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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



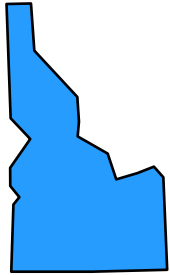
48 states have budget stabilization funds, which are separate accounts from the general fund balance

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

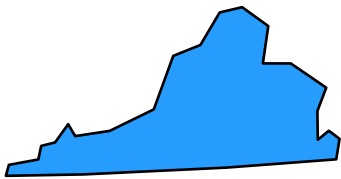
Withdrawal rules are used to limit when and how much the fund may be used

Most states have limits for how large these funds can grow

Budget Stabilization Fund Case Studies

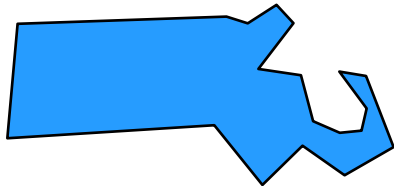


➤ Overview of each state's policies



➤ What worked well

➤ What could be improved



➤ Takeaways for the panel



Idaho's Budget Stabilization Fund



Deposit Rules

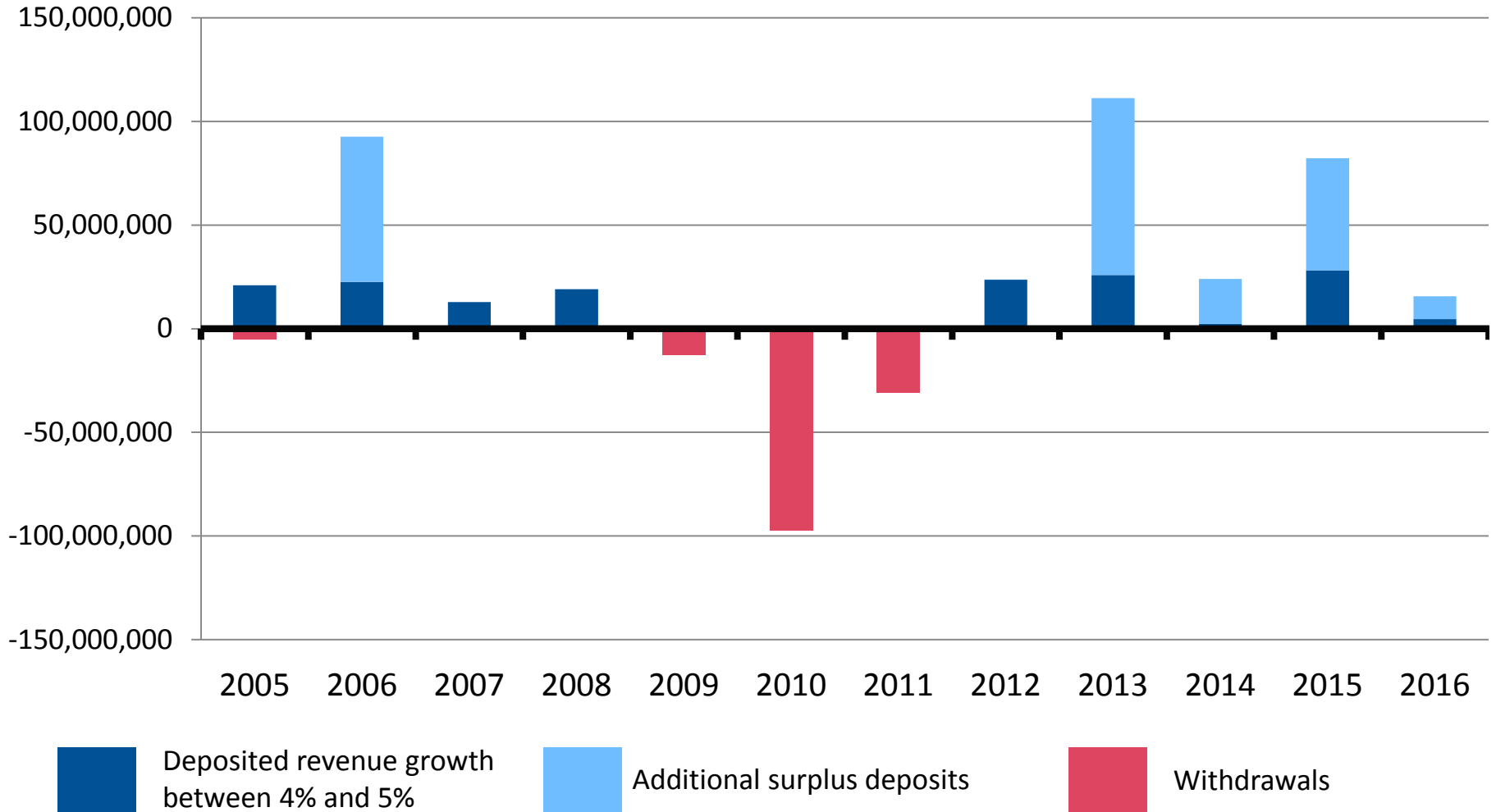
- Saves annual revenue growth that exceeds 4 percent of general fund revenue growth (up to 1 percent of general fund revenue per year)
- History of setting aside portion of unassigned ending balance, with a formalized process added in fiscal year 2015

