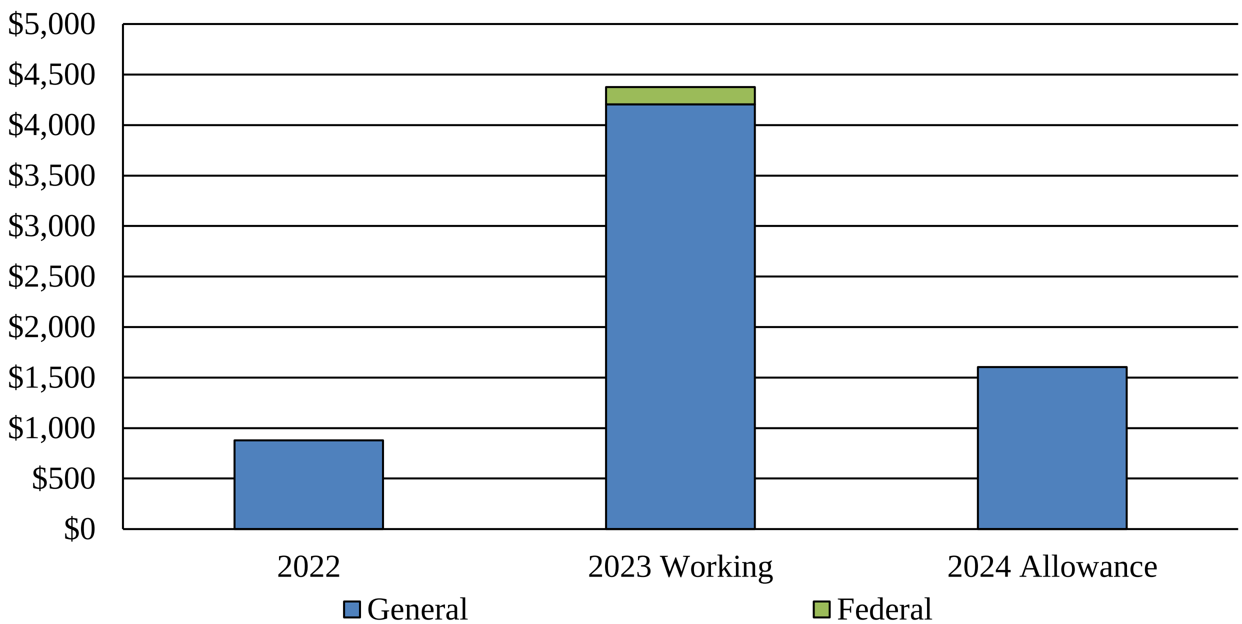
Y01A
State Reserve Fund

Program Description

The State Reserve Fund provides a means to designate monies for future use. This analysis includes the Revenue Stabilization Account (Rainy Day Fund), the Dedicated Purpose Account (DPA), and the Catastrophic Event Account. **Appendix 2** through **Appendix 4** provide detail on the characteristics and spending mechanisms for each account. Discussion of the Economic Development Opportunities Account can be found in the fiscal 2024 operating budget analysis for the Department of Commerce – T00.

Operating Budget Summary

Fiscal 2024 Budget Decreases $2.8 Billion, or 63.3%, to $1.6 Billion
($ in Millions)



- The fiscal 2024 allowance includes a $1.06 billion statutory appropriation to the Rainy Day Fund; however, the Governor's budget plan proposes to redirect $1.0 billion of the appropriation to support future education and transportation expenses and includes a contingent reduction to eliminate the remaining $61.4 million appropriation.

- The fiscal 2024 allowance provides a $543.0 million appropriation to the DPA, including $150 million reserved for legislative priorities.

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Fiscal 2024 Overview of Agency Spending

Appendix 1 provides detail on the activity in each of the Reserve Fund accounts for fiscal 2022 through the 2024 allowance.

