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When to Use State Rainy Day Funds

Withdrawal policies to mitigate volatility and promote structurally balanced budgets

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The Pew Charitable Trusts

Susan K. Urahn, *executive vice president*

Project team

Stephen Bailey
Brenna Erford
Kil Huh
Akshay Iyengar
Airlie Loiaconi
Patrick Murray
Robert Zahradnik
Alexandria Zhang

External reviewers

This report benefited from the insights and expertise of David Rosen, formerly an executive director of the New Jersey Legislative Budget and Finance Office, and Alan Clayton-Matthews, professor and director of quantitative studies at the School of Public Policy and Urban Affairs at Northeastern University. Although they reviewed the report, neither they nor their organizations necessarily endorse its findings or conclusions.

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Contact: Catherine An, communications officer
Email: can@pewtrusts.org **Phone:** 202-552-2088
Project website: pewtrusts.org/en/projects/states-fiscal-health

Overview

When the Great Recession hit in 2008, it put enormous pressure on state budgets. Tax revenue dropped precipitously and mandatory costs—particularly for health and human services—rose. Delaware, for example, entered fiscal year 2010 facing a $750 million budget shortfall because of declining revenue from personal and corporate income taxes.

One tool the state had to balance its budget was the Budget Reserve Account, a rainy day fund dedicated to helping address unanticipated deficits. At the time, the fund's balance totaled $186 million—equivalent to 5 percent of general fund revenue, the statutory maximum level. But policymakers did not tap it. Instead they relied on a combination of budget cuts and tax increases to make up for the deficit, reducing state employees' salaries by 2.5 percent and raising the top individual income tax rate from 5.95 percent to 6.95 percent. In fact, since creating the account in 1977, the state has never made a single withdrawal.

Delaware has not used its Budget Reserve Account in part because the law does not clearly define what budget conditions meet the acceptable criteria. As former Delaware Secretary of State Glenn Kenton explained, "The fund wasn't used because [some people feel] it's only for true emergencies. They characterize it as an emergency fund rather than a budget reserve fund." So while state statute lays out its purpose as being to fund unexpected deficits, there is no further guidance that defines what meets that criterion. One way to solve this confusion, he said, would be to amend the statute to make the fund's purpose clearer.

Delaware is not the only state that has struggled to use its rainy day fund effectively. Between fiscal years 2003 and 2007, most states experienced strong tax revenue growth, which rose more than 7 percent on average annually across the 50 states.[1] While this would suggest an opportunity for states to make deposits to their rainy day funds, 22 states did the opposite and made withdrawals at least once. Conversely, from 2008 to 2010, many states experienced their worst recession-driven revenue downturn in decades—a perfect time for withdrawals—and yet eight did not use any of their rainy day funds.[2] In some states, like New York, repayment provisions probably discouraged their use. In others, clear conditions for withdrawal were absent, as was the case in Delaware.

A robust and well-designed rainy day fund can give a state the flexibility it needs to weather the revenue impact of economic downturns. For this to work, states need to also have clear policies that ensure the funds are used in a way that is aligned with how their revenues respond to the business cycle. Pew's examination of states' rainy day fund withdrawal policies found that in some cases, those policies either fail to adequately safeguard savings from inappropriate use during times of economic and revenue growth or do not provide enough flexibility or accessibility in times of greatest need. States with flawed policies may find that their rainy day funds do not fulfill their primary intent: to keep their budgets stable regardless of how well the economy is performing.

Pew's examination of state policies governing withdrawals from the 47 states with budget stabilization funds found that:

- Six states have no legal conditions for when funds should be withdrawn.
- Ten states have unclear conditions for when they can make withdrawals.
- Twenty-nine states do not include revenue or economic fluctuations as criteria for determining when withdrawals from these funds are appropriate.

Pew identified three elements that state policymakers should consider when designing budget stabilization funds:

1. **The fund's usage should be aligned with its purpose.** Not all withdrawals from rainy day funds are consistent with the objective that the funds were created to meet. States should examine whether funds are meeting their statutory and/or constitutional purpose.
2. **There should be a connection between fund withdrawal conditions and volatility.** Ideally, guidelines should tie withdrawals to economic or revenue fluctuations in a clear and measurable way. Such guidance gives policymakers a clear signal on whether the time is right to use reserves.
3. **The requirements for rebuilding the fund should be clear and achievable.** Some states require that any money withdrawn from a rainy day fund be reimbursed within a specific time frame, which is intended to ensure that the state rebuilds its reserves. However, such requirements often fail to take the business cycle into consideration, and in some cases are so stringent that state leaders rarely authorize withdrawals—even in dire economic circumstances.

Addressing budget risk with rainy day funds

Most states have legally defined rainy day funds—formally known as budget stabilization funds—to save money when the economy is strong and to offset revenue losses when it is weak. That is because when the nation enters a recession, states typically see a decline in revenue as rising unemployment and under-employment cause drops in individual incomes (particularly capital gains), business profits, and sales. Recessions also cause a rise in spending because of greater demand for both mandatory and discretionary programs and services, such as Medicaid, community colleges and universities, child care subsidies for low-income working parents, and workforce development.

Both the ups and downs of the economy and the resulting fluctuations in tax revenue are temporary conditions, so a budget stabilization fund is a sensible tool for state leaders to use to manage state finances over the business cycle. A healthy budget stabilization fund enables a state to maintain a balanced budget without relying on deep spending cuts and/or large tax increases. These reserves are especially critical now because many states still face lingering budget pressures from the Great Recession. "We cut our state government [spending] about 20 percent," said Jani Revier, administrator of Idaho's Division of Financial Management. "If we hit another recession in the next couple of years, we don't have a lot of fat to make more cuts without decreasing services."

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> — **Jani Revier,** *administrator of Idaho's Division of Financial Management*

Having a rainy day fund in place can also lead states to make wiser budget decisions, rather than take crisis-driven short-term actions. While a budget shortfall can be an opportunity for states to reassess their fiscal priorities, often lawmakers are left with very little time and flexibility to make highly consequential budget decisions. "The smart [spending] reductions you might want to make are ones that are difficult to make really quickly when revenues are in decline," said David Rosen, New Jersey's former legislative budget and finance officer. "All of a sudden the fiscal year is almost over and you're running short of money. You don't cut intelligently; you cut the big-ticket items that haven't yet gone out the door."

One-time funds not suited for ongoing spending commitments

The money set aside in a budget stabilization fund is, by definition, a one-time revenue source. Money taken out of the fund during one fiscal year will not be available to balance the following year's books. Therefore, using these savings to address a budget gap caused by a cyclical economic downturn—by definition, temporary—is sensible. However, using them to cover a shortfall caused by ongoing structural imbalances in a state's budget—specifically, the difference between ongoing revenue and spending commitments—only delays fundamental policy decisions about taxes and spending.

A budget shortfall during a time of economic expansion often indicates the existence of a structural imbalance. Many factors can contribute to this, such as:

- Tax policy changes resulting in a drop in revenue without commensurate cuts in ongoing spending commitments.
- Increased ongoing spending commitments without commensurate increases in recurring revenue.
- Increasing or unaddressed long-term costs, like pensions or health care for retired state employees.
- Demographic shifts, such as an influx of families with school-age children or an aging population that pays less in taxes and requires more services.
- Broad economic changes, such as the decrease in manufacturing jobs that hit many states in the 1990s.

Defining Ongoing Versus One-Time Revenue and Expenditures

In order to determine the best way to respond to a budget shortfall, states must figure out whether the circumstances driving the shortfall are ongoing or temporary.

In some cases, defining certain revenues and expenditures as "ongoing" or "temporary" is straightforward, and in other cases it is more difficult. For example, a payment made or received as the result of a lawsuit settlement is almost always "one-time." This category also includes legal settlements requiring multiyear payments, such as the 2012 National Mortgage Settlement.[3] Exceptions to the one-time nature of payments to states from legal settlements are rare, the most notable in recent history being the 1998 Master Settlement Agreement, which required the top four U.S. tobacco manufacturers to pay 46 states about $10 billion annually in perpetuity.[4] Some states consider sizeable changes in capital gains tax revenue to be one-time because of the unpredictable nature of the market as well as the fact that individuals and businesses have some discretion about when they realize capital gains as taxable income.