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

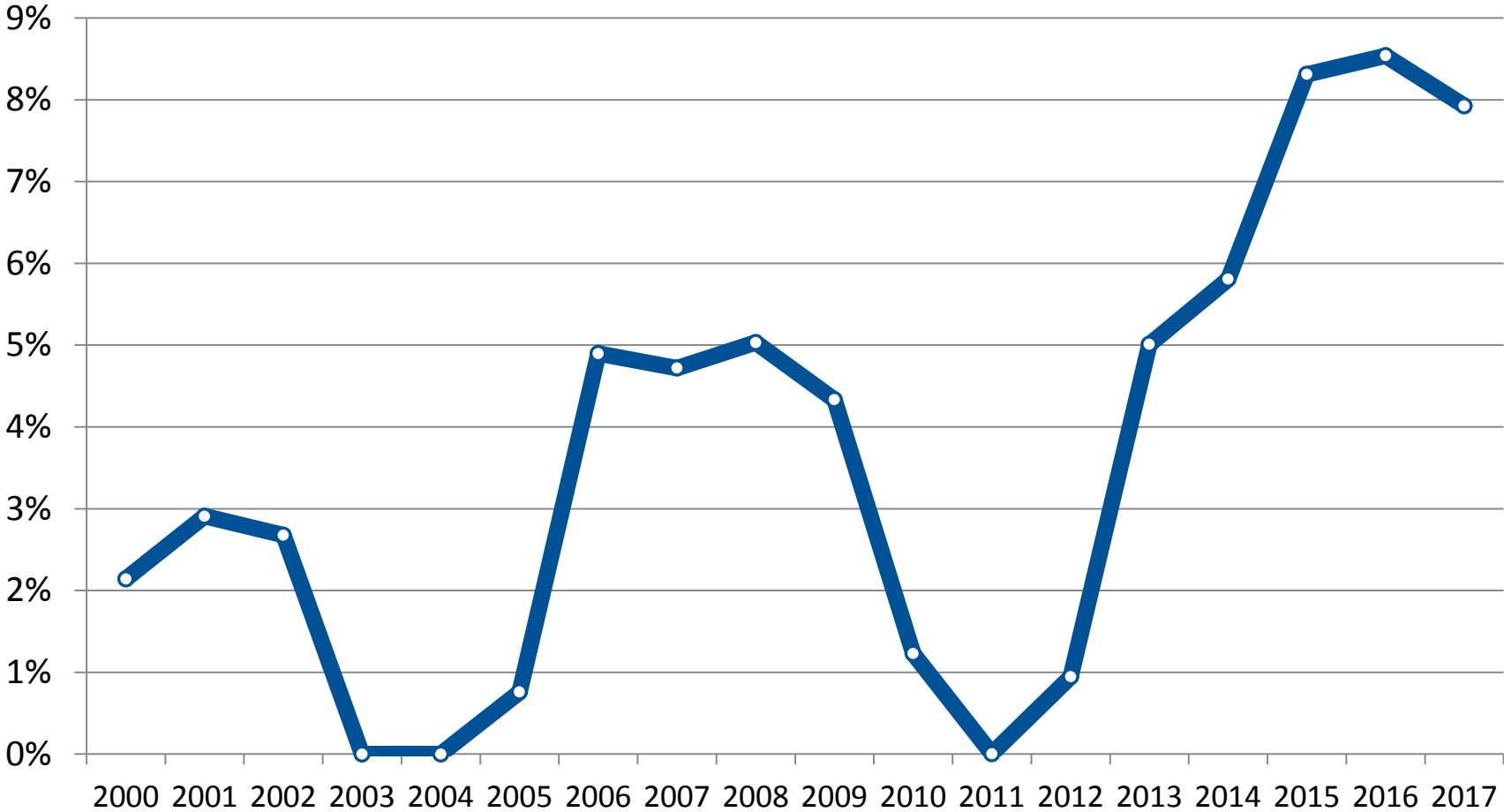
Idaho's Budget Stabilization Fund

Deposits and withdrawals



Idaho's Budget Stabilization Fund