Rainy Day Fund

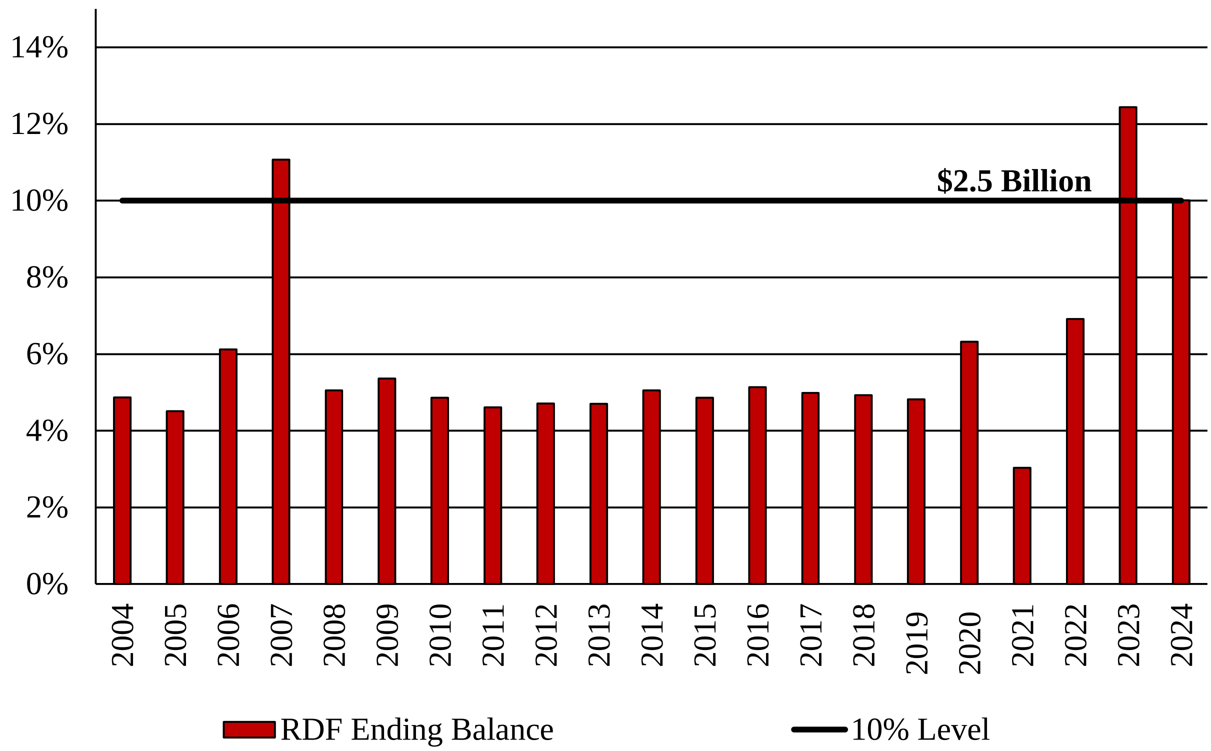
The Rainy Day Fund was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling at least $50 million is required if projected revenues in the fund are less than 7.5% of general fund revenues.

Chapter 557 of 2017 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is divided between the Rainy Day Fund, the Pension System, and the Post-Retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-Retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis. Chapter 391 of 2022 amended this distribution for fiscal 2024 only, reducing the amount distributed to the Pension System to 15% and directing 10% to the Maryland Equity Investment Fund. Amounts above $110 million are credited to the Rainy Day Fund.

Fiscal 2022 ended with an unappropriated general fund balance totaling nearly $1.12 billion. The General Fund retains $10 million of this surplus. Per Chapter 391, the appropriation to the DPA includes a $15 million supplemental appropriation provided to the employee pension fund and a $25 million supplemental appropriation to the Post-Retirement Health Benefits Trust Fund. Another $10 million is provided for the Maryland Equity Investment Fund within the Maryland Technology Development Corporation. The remaining surplus, approximately $1.06 billion, is reflected as the fiscal 2024 allowance for the Rainy Day Fund. This appropriation would increase the Rainy Day Fund balance to nearly $4.1 billion, or 16.1%, of general fund revenues.

As **Exhibit 1** and **Exhibit 2** show, the Administration's fiscal 2024 budget plan draws down the Rainy Day Fund Balance to the equivalent of 10% of general fund revenues, leaving approximately $2.5 billion in reserves at the end of fiscal 2024. This is achieved by transferring $479 million from the Rainy Day Fund balance to the General Fund and via HB 202/SB 183, the Budget Reconciliation and Financing Act (BRFA) of 2023, which proposes to eliminate the previously discussed statutory sweeper provision for fiscal 2024 only, allowing the Administration to redirect the majority of those funds to other purposes.