States also differ in how they classify changes in revenues and expenses driven by economic fluctuations. For example, a recent rules change in Utah required legislators crafting the budget to consider treating above-trend revenue growth as one-time revenue for major tax types.[5] In December 2014, the Legislative Fiscal Analyst's forecast found fiscal year 2016 revenue would be $116 million above Utah's 15-year trend.[6] When budget writers adopted that forecast, they designated this revenue as one-time, ensuring it would not be used to pay for ongoing expenditures.

State Representative Brad Wilson, who proposed the rule change, says moving those funds into the "one-time bucket" had an important effect. "It helped all the lawmakers who were paying attention to the budgeting process understand we are in fact above trend," Wilson said. "We are at a point in the business cycle where we should be preparing for lean times again." He said most of the above-trend revenue went into the state's fund for capital improvement projects.[7]

North Dakota differentiates between ongoing and one-time revenue and expenditures in its two-year budgets. "We won't ever spend one-time money on ongoing [expenditures]," said Pam Sharp, director of North Dakota's Office of Management and Budget. The state considers all tax revenue as well as departmental collections to be ongoing. Its one-time revenues are primarily transfers from various state funds into the general fund. Until recently, North Dakota had enjoyed high revenue thanks to the hydraulic fracturing oil boom, and it used this money to fill its property tax relief fund, its strategic investment and improvement fund, and others. At the end of a biennium, money still in those funds is transferred to the general fund and marked as one-time revenue. "Basically, if it's a transfer from someplace else, it's considered one-time. If it's just money that flows on a regular monthly basis into our general fund from a tax source, then that's ongoing," Sharp explained.

North Dakota also separates one-time and ongoing spending in its budget. "Those one-time expenditures are actually even identified in the appropriations bills themselves, so we have a very clean list of what is one-time general fund expenditures," said Sharp.[8]

Crafting withdrawal conditions to guide rainy day fund use

Lawmakers need to know if a budget shortfall is caused by one-time factors, temporary economic fluctuations, or an ongoing, structural imbalance in order to determine if circumstances warrant the use of the state's budget stabilization fund. To help manage use of the fund, many states have created conditions for a withdrawal.

These conditions, usually included in the statute or section of the constitution that created the rainy day fund, specify when it is available for use. In most states, meeting them does not mean an appropriation is either mandatory or automatic. Rather, conditions are typically nonbinding prerequisites for any subsequent legislative or executive decision to withdraw money from the fund.

When designed properly, withdrawal conditions effectively guide a state's leaders in making difficult decisions about when to put rainy day fund balances to use. However, when these conditions are nonspecific or unclear, they can complicate—rather than simplify—the policy debate.

Withdrawal conditions should be objective and clearly stated in law

It is important for withdrawal conditions to be both clear and measurable. In other words, the conditions in statute or the state constitution should explicitly define what constitutes a "rainy day." States incur an opportunity cost by saving a dollar for the future rather than using it now, so policymakers need to know exactly when the money can and should be used in order to be responsible fiscal stewards.

Six states—Kentucky, Maryland, Nebraska, North Carolina, Ohio, and Wyoming—have rainy day funds but no defined conditions for withdrawal[9]. Wyoming has $1.8 billion in its rainy day fund—an amount roughly equivalent to an entire year's worth of state expenditures—but with no set policy on when to use it, the state has struggled with the question of when to tap into the balance.

> We'd like to be able to say ahead of time, 'What are the ground rules that would trigger using the rainy day fund?'"
>
> — **Mike Madden,** *state representative*

"We'd like to be able to say ahead of time, 'What are the ground rules that would trigger using the rainy day fund?'" said state Representative Mike Madden. "As it currently stands, we do these rules by the seat of our pants—meaning it depends on how bad things are."[10]

Ten other states have withdrawal conditions with subjective language, so it is unclear what conditions actually allow for withdrawal. For example, Pennsylvania can appropriate from its Budget Stabilization Reserve Fund in the event of a "significant revenue shortfall," but the law provides no clarification of what "significant" means. In Massachusetts, withdrawals are permitted for "any event which threatens the health, safety or welfare of the people or the fiscal stability of the commonwealth." In these states, better defining what exactly constitutes a rainy day would provide valuable guidance to policymakers while still preserving legislative and executive discretion as to whether to tap a reserve fund in order to address budgetary priorities.

Many states have more than one condition, opening windows for use of the rainy day fund based on a variety of factors. These various conditions can be broken down into three fiscal categories: withdrawal conditions based on budget gaps, revenue forecast error, or volatility.[11] It is important to consider the trade-offs in each of these types of conditions, as some are more susceptible than others to use of the fund at inappropriate times.

Many withdrawal conditions do not directly consider revenue or economic factors

Withdrawal conditions based on budget gaps

Eighteen states have one of their withdrawal conditions based on determinations of current-year, or anticipated, budget gaps. In these cases, the rainy day fund is available for withdrawal when revenue comes in—or is projected to come in—below appropriations for a given fiscal year. Some states allow withdrawals to close a budget gap only for a fiscal year that is in progress or has just come to a close, while others allow lawmakers to appropriate money from the rainy day fund when crafting a budget for the coming year.

Conditions based on budget gaps offer the most flexibility for using the funds. At times, this flexibility can be a good thing. When confronted with a budget gap, especially near the end of a fiscal year, states have limited options for balancing it because most appropriated money has already been spent. If the balance is sufficient, the rainy day fund can offer valuable short-term flexibility in lieu of less appealing alternatives. For example, in the absence of a rainy day fund in fiscal year 2016, Kansas delayed $99 million in funding to its Public Employees Retirement System,[12] which shifted expenses to fiscal year 2018.

However, a budget gap can be caused by factors both within and beyond the control of state policymakers, and depending on the purpose of the rainy day fund, it may not be appropriate to backfill some shortfalls with withdrawals. For example, budget shortfalls can be caused by poor economic performance, resulting in weak or negative revenue growth; overestimated returns in revenue forecasts; unanticipated growth in expenditures driven by demographics, cost increases, or federal requirements for programmatic spending; tax cuts; or natural disasters. Basing withdrawal criteria solely on the presence of a budget gap caused by any of these factors is less-than-adequate guidance for using rainy day fund balances. Although these types of conditions take into account a state's budget situation at the time, they typically fail to weigh where it is in the business cycle—a big picture consideration that, if neglected, can hurt its creditworthiness.

After the Great Recession, Massachusetts had a rainy day fund balance of $670 million in fiscal year 2010. As revenue began to recover, the state built back the fund to $1.7 billion in just two years. However, since 2012, the fund's balance has slowly dropped, despite modest revenue growth. The state's withdrawal conditions are partly to blame. Under the current rules, lawmakers can use the fund whenever there is a budget deficit, regardless of whether the state is in a period of economic expansion or retraction. State leaders withdrew from the fund in fiscal years 2013 and 2014—even though total revenue grew by 4.7 percent and 3.4 percent, respectively, after controlling for tax changes.[13] These withdrawals left the fund balance at $1.1 billion in fiscal year 2016.[14] Standard & Poor's Ratings Services recently gave Massachusetts a negative outlook, basing the revision on "a projected decline in financial reserves, despite a prolonged period of economic expansion and generally positive revenue trends."[15]

Other states may experience economic hardship caused by fundamental changes in their economies that are not part of the business cycle. In West Virginia, lawmakers can make appropriations from its Revenue Shortfall Reserve Fund during "revenue shortfalls or fiscal emergencies of an extraordinary nature."[16] This authority allowed the state to withdraw from the fund in both fiscal years 2015 and 2016 to address budget gaps.[17] Although the state had more than $900 million in its reserve fund, some policymakers questioned whether withdrawals were appropriate because current gaps were largely driven by structural issues, such as tax changes and plummeting energy commodity prices.[18] "We need to have a good idea of how much coal production we can expect to maintain in the state as we think about developing our economy going forward," said John Deskins, director of West Virginia University's Bureau of Business and Economic Research, in reference to his report on the future of the state's energy industry.[19]

With a broad withdrawal condition based on a budget deficit, states like West Virginia cannot simply refer to the law to gauge whether their use of fund balances is appropriate and aligned with the purpose of their savings. States that choose to rely on budget gap-based withdrawal conditions run the risk of perpetuating, or deepening, structural budget problems by continuing to dip into rainy day funds.