Balance as a percent of state spending



Virginia's Revenue Stabilization Fund



Deposit Rules

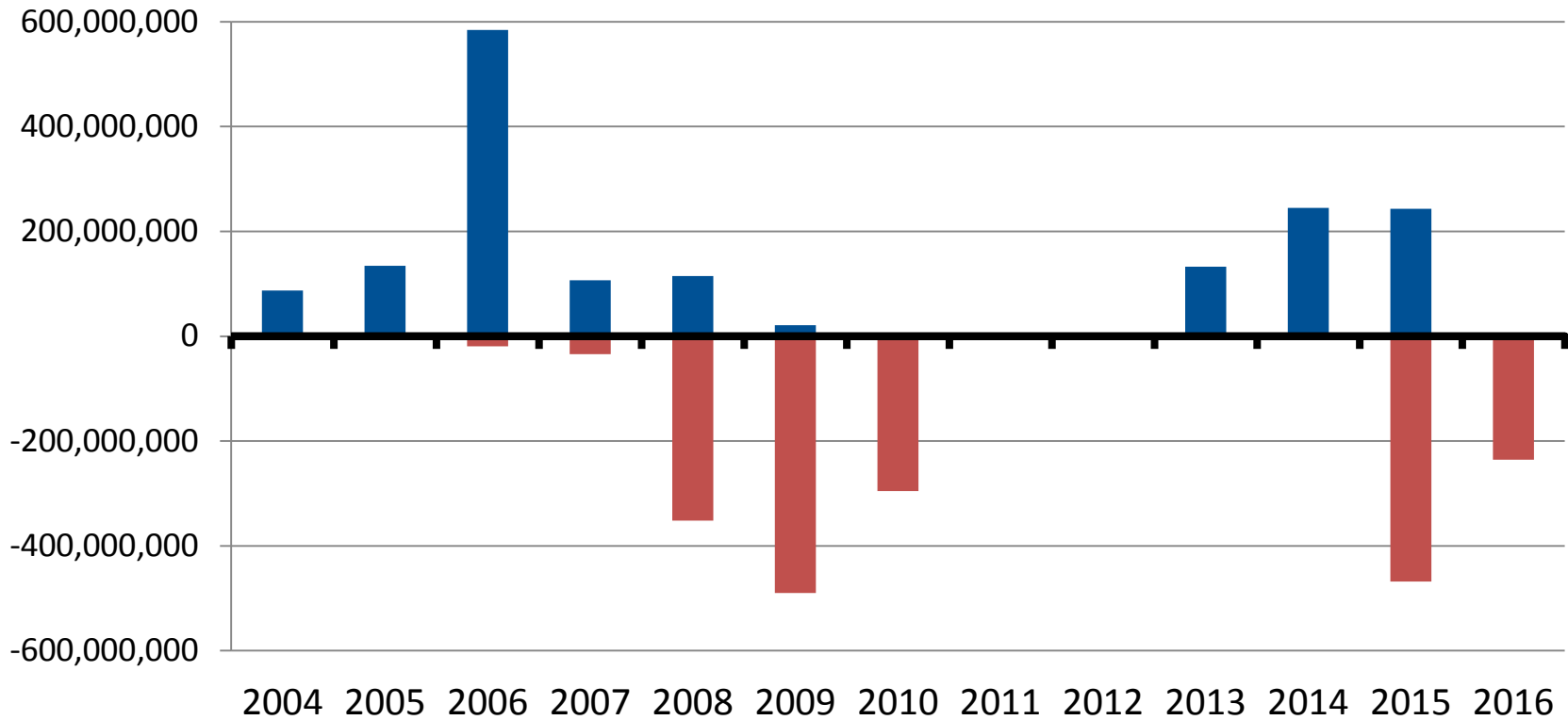
- 50 percent of general fund revenue growth in excess of 6-year average growth rate

