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

The Budget Reserve Fund balance is projected to remain at the 18.0% statutory cap in FY 27.

Table 1 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	150.9[12]	4,477.4	18.0%
TOTAL	**372.4**		
Amounts may appear not to sum due to a rounding effect			

Several policy changes have been made over the last ten years related to the Budget Reserve Fund:

1. PA 17-2 of the June Special Session increased the maximum balance of the Budget Reserve Fund from 10.0% to 15.0% of net General Fund appropriations for the current fiscal year.

2. PA 23-1 further increased the maximum balance of the Budget Reserve Fund from 15.0% to 18.0%, and provided that 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.

3. PA 25-93 changed 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 the Budget Reserve Fund and/or pension funds to pay down unfunded actuarial accrued liabilities. The amount of the deposit into the Early Childhood Education Endowment Fund was limited to $300 million in FY 25 and is unlimited in FY 26 and beyond, provided that the 18.0% condition is met.

4. SA 25-1 temporarily increases the maximum balance of the Budget Reserve Fund by $500 million to 20.08% of net General Fund appropriations in FY 26 to enable additional state spending in response to federal policies. Under SA 25-1, the maximum balance of the Budget Reserve Fund reverts to 18.0% on June 30, 2026.

[12]The FY 27 projected deposit amount is substantially less due in large part to the policy decision made to shift nearly $1 billion in funding from the General Fund to the newly established Hospital Supplemental Payment account. (This shift reduced the overall net General Fund appropriation in FY 27, which is the basis for determining the maximum balance of the Budget Reserve Fund.)