Withdrawal conditions based on revenue forecast error

In 15 states, lawmakers or officials may withdraw from rainy day funds whenever actual revenue falls short of what was estimated when the current state budget was enacted. In the event of these "forecast errors," officials can use fund balances to bring state spending closer to levels that were originally budgeted. This can be a useful tool, since some level of forecast error is unavoidable.[20]

However, mitigating forecast error is a different purpose than guarding against revenue declines caused by the business cycle. Although gaps between forecasted and actual revenue are common during recessions, they can also occur as a result of factors unrelated to the broader economic environment. For example, states can collect less revenue than expected when they encounter unexpectedly high claims for tax credits or minor economic fluctuations or when growth simply falls short of expectations. States looking to hedge against revenue shortfalls resulting from forecast errors should consider establishing a separate fund to accomplish that purpose, because relying on a forecast error condition for budget stabilization can lead to fund overuse.

Mississippi and New Jersey illustrate how this can occur. In New Jersey, Rosen said, "If the governor certifies that revenue is less than expected, the money can be used. That's a pretty low bar."[21] Despite being in a period of expansion, New Jersey withdrew $75 million from its Surplus Revenue Fund during fiscal year 2007, money that would have been important during the Great Recession a couple of years later when the state drained all of its Surplus Revenue Fund.[22]

In Mississippi, the rainy day fund, called the Working Cash Stabilization Reserve, has also recently been drawn down because of its forecast error withdrawal condition. Although state revenue has been higher than the pre-recession peak since the second quarter of 2013,[23] tax collections came in $200 million under what was forecasted when the fiscal year 2016 budget was approved.[24] In response, the state withdrew $108 million from its rainy day fund, suspending a provision in Mississippi law that permitted the governor to withdraw only up to $50 million to keep the budget in balance.[25] State lawmakers are now hoping to rebuild the fund in the upcoming fiscal year to offset some of the reductions.[26]

> Revenue forecasting is not an easy task and evidence suggests it is becoming increasingly difficult, making errors a more common occurrence.

Revenue forecasting is not an easy task and evidence suggests it is becoming more difficult, making errors a more common occurrence.[27] Because scenarios like this are frequent, states that permit withdrawals to address any forecast error can struggle to build up their rainy day funds, leaving them without sufficient reserves when faced with a serious economic downturn.

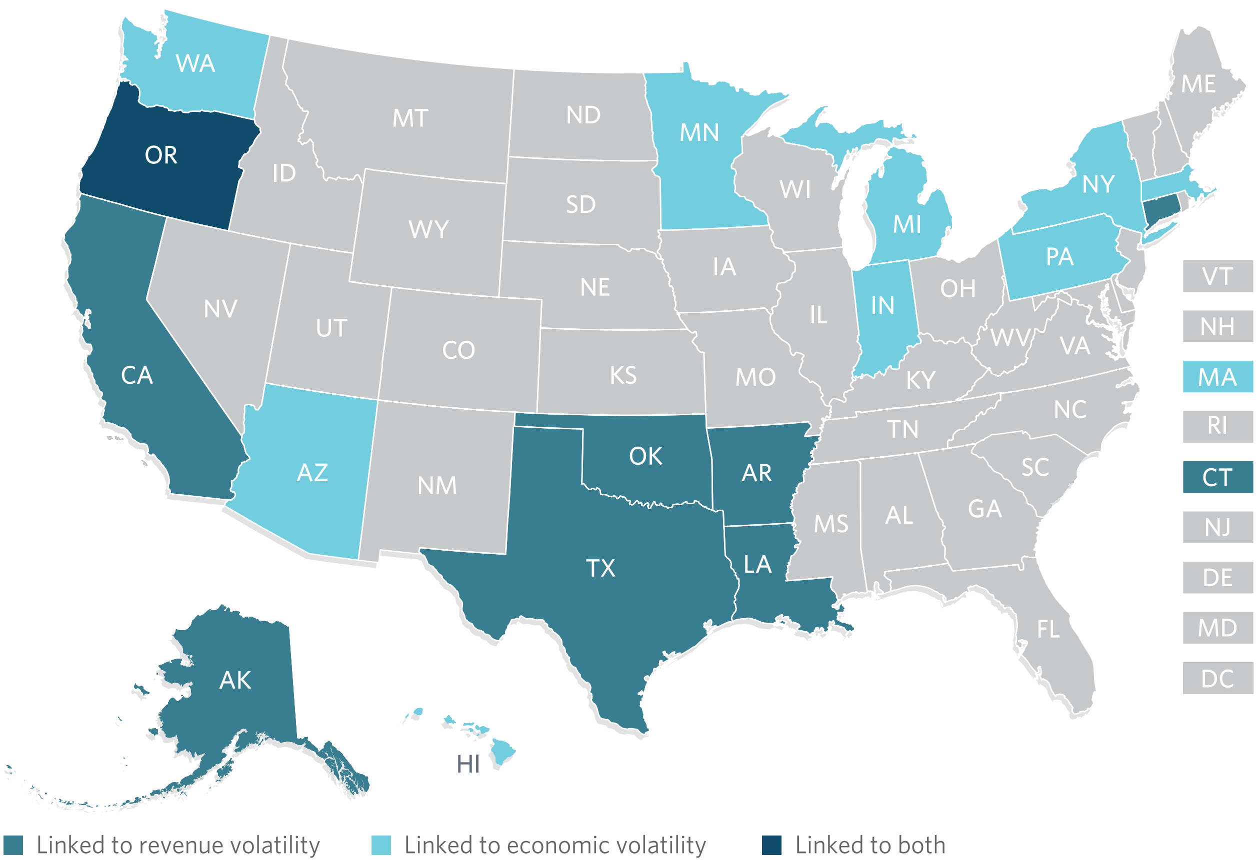
Withdrawal conditions should be based on volatility

As an alternative to basing withdrawals on budget gaps and forecast error, some states have policies that allow withdrawals when revenue or economic conditions fluctuate by a certain degree. These conditions are based on volatility. By looking to volatility, states can determine whether a budget gap is driven by a temporary or one-time reduction in revenue or a structural problem in the relationship between revenue and expenditures. Currently, 17 states have withdrawal conditions focused on economic volatility, revenue volatility, or both. The key distinction is that, unlike conditions based on a budget gap or forecast error, conditions that consider shifts in economic or revenue performance can signal whether conditions are right to use the reserve fund.

Figure 1

17 States Link Withdrawal Conditions to Volatility

Budget stabilization withdrawal conditions, by state



Source: Pew analysis of state statutes

Withdrawal conditions based on economic volatility

Some states have withdrawal conditions based on downward fluctuations in the economy. Arizona, Indiana, and Michigan use fluctuations in personal income—a broad measure of economic well-being that captures total earnings from wages, investment interest, and other sources—to recommend withdrawals from their rainy day funds. When these indicators drop below a specified growth rate, these states have the option of transferring funds to the general budget.

Some states specify other economic performance measurements as indicators for whether conditions are right to lean on reserves. Minnesota considers movement in several key indicators, allowing for withdrawals from its rainy day fund when the state experiences reduced growth in total wages, retail sales, or employment. Oregon's Rainy Day Fund can be drawn down if there has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment.[28]

By looking to economic variables, states can base decisions on whether to withdraw from rainy day funds given those conditions' likely impact on short-term revenue performance. An additional benefit of this approach is that withdrawal conditions predicated on economic trends are free from distortions in state tax collection data resulting from changes to state tax policy. However, withdrawal conditions connected to observed trends in broad economic indicators may be less than ideal for states with tax portfolios that are particularly sensitive to changes in certain sectors, such as energy or tourism. States should carefully consider which economic measurements they use, as some indicators might not be reflective of the overall economic health of the state or strongly correlated with its revenue trends.

