Delaware Economic and Financial Advisory Council
Advisory Panel Meeting

Budget Stabilization Fund Case Studies
Stephen Bailey, Associate Manager, State Fiscal Health
October 20, 2017
Recap from September 14 Presentation

- 48 states have budget stabilization funds, which are separate accounts from the general fund balance.

- Deposit rules can be tied to end of year surplus, forecast error, revenue/economic growth, or static annual contributions.

- Withdrawal rules are used to limit when and how much the fund may be used.

- Most states have limits for how large these funds can grow.
Budget Stabilization Fund Case Studies

- Overview of each state’s policies
- What worked well
- What could be improved
- Takeaways for the panel
Idaho’s Budget Stabilization Fund

Deposit Rules

• Saves annual revenue growth that exceeds 4 percent of general fund revenue growth (up to 1 percent of general fund revenue per year)

• History of setting aside portion of unassigned ending balance, with a formalized process added in fiscal year 2015

Withdrawal Rules

• At the end of the fiscal year if there is insufficient general fund revenue available to meet general fund appropriations for the year

• Limited to the amount of the shortfall or one-half of one percent of total general fund appropriations
Idaho’s Budget Stabilization Fund
Deposits and withdrawals

-150,000,000 -100,000,000 -50,000,000 0 50,000,000 100,000,000 150,000,000


Deposited revenue growth between 4% and 5%
Additional surplus deposits
Withdrawals

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Idaho’s Budget Stabilization Fund
Balance as a percent of state spending
Virginia’s Revenue Stabilization Fund

Deposit Rules

• 50 percent of general fund revenue growth in excess of 6-year average growth rate

Withdrawal Rules

• In the event actual revenue comes in less than forecast
• May withdraw money equal to half of fund balance or half of revenue shortfall, whichever is less
Virginia’s Revenue Stabilization Fund
Deposits and withdrawals

- 50 percent of revenue growth above 6-yr average
- Withdrawals

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Virginia’s Revenue Stabilization Fund
Balance as a percent of state spending
Massachusetts’s Commonwealth Stabilization Fund

Deposit Rules

• Capital gains revenue in excess of $1 billion (inflation adjusted from 2010)
• Legal settlements in excess of $10 million
• 75 percent of growth in abandoned property revenue that exceeds previous 5-year average
• Consolidated net surplus

Withdrawal Rules

• To make up for budget deficit
• To replace the state and local loss of federal funds
• For any event that threatens the health, safety or welfare of the people or the fiscal stability of the state
Massachusetts’s Commonwealth Stabilization Fund

Deposits and withdrawals

-1,000,000,000 -800,000,000 -600,000,000 -400,000,000 -200,000,000 0 200,000,000 400,000,000 600,000,000 800,000,000


Legal Settlements Capital Gains Surplus Unclaimed Property Withdrawals

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Massachusetts’s Commonwealth Stabilization Fund
Balance as a percent of state spending

pewtrusts.org/fiscal-health
Tennessee’s Reserve for Revenue Fluctuations

Deposit Rules

• 10 percent of the estimated growth in state tax revenues in the general fund and the education trust

Withdrawal Rules

• To offset shortfalls in state tax revenue (however practicable, all revenue shortfalls are to be offset by reductions in expenditures before using amounts in the revenue fluctuation reserve)

• To meet expenditure requirements in excess of what was initially budgeted, limited to $100 million or half of fund size
Tennessee’s Reserve for Revenue Fluctuations
Deposits and withdrawals

Revenue growth deposits
Additional transfer
Withdrawals
Tennessee’s Reserve for Revenue Fluctuations
Balance as a percent of state spending
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