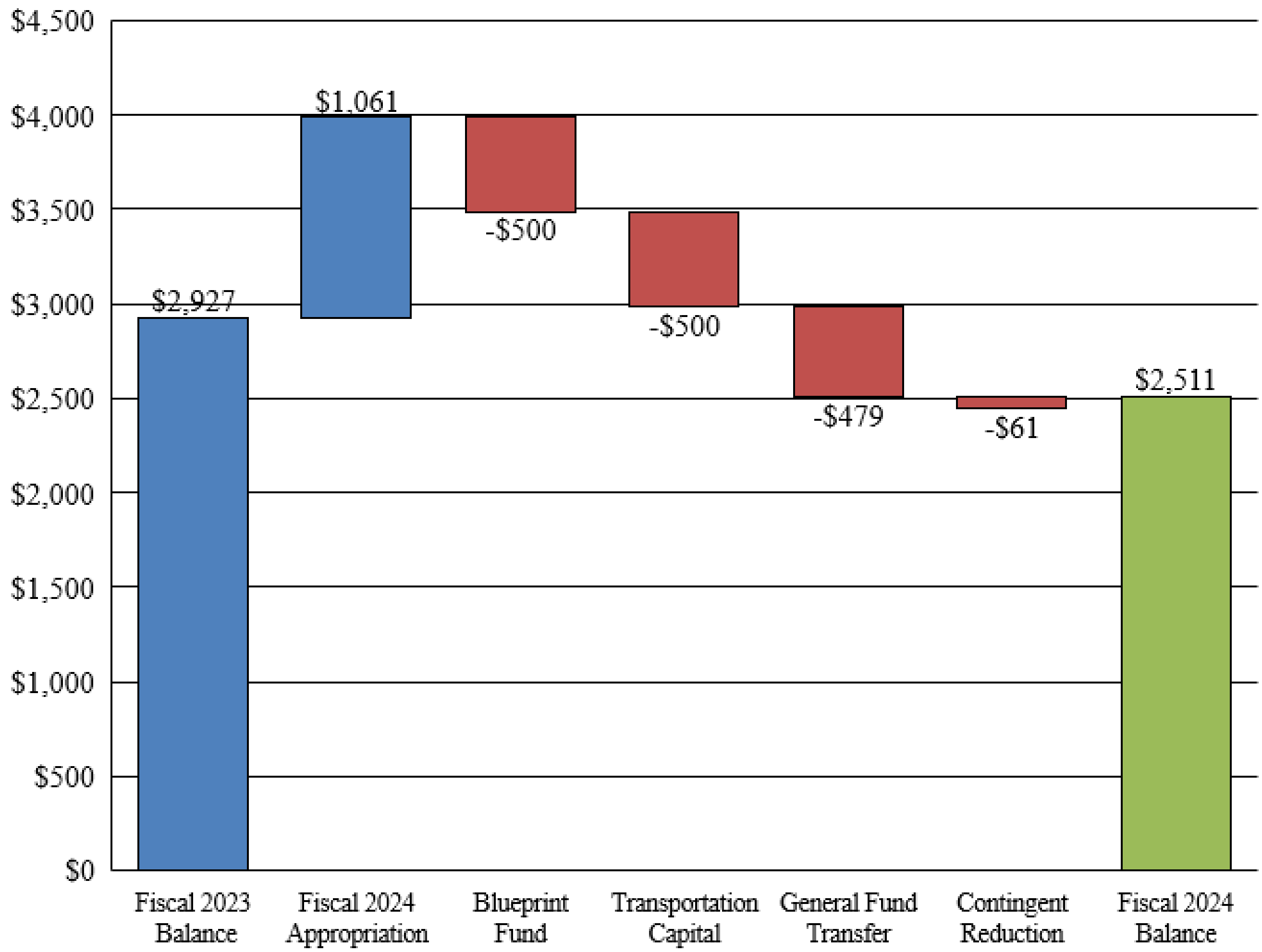
Exhibit 1
Rainy Day Fund Balance as a Percent of General Fund Revenues
Fiscal 2004-2024 Allowance



RDF: Rainy Day Fund

Source: Department of Legislative Services

Exhibit 2
Fiscal 2024 Proposed Draw Down of the Rainy Day Fund
($ in Millions)