Withdrawal conditions based on revenue volatility

Instead of underlying economic fluctuations, some states choose to tie withdrawal conditions directly to revenue volatility. Revenue fluctuations are more directly tied to what is occurring in a state's budget than are economic fluctuations. States using this method set baseline levels for annual or biennial revenue growth, and they can access their rainy day funds if revenue falls or is projected to fall below those baselines.

Some states choose to set any drop in revenue as their benchmark for allowing withdrawals. Louisiana, Texas, and Oklahoma may withdraw from their rainy day funds if their official revenue estimates predict the next fiscal year will bring in less money than the current year. Oklahoma faced this situation when its projected tax collections for fiscal year 2016 were more than $400 million less than the previous year, most of which was attributable to a substantial drop in oil and gas prices, impacting the state's gross production taxes.[29] Because the gap came from declining revenue compared with the previous year, Oklahoma lawmakers had the option to pull money from the state's Constitutional Reserve Fund. Officials ultimately withdrew $78.6 million to offset cuts to schools and prisons.[30]

Arkansas' withdrawal condition is similar to that of Louisiana, Texas, and Oklahoma in practice. But instead of requiring a decrease in year-to-year revenue, Arkansas can appropriate from its Rainy Day Fund if revenue is projected to increase by less than 3 percent compared with the previous year. For states that choose to set a particular revenue threshold, it makes sense to assess whether their current levels are in line with their typical growth rates. If the threshold is set too high, states could end up withdrawing even though growth is strong. On the other hand, even a low threshold could leave a state unable to use needed reserves when revenue falls well below normal. For example, if a state specifies a threshold of revenue falling more than 5 percent from the previous year, it would not be able to withdraw even in a year when revenue fell by 4 percent.

Tax policy increases or decreases can also produce revenue swings that are not suitable for rainy day fund use. Recent examples include Illinois' temporary 25 percent income tax hike, which expired in 2015,[31] causing a sharp decline in collections; or the personal income and business tax cuts in Kansas that drove an 11 percent drop in general fund revenue in fiscal 2014.[32] To ensure that the fund is used for business cycle management, it is important that revenue trend data is adjusted for tax policy changes when considering the outside factors driving volatility in tax collections that might warrant a withdrawal. For example, Texas is required to account for the change in a tax rate or base adopted by the Legislature when considering its revenue volatility-based condition.[33]

Voting Requirements

Rainy day fund balances are not necessarily drawn down simply because statutory or constitutional withdrawal conditions are met. Many states employ a variety of processes to determine when and whether to access their rainy day funds in the event conditions are met.

While a legislative appropriation of reserves is commonly used by states to dip into their savings, the voting requirements for withdrawals vary considerably. Fourteen states that allow for legislative withdrawals set a high bar, requiring a three-fifths, two-thirds, or even three-fourths supermajority vote to make a withdrawal.

Some states have different requirements for a withdrawal, depending on their fiscal position. In Georgia, the governor has more discretion over using the Revenue Shortfall Reserve if its balance exceeds 4 percent of the prior year's tax collections. But if the balance falls below that level, the fund can only be used to cover a budget gap.[34] In Texas, if there is a current-year budget deficit or projected decline in revenue, the state requires a three-fifths vote from both houses to use the fund. However, for any other purpose, the voting requirement is more stringent: two-thirds in each house.

The voting requirement for withdrawing from reserves presents state policymakers with a difficult decision. When withdrawals are fairly unrestricted, states may make shortsighted use of fund balances, leaving themselves with less flexibility to respond to emergencies. On the other hand, some states have strict voting requirements for withdrawals, which can mean funds are difficult to access when they are needed most.[35]

Continued on the next page

Table 1

14 States Have Supermajority Voting Requirements

State	Fund name	Voting requirement for withdrawal
Alaska	Constitutional Budget Reserve Fund	3/4*
Delaware	Budget Reserve Account	3/5
Hawaii	Emergency and Budget Reserve Fund	2/3
Louisiana	Budget Stabilization Fund	2/3
Michigan	Countercyclical Budget and Economic Stabilization Fund	2/3
Missouri	Budget Reserve Fund	2/3
New Hampshire	Revenue Stabilization Reserve Account	2/3 *
New Mexico	General Fund Tax Stabilization Reserve	2/3*
Oklahoma	Constitutional Reserve Fund	2/3 or 3/4†
Oregon	Rainy Day Fund	3/5
Pennsylvania	Budget Stabilization Reserve Fund	2/3
South Carolina	Capital Reserve Fund	2/3*
Texas	Economic Stabilization Fund	3/5 or 2/3†
Washington	Budget Stabilization Account	3/5 *

* If used for other public purpose not defined in withdrawal conditions.
† Voting requirement varies based on withdrawal condition.

Source: Pew analysis of state statutes

Balancing fiscal flexibility and stewardship: Barriers to withdrawals

States should consider whether, and how much, to limit withdrawals

Nine states withdrew the entirety of their rainy day funds' balances in the Great Recession's first year, leaving them with no savings to pull from during the following years. In order to avoid this kind of fund depletion, many states limit rainy day fund withdrawals—reserving some of the balance for future use.

Some states limit withdrawals to a set amount. Mississippi, for example, limits withdrawals to a static $50 million, regardless of how large the fund balance or how severe the shortfall. However, this kind of static limit offers little flexibility for lawmakers. In fact, they temporarily removed the withdrawal limit so more rainy day funds could be used in fiscal year 2016.[36]

Other states limit the proportion of the rainy day fund balance that can be appropriated in a single budget cycle, or the proportion of the budget shortfall that the state can fill using rainy day fund balances. Virginia, for example, has withdrawal limits that incorporate both types of proportion-based restrictions. State law permits the Legislature to withdraw either half of the fund balance or an amount equivalent to half of the budget shortfall—whichever is less. "You're never able to cover the entire shortfall with the stabilization fund," said Ric Brown, its secretary of finance. "You're never able to deplete it with one draw."[37] This provision allows the state to restrict withdrawals while still taking into consideration the scale of a shortfall and the amount held in the rainy day fund.

While states such as Virginia see benefits from their withdrawal limit, they may not be useful in all states. In order to determine if and to what degree a withdrawal limit is appropriate, states should consider the volatility of their revenue and how past economic downturns have affected state finances. This information can provide insight into how quickly a state can expect rainy day fund balances to recover and can guide discussions about optimal withdrawal rules.

Wyoming offers a recent example. Although the state's Legislative Stabilization Reserve Account has no withdrawal restrictions, lawmakers are debating the fund's savings target, structure, and purpose and did an analysis of Wyoming's revenue volatility for the Joint Legislative Appropriations Committee.[38] The study took into account the state's reliance on natural resource extraction and tried to gauge the amount of savings that would be sufficient if there were a 10-year downturn in state revenue. Its findings are helping to guide policymakers on what, if any, type of withdrawal limits would be appropriate for its rainy day fund in order to protect state coffers from potential drops in long-run revenue.

States should rebuild reserves with an eye on broader economic and fiscal conditions

Ten states include repayment or replenishment provisions in their withdrawal rules that require them to repay any money taken out of the rainy day fund within a specified period of time. States created these provisions largely because credit ratings agencies perceive low rainy day fund balances negatively or to ensure that savings funds are promptly refilled ahead of the next downturn.

