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

PA 25-93 changes how unappropriated General Fund operating surplus is used in FY 25 and beyond. Provided that the balance of the Budget Reserve Fund is equal to 18.0% of net General Fund appropriations in the current fiscal year, PA 25-93 requires unappropriated General Fund operating surplus to be deposited into the newly established Early Childhood Education Endowment Fund rather than pension funds to pay down unfunded actuarial accrued liabilities. The amount of the deposit into the Early Childhood Education Endowment Fund is limited to $300 million in FY 25 and is unlimited in FY 26 and beyond, provided that the 18.0% condition is met.

Existing law, unchanged by PA 25-93, requires that any unappropriated General Fund operating surplus and revenue exceeding the volatility cap must be used to sustain or increase the Budget Reserve Fund until the Budget Reserve Fund is equal to 15.0% of net General Fund appropriations in the current fiscal year. When the Budget Reserve Fund is between 15.0% and 18.0% of net General Fund appropriations in the current fiscal year, any unappropriated General Fund operating surplus and revenue exceeding the volatility cap must be split 50/50 between sustaining or increasing the Budget Reserve Fund and providing funds to pay down unfunded actuarial accrued liabilities.

Table 1 FY 26 – FY 27 Budget Reserve Fund Status
In Millions of Dollars

Fiscal Year	Projected Deposit	Budget Reserve Fund (BRF) Balance	BRF Balance as a Percentage of net General Fund
FY 25		4,105.1	18.0%
FY 26	221.5	4,326.5	18.0%
FY 27	237.6	4,564.2	18.0%
TOTAL	**459.1**		
Amounts may appear not to sum due to a rounding effect.			

Projected volatility adjustment transfers of $1,353.1 million total over the FY 26 – FY 27 biennium suffice to fund the $459.1 million in deposits necessary to maintain the Budget Reserve Fund at the 18.0% threshold.