

APPENDIX F. Budget Reserve (“Rainy Day”) Fund Update

State law and a bond covenant⁸ require any General Fund operating surplus and volatility adjustment transfer amounts to be used as follows: 1) to sustain the Budget Reserve Fund at up to 15% of net General Fund appropriations; and if the 15% level (i.e., the Budget Reserve Fund cap) has been reached, then 2) to reduce certain long-term debt (primarily unfunded pension liabilities) per the direction of the State Treasurer. In total, the FY 23 Revised Budget provides \$2,146.5 million for these purposes.

Table 1 FY 23 Budget Reserve Fund Status
In Millions of Dollars

Description	Amount
Budgeted FY 23 surplus	299.0
Budgeted FY 23 volatility cap adjustment	1,847.5
TOTAL	2,146.5

The FY 22 balance of the Budget Reserve Fund is at the cap, which is equal to \$3,111.9 million. In FY 23, the cap increases by \$201.5 million to \$3,313.4 million in total, reflecting an increase in net General Fund appropriations. The FY 22 General Fund operating surplus and volatility adjustment transfer amounts more than suffice to support the above-referenced increase in the Budget Reserve Fund cap, so that the balance of the Budget Reserve Fund would remain at the 15% level into FY 23.

⁸ The bond covenant requirement expires June 30, 2023.