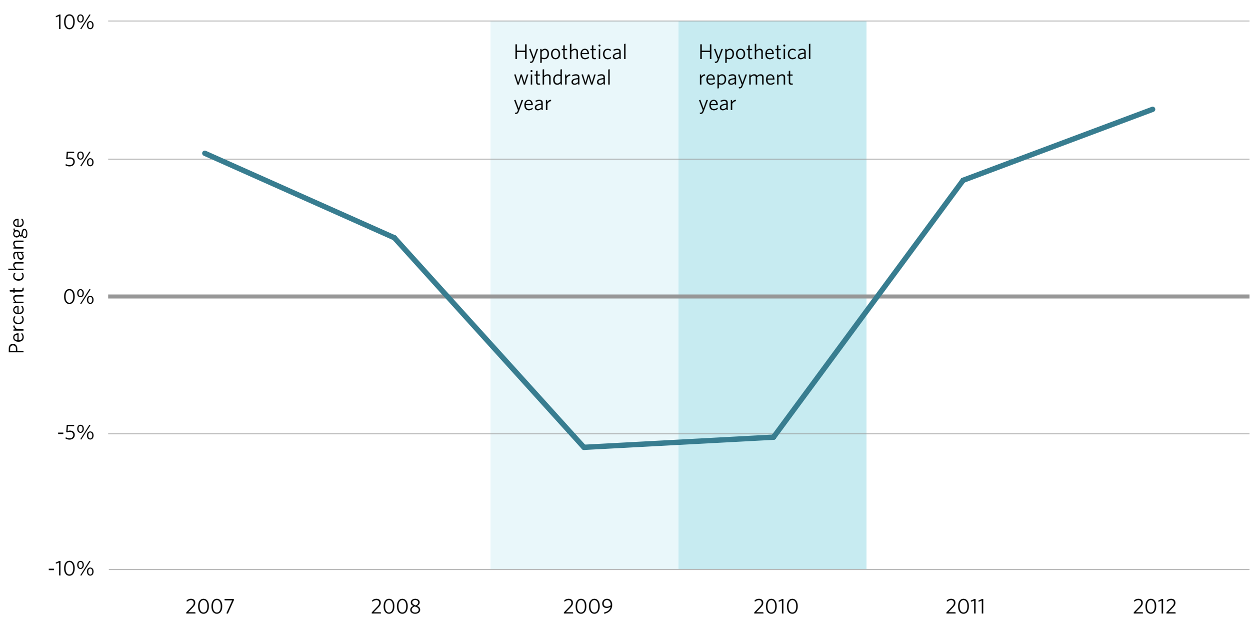
However, overly strict repayment rules can prevent state leaders from using rainy day funds even at appropriate times. In Missouri, for example, the state constitution requires that any funds taken out of the Budget Reserve Fund be repaid, with interest, over the next three fiscal years. The state must deposit at least a third of the amount withdrawn in each of those three years. Partly as a result, Missouri did not withdraw money from its fund during the first year of the Great Recession, even though it suffered considerable drops in general fund revenue.

Linda Luebbering, who served as Missouri's budget director from 2009 until August 2015, said the repayment rule made it financially dangerous for the state to withdraw from its rainy day fund during the recession. "Our downturn year, fiscal year '09 … was bad, but it was nowhere near as bad as fiscal years '10 and '11," Luebbering said, "so the fact that you have to repay it the next three years, it prevents [the fund] from being used for this purpose. The way it's designed in Missouri, it's really more for a catastrophic one-time event than it is for an economic downturn."[39] As shown in the figure below, had Missouri withdrawn from its rainy day fund in fiscal year 2009, it would have had to repay the fund at the same time that revenues fell an additional 5.1 percent.

Figure 2

Missouri Would Have Had to Repay Its Budget Reserve Fund in the Middle of the Great Recession Had It Withdrawn in 2009

Year-over-year change in revenue after adjusting for tax policy changes



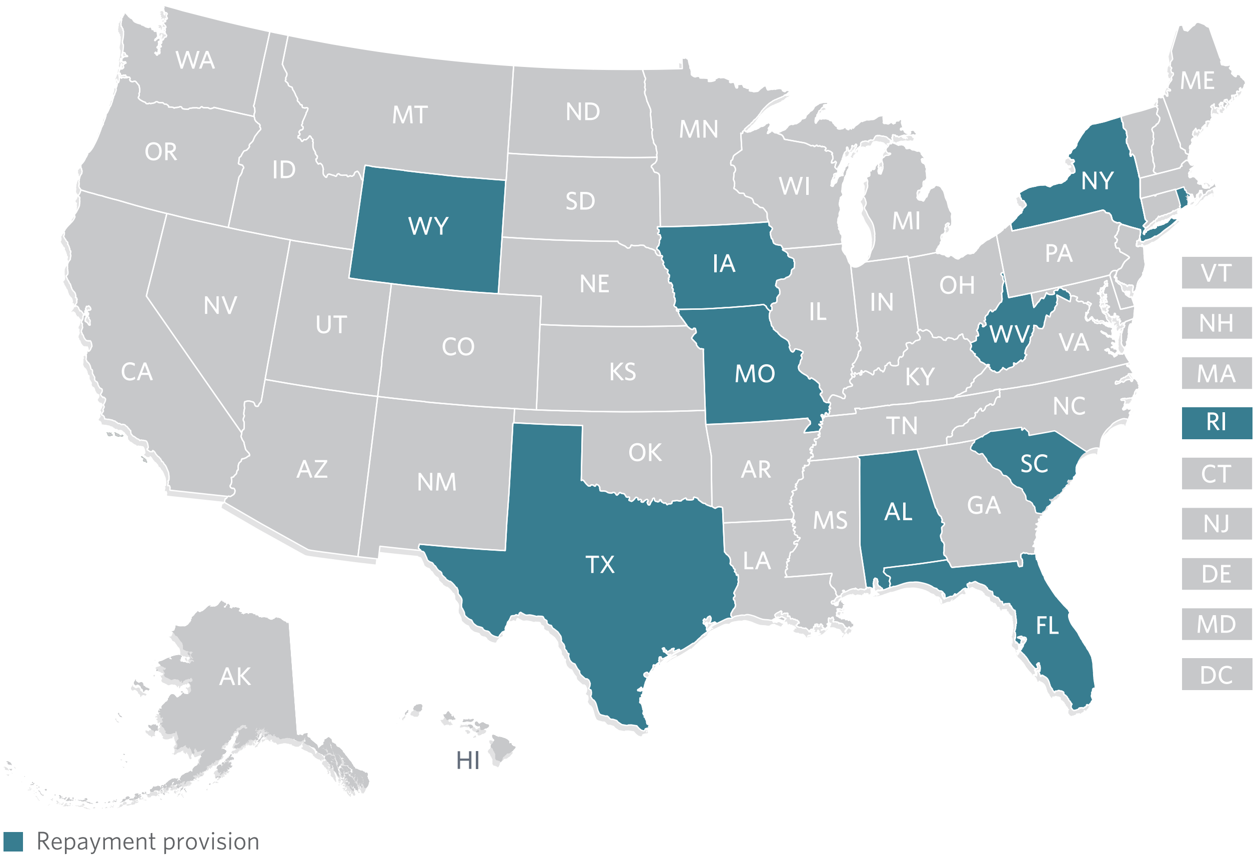
Sources: Pew analysis of National Conference of State Legislatures' State Tax Actions reports for 1995 through 2015 to adjust tax revenue data from the U.S. Census Bureau's State Government Tax Collections historical data series for 1995 through 2015

New York's two rainy day funds, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, must be repaid six years and three years after a withdrawal, respectively. Tax collections fell by $1.4 billion between fiscal years 2008 and 2010, but the state did not make use of the balance in either of its funds. Those repayment requirements may "have been an important factor in the decision not to use the rainy day funds during the last recession," according to a 2011 report by the Citizens Budget Commission of New York.[40]

In some cases, as in Missouri and New York, repayment rules can deter states from withdrawing funds even when needed. In other cases, they can force states that choose to withdraw to put money into the fund before revenues have recovered. In Rhode Island, for example, the state is required to repay withdrawals from its Budget Reserve and Cash Stabilization Account the year following a transfer from the fund. Following a withdrawal in 2009, the state had to amend its law to make it legal to forgo the repayment in 2010.[41]

Figure 3

10 States Require Withdrawals to Be Repaid in a Fixed Period of Time



Source: Pew analysis of state statutes

Building back reserves is important, but there are better ways to accomplish this than repayment rules. As explained in Pew's report "Building State Rainy Day Funds," deposits into a reserve fund should be commensurate with economic or revenue growth, with the periods of strongest growth tied to the largest deposits. This allows reserves to grow when the state's fiscal outlook begins to recover. For example, Virginia deposits half of its revenue growth above a six-year trend line into its rainy day fund. Not only has this rule proved effective in growing the fund, but it also has helped the state keep a high credit rating. As Moody's Investors Service noted, "Virginia's reserve rebuilding mechanism is a strong feature of its Aaa rating and will help to prepare it for future downturns."[42] In the presence of a strong deposit rule tied to volatility and state compliance with that rule, repayment provisions can be unnecessary and overly restrictive.

