



Maryland's Rainy Day Fund

October 2017



REVENUE STABILIZATION ACCOUNT

- History
- Recent Changes – Revenue Volatility



HISTORY

- Created in 1986
 - Retain State revenues to meet short-term funding needs
 - Reduce the need for future tax increases by moderating revenue growth

FUNDING GOALS

% of General Fund Revenue

- Original - 2%
- 1993 - 5%
- 2006 - 5% / 7.5%
- Now - 5% / 10%

FUNDING THE RAINY DAY FUND

- Three mechanisms:
 1. Appropriation based on fund balance
 - If the Fund Balance is $< 3\%$ - \$100 million
 - If the Fund balance is $> 3\%$ and $< 7.5\%$ - \$50 million
 - If the Fund Balance is $> 7.5\%$ - \$0
 2. Appropriation based on General Fund Surplus
 - Some portion of the fund balance above \$10 million is required to be appropriated to the Fund
 3. Direct Distribution of over-attained Personal Income Tax Revenue (new)



USING THE RAINY DAY FUND

- Balance below 5%
 - Only used once
- Balance above 5%
 - Regularly used - Sweeper



RECENT CHANGES

- 2016 Revenue Volatility Study
- 2017 (Dueling) Legislation
 - How to limit revenue
 - How to distribute revenue over-attainment
 - Uses of the Fiscal Responsibility Fund

ENACTED LEGISLATION

Revenue Volatility & Fiscal Responsibility Act

- Caps share of nonwithholding personal income tax to the 10-year average
- Revenue over-attainment
 - First use – close any revenue gaps
 - Second use – transfer funds to the Rainy Day Fund, if balance is below 6%
 - Third use – if Rainy Day Fund balance is greater than 6%, half of over-attainment goes to the Rainy Day Fund and half goes to the Fiscal Responsibility Fund