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

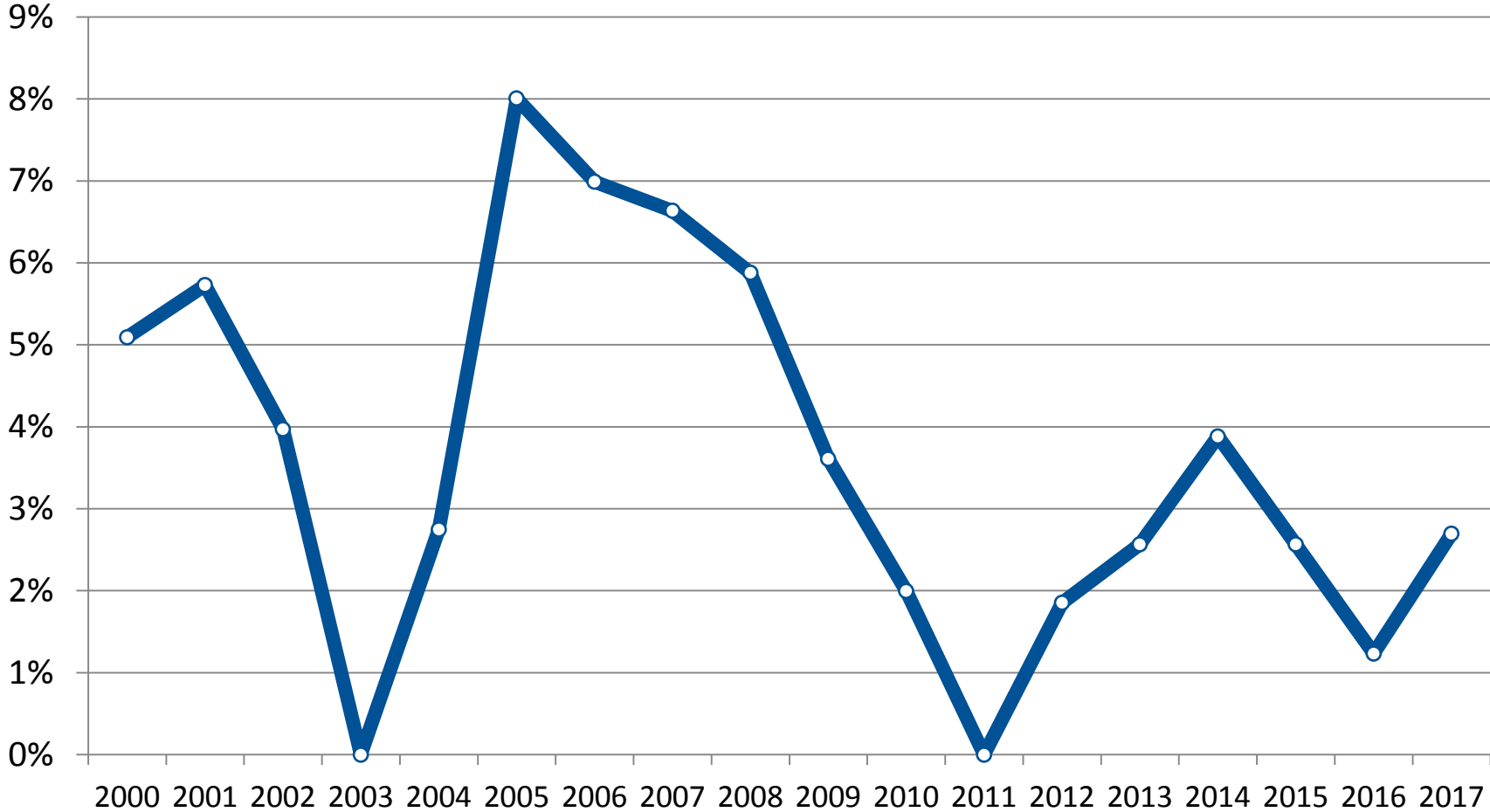


■ 50 percent of revenue growth above 6-yr average

■ Withdrawals

