(1,427.9)	(1,125.9)
Volatility Adjustment transfer	1,220.0	969.2	798.2
General Fund operating surplus	306.9	274.9	275.4
Ending balance	4,539.8	4,356.1	4,303.8
Balance before deposit into SERS/TRS	22%	20%	20%
Balance after deposit into SERS/TRS	15%	15%	15%
Budget Reserve Fund cap calculation			
Reference Fiscal Year	FY 22	FY 23	FY 24
Reference Fiscal Year amounts	20,746	21,534	21,939
15% cap	3,112	3,230	3,291
Excess funds to be deposited into SERS/TRS	(1,427.9)	(1,125.9)	(1,012.8)