Source: Governor's Fiscal 2024 Budget Books; Department of Legislative Services

The fiscal 2024 Budget Bill includes three pieces of contingent language that would redirect $1.0 billion of the appropriation to the Blueprint for Maryland's Future Fund and to the DPA to offset future education and transportation capital needs ($500 million for each purpose). The remaining $61.4 million would be reduced from the appropriation and is reflected in the Administration's $820 million estimated closing balance for fiscal 2024. Reducing this residual appropriation directly would allow the legislature the opportunity to prescribe the use of funds, and still leave the General Fund and Rainy Day Fund balances consistent with Spending Affordability Committee goals. **The Department of Legislative Services (DLS) recommends reducing the Rainy Day Fund appropriation by $61.4 million.**

Dedicated Purpose Account

The DPA, also established in 1986, retains appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies. The unspent balance of an appropriation reverts to the Rainy Day Fund four years after the end of the fiscal year for which the appropriation was made.

Exhibit 3 provides detail on how the $543 million fiscal 2024 appropriation is allocated by purpose.

Exhibit 3
Dedicated Purpose Account
Appropriations by Purpose
Fiscal 2024 Allowance
($ in Millions)

	Appropriation
Annual or Recurring	
WMATA Capital Grant	$167.0
Cybersecurity	152.0
OPEB Sweeper	25.0
Pension Sweeper	15.0
Food Banks	10.0
Veterans Home	6.3
New or One-time	
Legislative Priorities	$150.0
Local Income Tax Reserve Account	10.0
Awards to Erroneously Confined Individuals	7.7
Total General Funds	**$543.0**

OPEB: Other Post Employment Benefits
WMATA: Washington Metropolitan Area Transit Authority

Source: Governor's Fiscal 2024 Budget Books; Department of Legislative Services

Annual or Recurring Appropriations

The DPA includes several appropriations that appear annually. In the fiscal 2024 allowance, these appropriations total $375.3 million in general funds. This includes $40 million to meet statutory mandates for reducing unfunded pension and retired employee benefit liabilities and $167 million to fund the entire mandated dedicated capital grant for the Washington Metropolitan Area Transit Authority required by Chapters 351 and 352 of 2018.

Per Chapter 243 of 2022, the Modernize Maryland Act, the fiscal 2024 allowance appropriates $152 million for the continued support of cybersecurity assessments and remediation, along with supporting the implementation of other requirements within the legislation. Chapter 243 required that the fiscal 2024 budget include an appropriation to the DPA of at least 20% of the aggregated amount appropriated for information technology and cybersecurity resources in fiscal 2023. The State's response to cybersecurity concerns, including the use of appropriated resources, is discussed in greater detail in the fiscal 2024 operating budget analysis for the Department of Information Technology (DoIT) – F50.

There is $10 million allocated for continued State support for food banks. An equivalent amount was provided for this purpose in fiscal 2023; and although this was characterized as one-time funding at the time, the combination of dwindling federal resources and higher food prices due to inflation have warranted the need for an additional year of support.

The proposed budget also provides an additional $6.3 million in pay-as-you-go (PAYGO) funds to cover escalation costs associated with the construction of a New State Veterans Home capital project, a 128-bed skilled nursing facility in Sykesville. The State is providing a 35% match for the project; $63.3 million was allocated to the DPA in the fiscal 2023 budget to cover this share; however, inflation requires the additional appropriation to maintain the appropriate match ratio. Construction is anticipated to begin in August 2024 and be complete by February 2027.

New or One-time Appropriations

One-time appropriations not previously funded through the DPA in recent history total $167.7 million in fiscal 2024. This includes $150 million that the Administration has designated for legislative operating and capital priorities. **DLS recommends reducing the appropriations set aside for legislative priorities so they can be reallocated in accordance with the specific priorities identified by the General Assembly.**

An appropriation of $10 million is provided to the Local Income Tax Reserve Account (LITRA) to repay unfunded liabilities accumulated from when the State has borrowed against the account's fund balance in past years. The current unfunded liability is estimated to be $738.6 million. Previously, statute dictated a repayment plan for a portion of the liability to be paid in annual increments of $33.3 million for fiscal 2021 through 2026; however, the BRFA of 2020 (Chapter 538), restructured this repayment as a $10.0 million direct revenue distribution for fiscal 2024 through 2043. The Board of Revenue Estimates (BRE) recognized this distribution in its

general fund revenue estimate, rendering this appropriation unnecessary. **DLS recommends deleting the $10 million appropriation to repay the LITRA, as it is not needed to fulfill the obligation.**