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

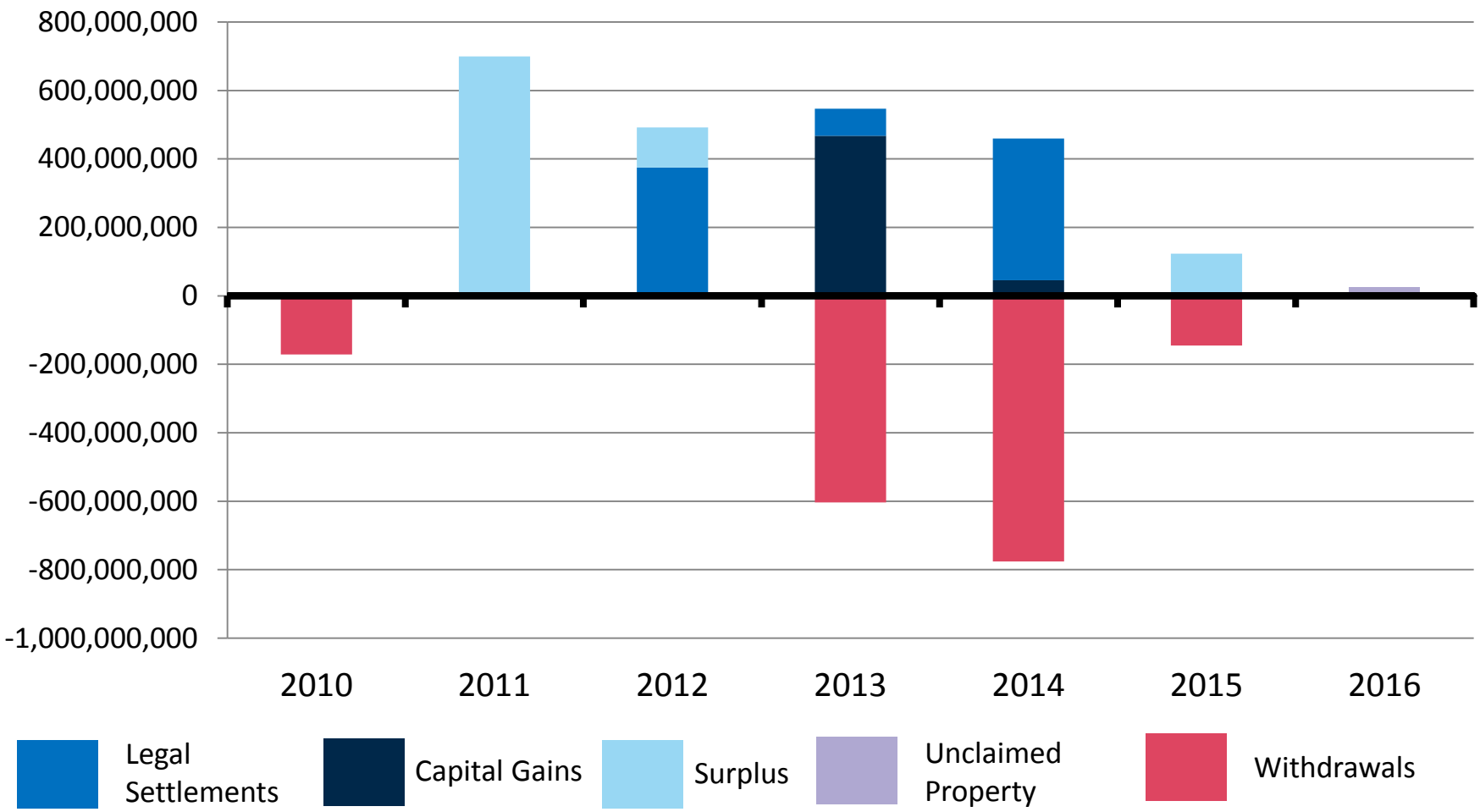
Withdrawal Rules

- 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