Fears of a credit downgrade also influence a state's decision to withdraw

Lawmakers often cite their state's creditworthiness as a reason for not withdrawing from their budget stabilization funds. During the Great Recession, Maryland's stabilization fund stayed at about 5 percent of general fund revenue. As former Maryland Senator Barbara Hoffman noted, the state uses its Revenue Stabilization Account as more of a fail-safe, in part out of a desire to maintain its credit rating. "We don't spend it, and that's one of the reasons we have a triple-A bond rating in this state."[43]

Rating agencies recommend that states have stabilization funds to provide more liquidity in bad times. Typically, the larger reserves grow, the more a state benefits from the added protection. However, withdrawals from rainy day funds are not always a credit negative. All three of the major rating agencies have indicated that withdrawals made to supplement state budgets when poor economic performance is responsible for drops in ongoing revenue collections can be viewed favorably.[44]

The agencies also stressed that rainy day fund policies that are sensitive to how the economic cycle affects a state's revenue are viewed more favorably than those that do not consider broader economic and fiscal conditions. Further, fund usage should fit into a pattern of reinforcing structural balance, with deposits during times of expansion and revenue growth and withdrawals during times of economic distress. This underscores why withdrawal conditions linked to underlying volatility and established in statute are so important—they provide a clear signal to ratings agencies that a state's reserve policy is attentive to the business cycle.

Recommendations

Determine whether the rainy day fund's usage is in line with its purpose

States should critically examine how they have used reserve funds in the past, and how that usage has aligned with historic patterns of revenue and economic volatility. This evaluation can determine whether the use of these funds and policies that govern them match the reasons for saving. If a state's rainy day fund has been tapped repeatedly during robust economic times, policymakers should consider what policies or budget pressures are prompting these actions. Similarly, if the fund has been rarely used during times of economic distress, the state should examine if policy changes are needed to ensure that reserves are being used when needed most.

Lawmakers in Delaware have the option of using the state's Budget Reserve Account to fund unanticipated deficits. Even with this relatively broad condition, the state has not used its fund in more than 25 years, despite experiencing multiple recession-driven budget shortfalls. Therefore, an evaluation of the fund's purpose and withdrawal conditions would allow Delaware to reassess when reserves should be used.

Hawaii has taken steps to ensure that the use of its rainy day fund, the Emergency and Budget Reserve Fund, is in sync with its stated purposes. The state clearly defines these in law and requires legislators to declare which law they are addressing for each withdrawal. State law also explicitly prohibits certain uses, such as to fund provisions in any collective bargaining contract or to adjust officials' salaries.

Create clear and measurable withdrawal conditions based on volatility

It is important to save money, but it is just as important to know when to use those savings. Clear and measurable withdrawal conditions, designed to identify when the time is right to use reserves, are an important tool for long-term fiscal stability. These conditions should be based on revenue or economic volatility, allowing states to withdraw at low points in the business cycle and discouraging this when the economy and revenues are expanding. This is different than conditions that are based solely on a budget gap or forecast error, which increases the chance of withdrawals for budget pressures not caused by one-time or temporary events.

For example, Oregon has two withdrawal conditions based on volatility. One is economic, contingent on declines in nonfarm payroll employment, while the other is connected to revenue volatility, allowing the fund to be used when revenue is projected to decline 3 percent or more compared to the prior year's appropriations. With revenue projected to drop during the Great Recession, lawmakers followed the revenue volatility condition and transferred two-thirds of the balance of the rainy day fund on July 1, 2009, estimated at $225 million, to the general fund for the final 2009-11 biennial budget.[45]

Replace repayment provisions with deposits tied to volatility

In lieu of repayment provisions, states should make deposits into their rainy day fund based on observed economic and revenue volatility. Repayment provisions are implemented with an important goal in mind: to build back reserves. In some instances, however, these rules fail to take into account the status of a state's recovery. Because of this, they can provide a disincentive for using savings in times of greatest need or create unnecessary budget pressure during a recovery. States that tie their deposits to above-average revenue growth can rebuild their funds at a more appropriate time, with the largest deposits coming during economic booms.

Missouri's deposit rule and its repayment provision give the state very little countercyclical flexibility. The state requires a certain percentage of revenue as a balance for the fund, but that percentage does not change with ups and downs in either revenue or the economy. Additionally, if the fund is used, it must be repaid in three equal payments beginning the next year. With multiyear revenue downturns like the Great Recession, setting such strict rules can create even more fiscal stress.

Recently, Oklahoma opted for a more flexible approach to building reserves than a repayment provision, tying deposits to volatility. In 2016, lawmakers created the Revenue Stabilization Fund, which will receive a portion of oil and gas production taxes as well as corporate income taxes. While these sources will still support the general fund, any revenue above their average five-year contribution will be deposited in the new stabilization fund. This approach allows it to save more when funds are available and to set aside less—or make withdrawals from the fund—in leaner years.

Conclusion

All states incur an opportunity cost when they forgo current spending to save money for a rainy day. But when states do not use their reserve funds during times of greatest financial need, the value of each saved dollar is diminished. This happens when a state's use of its savings is out of sync with the business cycle.

Every state should have a rainy day fund designed to offset one-time or temporary revenue downturns. In order to ensure that the fund is used appropriately—and not to fill budget holes stemming from structural problems that cannot be fixed with temporary funds—states can craft withdrawal rules based on specific economic or revenue criteria. Withdrawal conditions informed by a state's history of economic and revenue volatility and customized to meet a state's purpose for saving will enable lawmakers to smooth out the ups and downs of the economy, avoiding painful budget decisions that affect services and residents.

Appendix A: Methodology

Rainy day fund identification

In two earlier reports, "Building State Rainy Day Funds" (2014) and "Why States Save" (2015), Pew researchers identified and examined the statutory and constitutional guidelines in all 50 states pertaining to the mechanisms for depositing money into budget stabilization funds. States use a number of funds to set aside money for various purposes. To focus on the challenge of managing volatility, Pew narrowed the scope of this report to include only budget stabilization funds, using the definition set forth by Yilin Hou in *State Government Budget Stabilization.*[46] Hou's definition identifies three key characteristics of these funds. First, there must be enabling legislation that establishes them. Second, they operate across fiscal years and over the whole economic cycle. Third, they must serve as governmentwide reserves for general purposes.

To assemble the list of qualifying funds, Pew built upon previous research examining these types of reserves, collecting data from three peer-reviewed academic sources as well as the National Conference of State Legislatures and the Center on Budget and Policy Priorities.[47] The researchers cross-referenced these five sources to develop a list of 53 budget stabilization funds across 47 states and then further verified them by identifying their enabling legislation. In this report, Pew examined the statute for each valid fund to detail the conditions under which rainy day fund balances are available for withdrawal; the voting requirements for withdrawal; and any legal requirements for fund repayment.

Rainy day fund usage data

Pew also collected rainy day fund usage data for all valid funds to assess the timing of withdrawals in relation to state economic performance. Data was collected directly from official state government sources by fiscal year and included: end-of-year rainy day fund balances; total recorded deposits to the rainy day fund; and recorded rainy day fund withdrawal amounts. Using this data, Pew researchers calculated the net deposit or withdrawal from each fund for each fiscal year from 2003 through 2010. Using National Bureau of Economic Research (NBER) business cycle dates, Pew noted instances when funds showed a net increase in deposits during the economic expansion period of state fiscal years 2003-2007 as well as net decreases in fund withdrawals during the recessionary period of state fiscal years 2008-2010.[48]

Withdrawal condition identification and classification

The first iteration of coding focused on identifying provisions in applicable state law for each fund that address under what circumstances the balance of a rainy day fund can be made available for withdrawal. A team of four Pew researchers examined statutory and constitutional provisions for the 47 states with rainy day funds and classified states as having withdrawal conditions based on economic or revenue volatility; revenue forecast error; the existence of a budget gap; or no legal provisions governing withdrawals from the fund.