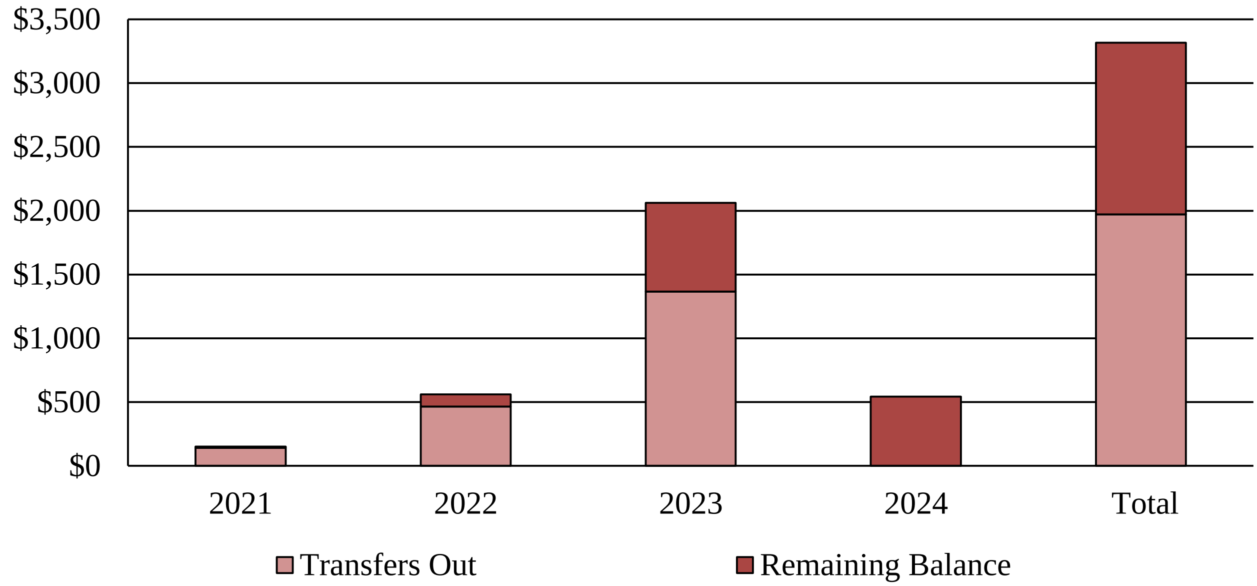
Approximately $7.7 million is provided to forward fund known obligations regarding individuals who were erroneously convicted and incarcerated by the State and receive awards over multiple years. A more detailed discussion of the payments made to these individuals can be found in the fiscal 2024 operating budget analysis for the Board of Public Works – D05E01.

Key Observations

1. DPA Retains Over $800 Million from Prior Appropriations

With historically high cash balances beginning in fiscal 2022, utilization of the DPA has increased significantly to serve as a mechanism for forward funding initiatives and obligations, in addition to acting as a placeholder while implementation plans and purposeful appropriations can be established. Since fiscal 2021, over $3.3 billion has been appropriated to the DPA, with 95% of the allocations supported by general funds. To date, nearly $2.0 billion has been transferred to State agencies to support the designated expenditures. **Exhibit 4** illustrates the annual DPA appropriations since fiscal 2021, delineating the amount that remains in the DPA fund balance for each year. **Exhibit 5** provides detail on available DPA balances by purpose for fiscal 2021 through 2023. In total, approximately $801.8 million remains in the DPA for expenditure, excluding the $543 million appropriated in the fiscal 2024 allowance.

Exhibit 4
Dedicated Purpose Account Appropriations
Fiscal 2021-2024
($ in Millions)



Note: Cost containment actions adopted at the May 20, 2020 Board of Public Works meeting deleted $10 million in funding for cybersecurity assessments and reduced the State's contribution to the Washington Metropolitan Area Transit Authority capital grant by $28 million.