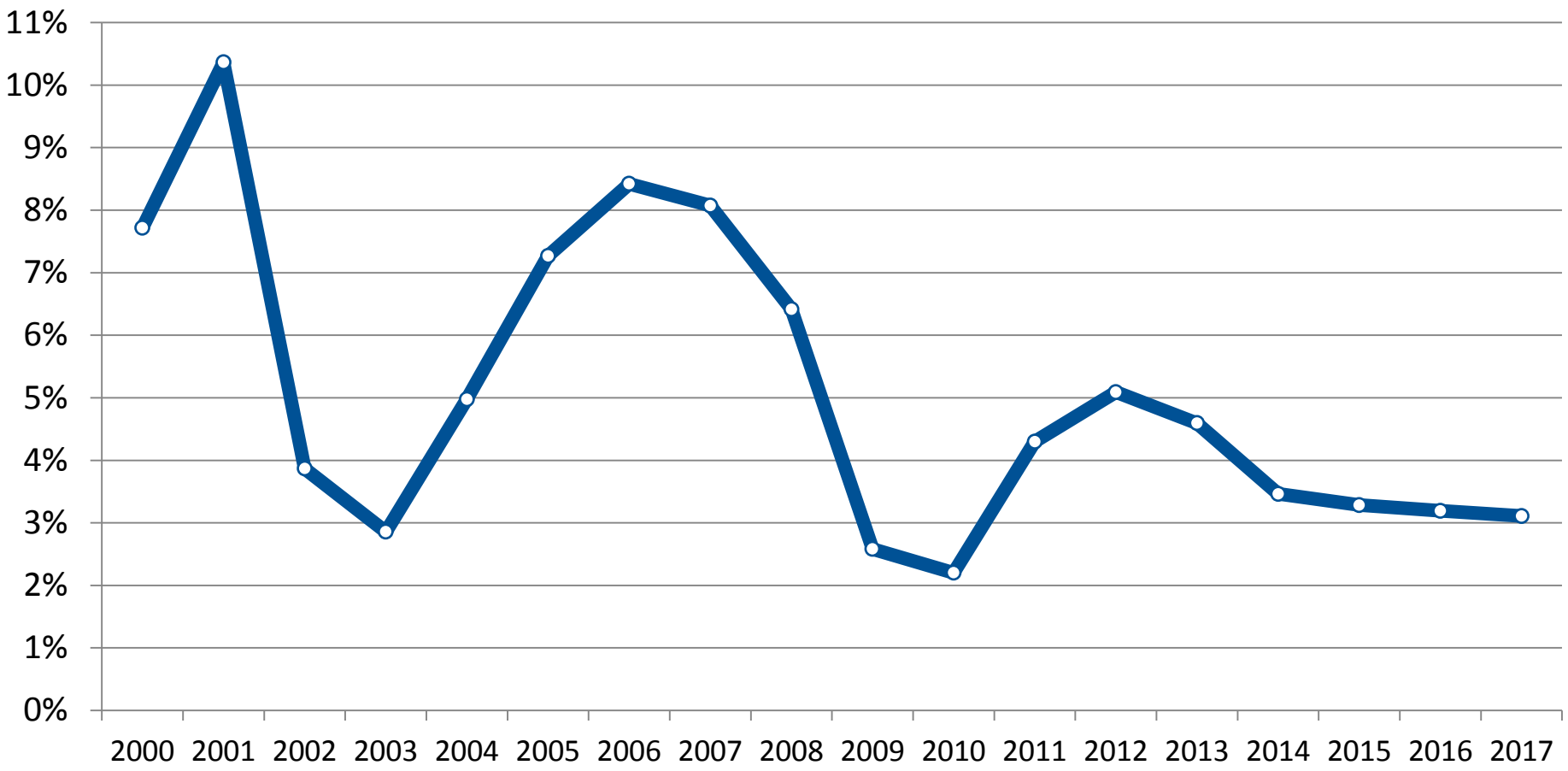
Deposits and withdrawals



Massachusetts's Commonwealth Stabilization Fund



Balance as a percent of state spending



