

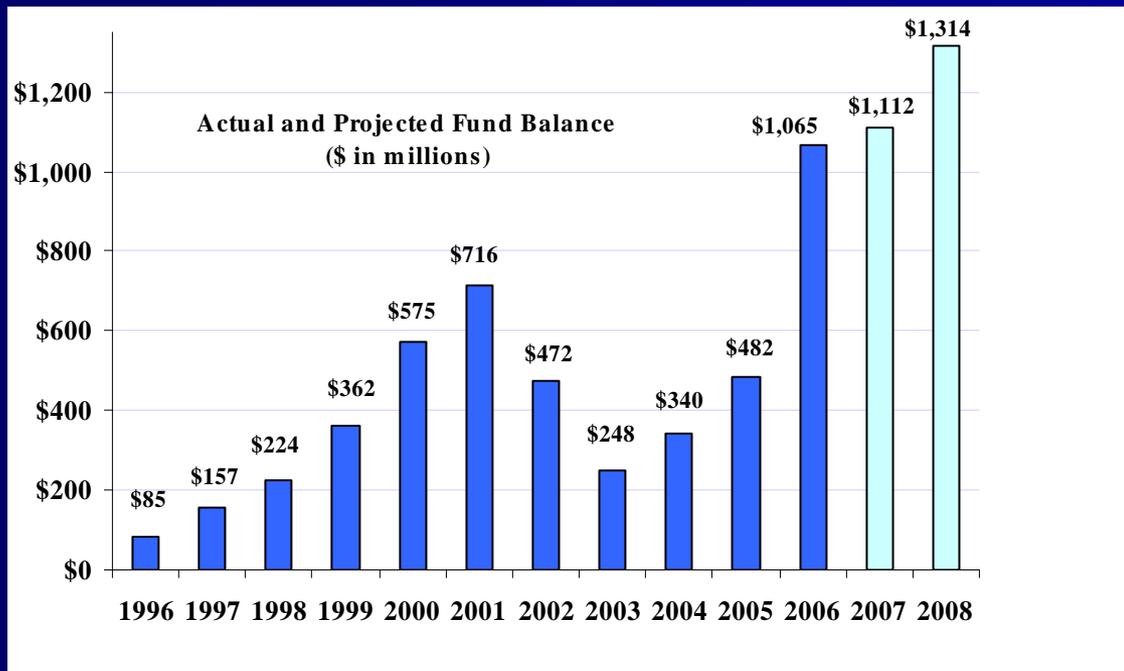
Overview of the Rainy Day Fund

General Government Subcommittee

January 22, 2007

Rainy Day Fund is at Constitutional Max

- At the end of FY 06, the RDF balance was at the constitutional limit of \$1.1 billion.
- 2006 General Assembly provided sufficient funds to place the RDF at its projected \$1.3 billion constitutional limit in FY 2008.



2007 Session

Amendments = technical

- Offsetting revenue and expenditure amendments are contained in the Executive budget, as technical “accounting” changes.
 - Revised revenue growth rate for FY 2007 required Governor to include “super deposit” to RDF in his introduced budget.
 - However, since RDF already is funded at the constitutional maximum in 2008, this “super deposit” flows into the RDF and then is returned to the GF as a rebate.
 - Rather than appropriating a net amount to the RDF (required payment less rebate or amount over cap), Executive budget includes the gross payment as an expenditure, with an offsetting revenue increase for the rebate of the amount over the cap (felt to be necessary, based on wording of Constitution).

2007 Session

Amendments = technical

2007 Session proposed amendments: (3 amendments add to zero, and can be disregarded)

- Mandatory payment to RDF, without regard to cap = \$152.8 million cost
- Rebate back to GF of amount over cap = \$157.3 million revenue increase
- Lost GF interest earnings related to flow of funds = \$4.5 million

2008 Fund Cap Could Change Slightly

- RDF Cap is calculated as ten percent of the preceding 3-year average of actual income and sales tax collections.
- FY 2008 cap will be based on collections for FY's 05, 06 and 07.
- At this point, the FY 07 number used in this calculation is an estimate – to the degree that actual revenue collections differ from the estimate, the calculation of the cap will change.
 - Amount in the Fund also includes interest earnings, which is an estimate tied to projected interest rates.
 - So, cap is a moving target.