The following table provides Pew's withdrawal condition classifications for each rainy day fund. For states with more than one fund, the classification for each is presented separately.

Appendix B: Withdrawal condition classifications

Budget stabilization withdrawal conditions across the 50 states

State	Fund name	Volatility	Forecast error	Budget gap	No condition	No fund	Source
Alabama	General Fund Rainy Day Account			○			Ala. Const. Art. XIV, § 260.02 (2016)
Alaska	Statutory Budget Reserve Fund	✓					Alaska Const. art. IX, § 17 (2016)
Alaska	Constitutional Budget Reserve Fund	✓					Alaska Stat. § 37.05.540 (2016)
Arizona	Budget Stabilization Fund	✓					Ariz. Rev. Stat. § 35-144 (2016)
Arkansas	Long Term Reserve Fund	✓					Ark. Code Ann. § 19-6-486 (2016)
California	Special Fund for Economic Uncertainties			○			Cal. Gov. Code § 16418 (2016)
California	Budget Stabilization Account	✓					Cal. Const, Art. XVI § 22 (2016)
Colorado	No Fund					✗	
Connecticut*	Budget Reserve Fund	✓		○			Conn. Gen. Stat. § 4-30a (2016)
Delaware	Budget Reserve Account			○			Del. Const. art VIII, § 6 (2016)
Florida	Budget Stabilization Fund			○			Fla. Stat. § 215.32, 216.221, 216.222 (2016)
Georgia	Revenue Shortfall Fund			○			Ga. Code Ann. § 45-12-93 (2016) and Section 45-12-93
Hawaii	Emergency and Budget Reserve Fund	✓					Hawaii Rev. Stat. § 328L-3 (2016)
Idaho	Budget Stabilization Fund			○			Idaho Code § 57-814, 57-814A (2016)
Illinois	No Fund					✗	

✓ Best practice ○ Satisfactory ✗ Needs improvement

* Connecticut's fund is currently accessible for budget gaps. However, starting in FY 2020, withdrawals will be based on volatility.

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State	Fund name	Volatility	Forecast error	Budget gap	No condition	No fund	Source
Indiana	Countercyclical Revenue and Economic Stabilization Fund	✓					Ind. Code Ann. § 4-10-18 (2016)
Iowa	Economic Emergency Fund		○				Iowa Code § 8.55 (2016)
Kansas†	Budget Stabilization Fund						K.S.A. § 75-6706 (2016)
Kentucky	Budget Reserve Trust Fund Account				✗		Ky. Rev. Stat. § 48.705 (2016)
Louisiana	Budget Stabilization Fund	✓	○				La. Rev. Stat. 39:94 (2016)
Maine	Budget Stabilization Fund			○			Me. Rev. Stat. tit. 5, § 1532, 1533 (2016)
Maryland	Revenue Stabilization Account				✗		Md. State Fin. & Procurement Code § 7-311 (2016)
Massachusetts	Commonwealth Stabilization Fund	✓		○			Mass. Gen. Laws ch. 29, § 2H (2016)
Michigan	Countercyclical Budget and Economic Stabilization Fund	✓					Mich. Comp. Laws § 18.1302, 18.1352, 18.1353, 18.1358 (2016)
Minnesota	Budget Reserve Account	✓	○				Minn. Stat. § 16A.152 (2016)
Mississippi	Working Cash-Stabilization Reserve Fund		○				Miss. Code Ann. § 27-103-203 (2016)
Missouri	Budget Reserve Fund		○				Mo. Const. Art. IV, § 27(a) (2016)
Montana	No Fund					✗	
Nebraska	Cash Reserve Fund				✗		Neb. Rev. Stat. § 84-612 (2016)
Nevada	Account to Stabilize Operation of State Government		○				Nev. Rev. Stat. Ann. § 353.288 (2016)
New Hampshire	Revenue Stabilization Reserve Account		○				N.H. Rev. Stat. Ann. § 9:13-e (2016)

✓ Best practice ○ Satisfactory ✗ Needs improvement

† Kansas passed legislation during the 2016 session to establish the Budget Stabilization Fund. Lawmakers will reconvene during the 2017 session to clarify the rules that govern the fund's operation and withdrawals from the fund.

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State	Fund name	Volatility	Forecast error	Budget gap	No condition	No fund	Source
New Jersey	Surplus Revenue Fund		○				N.J. Stat. § 52:9H-18, 52:9H-19 (2016)
New Mexico	General Fund Tax Stabilization Reserve			○			N.M. Stat. Ann. § 6-4-2.2 (2016)
New York	Tax Stabilization Reserve Fund			○			N.Y. State Fin. Law § 92 (2016)
New York	Rainy Day Reserve Fund	✓					N.Y. State Fin. Law § 92-cc (2016)
North Carolina*	Savings Reserve Account				✕		N.C. Gen. Stat. § 143C-4-2 (2016)
North Dakota	Budget Stabilization Fund		○				N.D. Cent. Code, § 54-27.2-02 (2016)
Ohio	Budget Stabilization Fund				✕		Ohio Rev. Code Ann. § 131.43 (2016)
Oklahoma	Constitutional Reserve Fund	✓	○				Okl. Const. Art. X, § 23 (2016)
Oregon	Rainy Day Fund	✓	○				Ore. Rev. Stat. § 293.144 (2016)
Pennsylvania	Budget Stabilization Reserve Fund	✓					Pa. Stat. tit. 72 § 1703-A (2016)
Rhode Island	Budget Reserve and Cash Stabilization Account		○				R.I. Gen. Laws § 35-3-20 (2016)
South Carolina	General Reserve Fund			○			S.C. Const. Ann. Art. III, § 36 (2016)
South Carolina	Capital Reserve Fund			○			S.C. Const. Ann. Art. III, § 36 (2016), S.C. Code Ann. § 11-11-320 (2016)
South Dakota	Budget Reserve Fund			○			S.D. Codified Laws § 4-7-32 (2016)
Tennessee	Reserve for Revenue Fluctuations			○			Tenn. Code Ann. § 9-4-211 (2016)
Texas	Economic Stabilization Fund	✓		○			Tex. Const. Art. III, § 49-g (2016)
Utah	Budget Reserve Account			○			Utah Code Ann. § 63J-1-312 (2016)
Vermont	General Fund Budget Stabilization Reserve			○			Vt. Stat. Ann. tit. 32, § 308 (2016)

✓ Best practice ○ Satisfactory ✕ Needs improvement

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State	Fund name	Volatility	Forecast error	Budget gap	No condition	No fund	Source
Vermont	Rainy Day Reserve		○				Vt. Stat. Ann. tit. 32, § 308c (2016)
Virginia	Revenue Stabilization Fund		○				Va. Const. Art. X, § 8 (2016)
Washington	Budget Stabilization Account	✓					Wash. Const. Art. VII, § 12 (2016)
West Virginia	Revenue Shortfall Reserve Fund			○			W. Va. Code § 11B-2-20 (2016)
Wisconsin	Budget Stabilization Fund		○				Wis. Stat. § 25.60 (2016)
Wyoming	Legislative Stabilization Reserve Account				✕		Wyo. Sess. Laws 191 (2016); The Pew Charitable Trusts interview with Don Richards, budget and fiscal manager with the Wyoming Legislative Service Office, Oct. 23, 2013.

✓ Best practice ○ Satisfactory ✕ Needs improvement

* NC House Bill 7 (2017) would create volatility and forecast error withdrawal conditions.