Source: Department of Legislative Services

Exhibit 5
Dedicated Purpose Account
Remaining Appropriations by Purpose
Fiscal 2021-2023
($ in Millions)

Description	**Amount**
Cybersecurity	$160.0
State Center Relocation	47.3
New Veterans Home PAYGO	63.3
Facilities Renewal for State Facilities and Higher Education	189.0
Legislative Priorities – PAYGO	123.0
Legislative Priorities – Operating Initiatives	
Apprenticeships	20.0
Autism Waiver	20.0
Unified Financial Aid System	8.0
Subtotal	***48.0***
Local Government Infrastructure Fund – Broadband (Federal Funds)	171.2
Total Dedicated Purpose Account Fund Balance	**$801.8**

PAYGO: pay-as-you-go

Source: Department of Legislative Services

Between fiscal 2021 and 2023, a total of $210 million has been appropriated to the DPA for cybersecurity efforts, with only 24% of the appropriation spent, primarily to support remediation efforts at the Maryland Department of Health following a calendar 2021 cyberattack. On February 2, 2023, the Administration submitted a request for the Legislative Policy Committee (LPC) and the budget committees to approve the transfer of approximately $94.1 million of the $160 million remaining balance for cybersecurity assessments, remediation, and infrastructure improvements. If approved, the funds would be transferred to DoIT via budget amendment and provide $35.6 million to support DoIT cybersecurity remediation and $58.5 million to support statewide cybersecurity remediation. As previously mentioned, a more comprehensive discussion of cybersecurity is provided in the budget analysis for DoIT – F50.

To date, $2.7 million has been transferred to support the relocation of State agencies from State Center in Baltimore City, leaving an outstanding appropriation balance of $47.3 million. Most of the expended funds were allocated to DoIT in November 2022 to cover the purchase of infrastructure network equipment. Although the impacted agencies are not scheduled to begin relocation until mid-2023, supply chain concerns required the purchase of the necessary equipment well in advance of the actual installation. As such, the costs funded through the proposed amendment are for equipment only and do not reflect the future cost of installation associated with the move. More discussion on the general status of the relocation process can be found in the fiscal 2024 operating budget analysis for the Department of General Services – H00.

The fiscal 2023 budget funded nearly $1.2 billion in legislative priorities, including $800 million in PAYGO capital projects and $200 million in funds for facilities renewal projects across State agencies, higher education, and the parks. To date, all but 26%, or $360 million, has been allocated to the implementing agencies. Of the remaining appropriations:

- The Department of Budget and Management has indicated that funding for the facilities renewal and capital projects is being distributed on a cash flow basis, with $688 million expended through the first half of the fiscal year.

- The full appropriation for the Unified Financial Aid System remains in the DPA; however, summary materials for the State's Major Information Technology program indicate that the project is expected to get underway in fiscal 2024. The project is estimated to have a total cost of $20.7 million and be complete by the end of fiscal 2026.

- One-third of the funds to support expansion of the Autism Waiver have been distributed to the Maryland State Department of Education (MSDE); however, delays in receiving federal approval for the expanded slots make expending those funds in fiscal 2023 unlikely. MSDE has indicated that, assuming approval is received in fiscal 2024, accelerating the expenditure of the full appropriation could be accommodated. A more detailed discussion of the Autism Waiver can be found in the fiscal 2024 operating budget analysis for MSDE – Aid to Education – R00A02.

- The full appropriation to support apprenticeship initiatives across the State remains unallocated, although the Maryland Department of Labor (MDL) has conducted several apprenticeship workgroups during calendar 2022 targeting specific areas of employment with noted staffing difficulties. The previous Administration submitted a proposed budget amendment to transfer $5 million of the $20 million appropriation to MDL in December 2022, indicating a plan to use the funds to address three priority areas:

    - sustain and grow the pool of registered apprenticeship sponsors by increasing sponsor capacity and remove barriers to participation for both sponsors and participants;

- improve high school and degree apprenticeship pathways by integrating with Career and Technical Education (CTE) program and the Maryland CTE Committee, along with increasing engagement with postsecondary institutions; and

- diversify the occupational and demographic consistency of Maryland’s Registered Apprenticeship Program.

In light of significant legislative interest regarding the issue, however, the current Administration has indicated a willingness to reevaluate the use of the funds.

Operating Budget Recommended Actions

1. Strike the following language to the general fund appropriation:

   ~~, provided that $61,428,921 of this appropriation shall be reduced contingent on the enactment of legislation eliminating the required Revenue Stabilization Account appropriation for fiscal 2024.~~

   Explanation: This action strikes contingent language that is not needed because the General Assembly has reduced the appropriation directly.