Deposit Rules

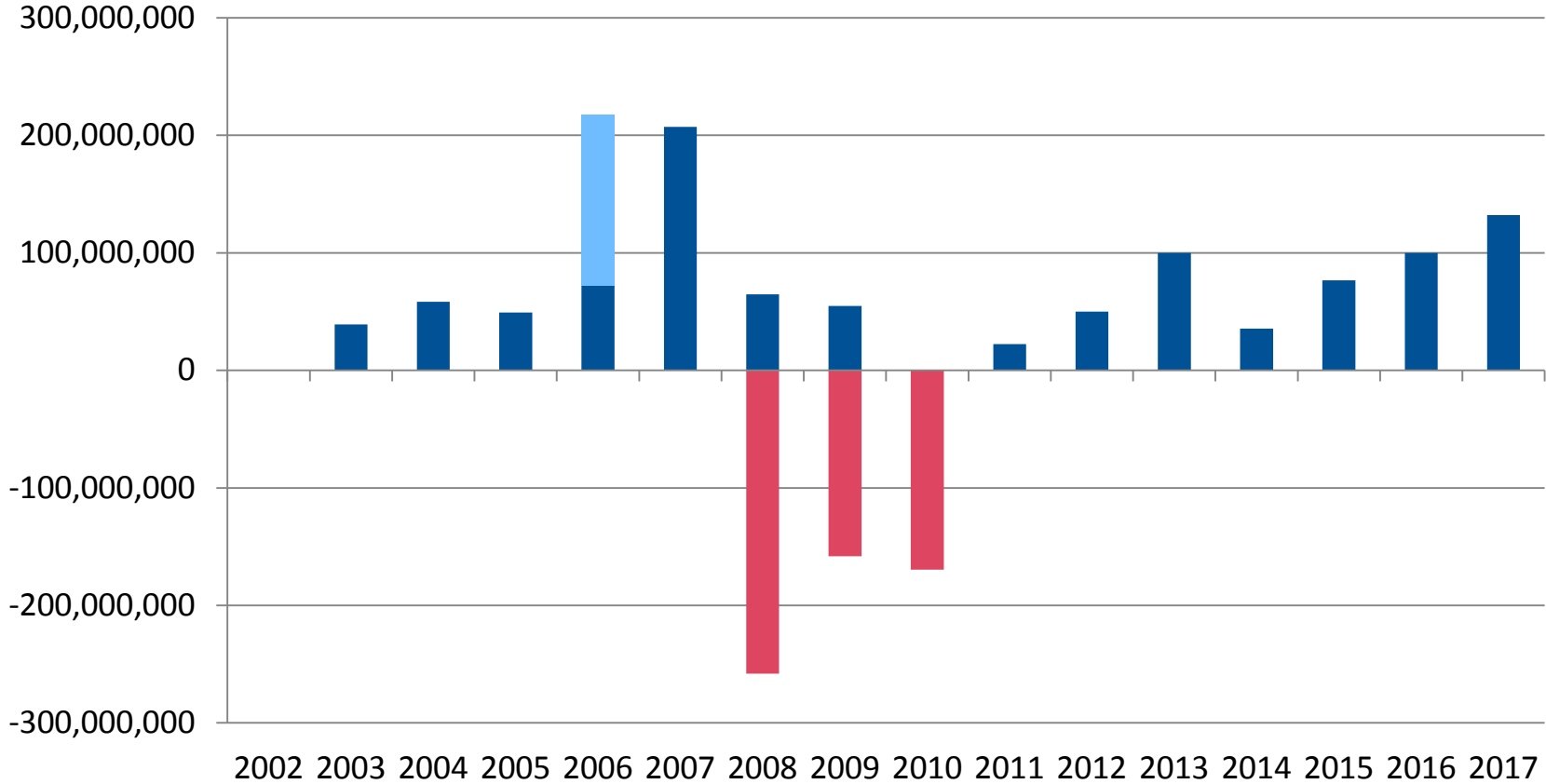
- 10 percent of the estimated growth in state tax revenues in the general fund and the education trust