Source: Pew analysis of state statutes

Appendix C: Repayment rules

Summary of repayment provisions, by state

State	Fund name	Repayment rule
Alabama	General Fund Rainy Day Account	Repayment must occur within 10 years of withdrawal. After fund is fully replenished, excess funds are to be used to replace lost interest earnings.
Florida	Budget Stabilization Fund	Repayment must be made in five equal transfers from the general fund, beginning in the third fiscal year after the expenditure. The Legislature can change the repayment schedule at any point.
Iowa	Economic Emergency Fund	Must be repaid the next fiscal year.
Missouri	Budget Reserve Fund	Must be repaid (with lost interest) in three equal appropriations over the next three fiscal years.
New York	Tax Stabilization Reserve Fund	Must be repaid within six years in three equal installments.
	Rainy Day Reserve Fund	Must be repaid within three years, except for catastrophic events, in which case the repayment schedule is proposed by the governor.
Rhode Island	Budget Reserve and Cash Stabilization Account	Must be repaid the next fiscal year.
South Carolina	General Reserve Fund	Must be repaid within five fiscal years.
Texas	Economic Stabilization Fund	The comptroller shall return the amount transferred to the economic stabilization fund as soon as practicable, but not later than Aug. 31 of each odd-numbered year.
West Virginia	Revenue Shortfall Reserve Fund	Appropriations made via governor's executive order must be repaid within 90 days.
Wyoming	Legislative Stabilization Reserve Account	A deposit equal to the withdrawal amount must be scheduled the fiscal year immediately after the withdrawal.

Source: Pew analysis of state statutes

Appendix D: Emergency provisions

States with emergency withdrawal conditions

State	Fund name	Fund available for emergencies, natural disasters, or "any public purpose"	Special withdrawal procedures for use under those circumstances	Source
Alabama	General Fund Rainy Day Account			Ala. Const. Art. XIV, § 260.02 (2016)
Alaska	Constitutional Budget Reserve Fund	✓	✓	Alaska Const. art. IX, § 17(c) (2016)
Alaska	Statutory Budget Reserve Fund	✓	✓	Alaska Stat. § 37.05.540 (e) (2016)
Arizona	Budget Stabilization Fund			Ariz. Rev. Stat. § 35-144 (2016)
Arkansas	Long Term Reserve Fund	✓	✓	Ark. Code Ann. § 19-6-486 (e) (2016)
California	Special Fund for Economic Uncertainties	✓	✓	Cal. Gov. Code § 16418 (c) (2016)
California	Budget Stabilization Account	✓		Cal. Const. Art. XVI § 22 (2016)
Colorado	No Fund			Colo. Rev. Stat. 24-75-201.1 (2016)
Connecticut	Budget Reserve Fund			Conn. Gen. Stat. § 4-30a (2016)
Delaware	Budget Reserve Account	✓		Del. Const. art VIII § 6 (d) (2016)
Florida	Budget Stabilization Fund	✓	✓	Fla. Stat. § 216.222 (b) (2016)
Georgia	Revenue Shortfall Reserve			Ga. Code Ann. § 45-12-93 (2016)
Hawaii	Emergency and Budget Reserve Fund	✓		Hawaii Rev. Stat. § 328L-3 (d) (2016)
Idaho	Budget Stabilization Fund			Idaho Code § 57-814, 57-814A (2016)
Illinois	No Fund			
Indiana	Countercyclical Revenue and Economic Stabilization Fund			Ind. Code Ann. § 4-10-18 (2016)
Iowa	Economic Emergency Fund			Iowa Code § 8.55 (2016)
Kansas	Budget Stabilization Fund			K.S.A. § 75-6706

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State	Fund name	Fund available for emergencies, natural disasters, or "any public purpose"	Special withdrawal procedures for use under those circumstances	Source
Kentucky	Budget Reserve Trust Fund Account			Ky. Rev. Stat. § 48.705 (2016)
Louisiana	Budget Stabilization Fund			La. Rev. Stat. 39:94 (2016)
Maine	Budget Stabilization Fund	✓	✓	Me. Rev. Stat. tit. 5 § 1533 (2016)
Maryland	Revenue Stabilization Account			Md. State Fin. & Procurement Code § 7-311 (2016)
Massachusetts	Commonwealth Stabilization Fund	✓		Mass. Gen. Laws ch. 29, § 2H (2016)
Michigan	Countercyclical Budget and Economic Stabilization Fund			Mich. Comp. Laws § 18.1302, 18.1352, 18.1353, 18.1358 (2016)
Minnesota	Budget Reserve Account			Minn. Stat. § 16A.152 (2016)
Mississippi	Working Cash-Stabilization Reserve Fund	✓	✓	Miss. Code Ann. § 27-103-203 (5) (2016)
Missouri	Budget Reserve Fund	✓		Mo. Const. Art. IV, § 27(a) (2016)
Montana	No Fund			
Nebraska	Cash Reserve Fund			Neb. Rev. Stat. § 84-612 (2016)
Nevada	Account to Stabilize Operation of State Government	✓	✓	Nev. Rev. Stat. Ann. § 353.288 (8) (2016)
New Hampshire	Revenue Stabilization Reserve Account	✓	✓	N.H. Rev. Stat. Ann. § 9:13-e (IV) (2016)
New Jersey	Surplus Revenue Fund	✓	✓	N.J. Stat. § 52:9H-19 (2016)
New Mexico	General Fund Operating Reserve			N.M. Stat. Ann. § 6-4-2.1 (C) (2) (2016)
New Mexico	General Fund Tax Stabilization Reserve	✓	✓	N.M. Stat. Ann. § 6-4-2.2 (2016)
New York	Tax Stabilization Reserve Fund			N.Y. State Fin. Law § 92 (2016)
New York	Rainy Day Reserve Fund	✓	✓	N.Y. State Fin. Law § 92-cc (ii)(2016)
North Carolina	Savings Reserve Account	✓		N.C. Gen. Stat. § 143C-4-2 (c) (2016)
North Dakota	Budget Stabilization Fund			N.D. Cent. Code, § 54-27.2-02 (2016)

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State	Fund name	Fund available for emergencies, natural disasters, or "any public purpose"	Special withdrawal procedures for use under those circumstances	Source
Ohio	Budget Stabilization Fund			Ohio Rev. Code Ann. § 131.43 (2016)
Oklahoma	Constitutional Reserve Fund	✓	✓	Okl. Const. Art. X, § 23 (8) (2016)
Oregon	Rainy Day Fund			Ore. Rev. Stat. § 293.144 (2016)
Pennsylvania	Budget Stabilization Reserve Fund	✓		Pa. Stat. tit. 72 § 1703-A (b) (2016)
Rhode Island	Budget Reserve and Cash Stabilization Account			R.I. Gen. Laws § 35-3-20 (2016)
South Carolina	General Reserve Fund			S.C. Const. Ann. Art. III, § 36 (2016)
South Carolina	Capital Reserve Fund			S.C. Const. Ann. Art. III, § 36 (2012), S.C. Code Ann. § 11-11-320 (2016)
South Dakota	Budget Reserve Fund	✓		S.D. Codified Laws § 4-7-32 (2016)
Tennessee	Reserve for Revenue Fluctuations			Tenn. Code Ann. § 9-4-211 (2016)
Texas	Economic Stabilization Fund	✓	✓	Tex. Const. Art. III, § 49-g (m) (2016)
Utah	Budget Reserve Account			Utah Code Ann. § 63J-1-312 (2016)
Vermont	General Fund Budget Stabilization Reserve			Vt. Stat. Ann. tit. 32, § 308 (2016)
Vermont	Rainy Day Reserve	✓	✓	Vt. Stat. Ann. tit. 32, § 308c (b) (1) (2016)
Virginia	Rainy Day Reserve			Va. Const. Art. X, § 8 (2016)
Washington	Budget Stabilization Account	✓	✓	Wash. Const. Art. VII, § 12 (d) (i) (2016)
West Virginia	Revenue Shortfall Reserve Fund	✓	✓	W. Va. Code § 11B-2-20 (2016)
Wisconsin	Budget Stabilization Fund			Wis. Stat. § 25.60 (2016)
Wyoming	Legislative Stabilization Reserve Account			Wyo. Sess. Laws 191 (2005)

Source: Pew analysis of state statutes

Endnotes

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