

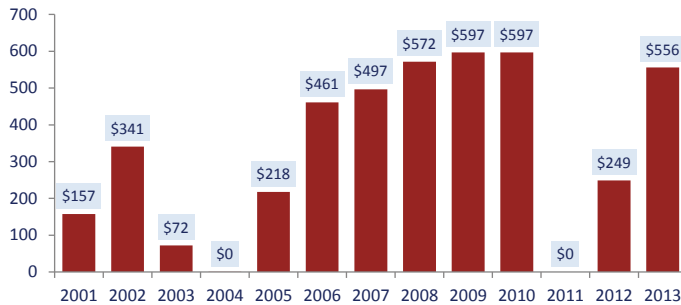
# OKPOLICY.ORG

## Oklahoma Policy Institute

### RAINY DAY FUND BASICS

**Oklahoma's Rainy Day Fund helps protect against economic downturns.** It is designed to collect extra funds when times are good and to spend those funds when revenues cannot support ongoing state operations.

Rainy Day Fund Opening Balances, FY '01 - FY '13  
(in millions of \$)



In the early 2000s, the balance of the Rainy Day Fund grew to a peak of \$340 million. Almost the entire balance of the fund was needed to maintain service levels during a severe revenue downturn in FY 2003 and 2004. Strong revenue growth due to economic recovery and high energy prices allowed it to recover to \$597 million, its legal maximum at the time, in FY 2009.

The fund was exhausted to help reduce the impact of revenue shortfalls in FY '10-11. The 2010 Legislature appropriated \$224 million from the Rainy Day Fund in FY '10, appropriated \$273 million in FY '11 budget, and transferred \$100 million to a cash fund to be used in FY '12. Because General Revenue exceeded estimates in the past two fiscal years, \$249 million was deposited into the RDF at the start of FY '12 and a \$306.8 million was deposited at the start of FY '13.

**How it works.** Money flows into the Rainy Day Fund when revenue is more than estimated. Any General Revenue Fund collections beyond 100 percent of the estimated amount must be deposited into the Rainy Day Fund (unless it already has the maximum amount specified by the Constitution, 15 percent of the amount certified in the General Revenue Fund for the preceding year).

The Constitution allows the fund to be spent in four instances:

- ▶ Up to three-eighths of the fund may be used to make up for a shortfall in the current year's collections (when revenue comes in below what was estimated by the Board of Equalization).
- ▶ Up to three-eighths of the amount in the fund may be used in the budget for the next year if General Revenue collections are forecast to be less than the current year's collections.
- ▶ Up to one-fourth of the amount in the fund may be spent through the appropriations process for an emergency. There are two methods for declaring an emergency: The Governor, with the agreement of two-thirds of both the House of Representatives and the Senate, can declare emergency conditions exist; or the Speaker of the House and the President Pro Tempore of the Senate, with the agreement of three-quarters of both the House and Senate, can jointly declare emergency conditions exist without the Governor's consent.
- ▶ As a result of voter approval of SQ 725 in 2006, up to \$10 million may be spent on tax incentives for at-risk manufacturers. The fund has never been used for this purpose.

Estimated vs Actual State Revenue Collections,  
FY '02-FY '12  
(in billions of dollars)