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

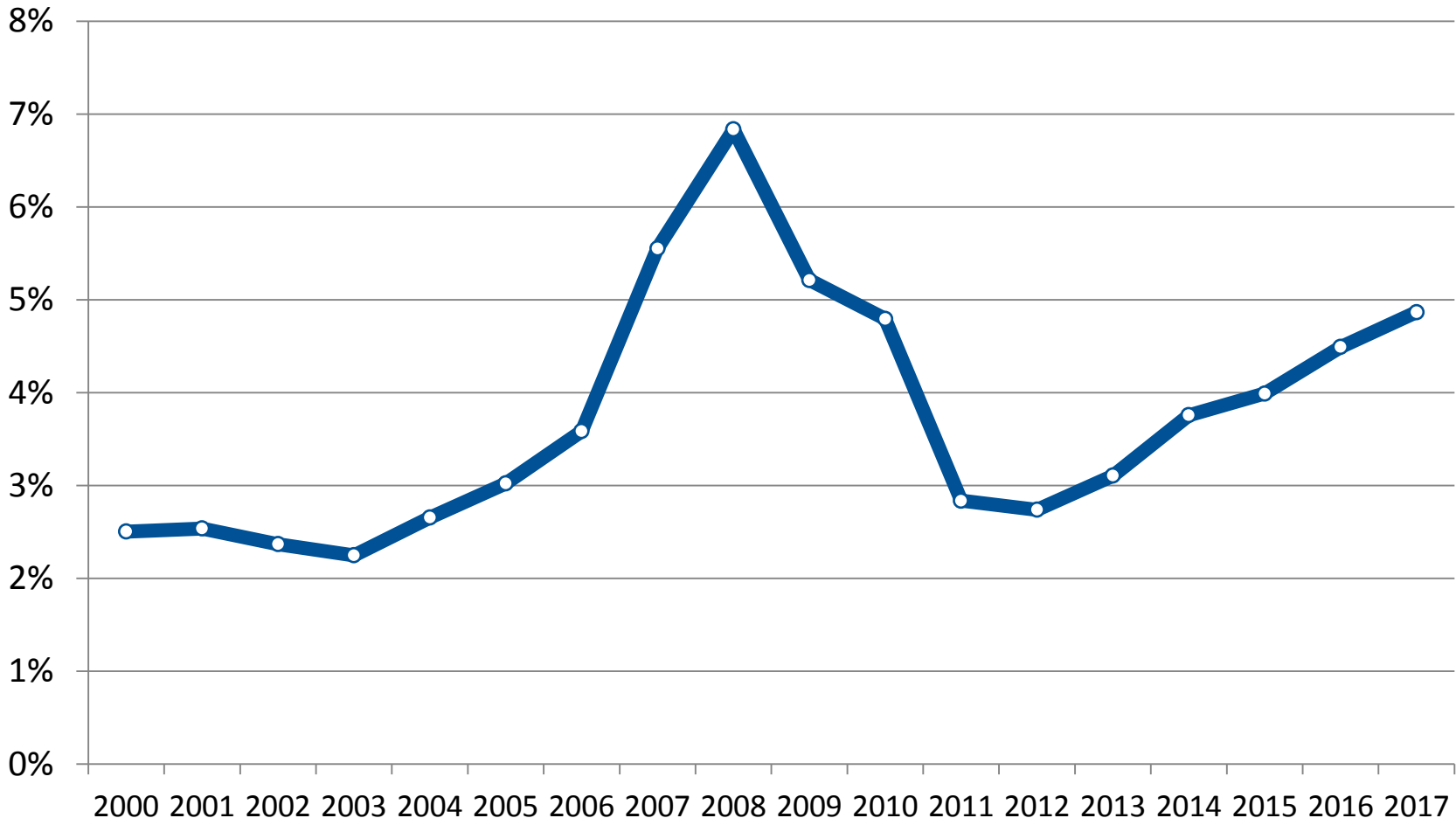
Deposits and withdrawals

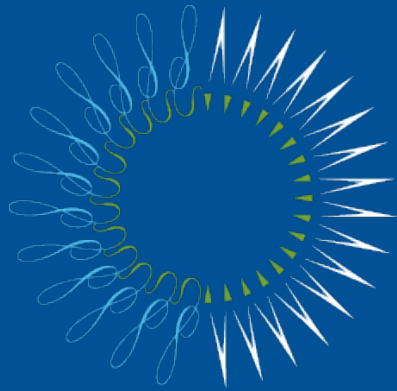


Revenue growth deposits
 Additional transfer
 Withdrawals

Tennessee's Reserve for Revenue Fluctuations

Balance as a percent of state spending





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