	Amount Change	
2. Reduce the appropriation to the Rainy Day Fund. Adequate funding exists to meet Spending Affordability Committee goals without the statutory appropriation in fiscal 2024.	-$ 61,428,921	GF

3. Strike the following language to the general fund appropriation:

~~Legislative Operating Priorities~~	~~50,000,000~~
~~Legislative PAYGO~~	~~100,000,000~~
~~Local Income Tax Reserve Account Repayment~~	~~10,000,000~~

   Explanation: This action strikes the line-item appropriations for funds that are being directly reduced and reappropriated by the legislature in the fiscal 2024 budget. Reducing the combined $150 million appropriation for unspecified legislative priorities allows the General Assembly to allocate those funds to specific programs and purposes. The $10 million appropriation to the Local Income Tax Reserve Account Repayment is not required as the funds to fulfill this obligation were already provided through a direct revenue distribution.

	Amount Change	
4. Reduce funding for unspecified legislative priorities. This action will allow the General Assembly to assign specific funding priorities to the $50 million in operating and $100 million in pay-as-you-go capital funds set aside by the Administration for legislative priorities.	-$ 150,000,000	GF

5.	Delete funding for the Local Income Tax Reserve Account repayment. The obligation for repayment of the liability is already being met through a direct revenue distribution and the budgeted appropriation is not needed.	-$ 10,000,000	GF
	Total General Fund Net Change	**-$ 221,428,921**	

Appendix 1
State Reserve Fund Activity
Fiscal 2022-2024
($ in Millions)

	Rainy Day Fund	Dedicated Purpose Acct.[1]	Catastrophic Event Acct.
Estimated Balances June 30, 2021	**$631.2**	**$10.0**	**$3.9**
Fiscal 2022 Appropriations	$525.8	$561.7	$10.0
Legislative Priorities funded with ARPA	0.0	-317.8	0.0
OPEB Liability/Pension Sweepers	0.0	-50.0	0.0
State Center relocation	0.0	-2.7	0.0
Transfer to Program Open Space	0.0	-43.9	0.0
Cybersecurity Assessments	0.0	-50.4	0.0
Tropical Storm Ida recovery assistance	0.0	0.0	-3.8
RDF Transfer per Revenue Volatility Cap	500.2	0.0	0.0
Interest Earnings	5.1	0.0	0.0
Estimated Balances June 30, 2022	**$1,662.3**	**$106.9**	**$10.1**
Fiscal 2023 Appropriations	$2,415.8	$2,060.8	$0.0
Transfer to the General Fund	-1,166.2	0.0	0.0
Legislative Priorities	-69.0	0.0	0.0
Gas Tax Holiday	0.0	-100.0	0.0
Food Banks	0.0	-10.0	0.0
OPEB Liability/Pension Sweepers	0.0	-50.0	0.0
Facilities Renewal	0.0	-11.0	0.0
Transfer to Program Open Space	0.0	-30.5	0.0
Legislative Priorities – Operating	0.0	-320.8	0.0
Legislative Priorities – PAYGO	0.0	-677.0	0.0
Grant to WMATA	0.0	-167.0	0.0
Interest Earnings	83.8	0.0	0.0
Estimated Balances June 30, 2023	**$2,926.7**	**$694.5**	**$10.1**
Fiscal 2024 Appropriations	$1,061.4	$543.0	$0.0
Transfer to the General Fund	-479.0	0.0	0.0

	Rainy Day Fund	Dedicated Purpose Acct.[1]	Catastrophic Event Acct.
Contingent Reduction	-61.4	0.0	0.0
Contingent Transfer to the Blueprint Fund	-500.0	0.0	0.0
Contingent Transfer for Future Transportation Capital Projects	-500.0	0.0	0.0
Interest Earnings	63.3	0.0	0.0
Estimated Balances June 30, 2023	**$2,511.0**	**$543.0**	**$10.1**
Percent of Revenues in Reserve	**10.0%**		

ARPA: American Rescue Plan Act
OPEB: Other Post Employment Benefits
WMATA: Washington Metropolitan Area Transit Authority

[1] End of year balances reflect appropriations remaining in the DPA for that fiscal year as of February 6, 2023. Statute allows for the expenditure of funds to occur over a period not to exceed five fiscal years including the year of appropriation. Estimated end of year DPA balances reported in this exhibit are not cumulative across fiscal years.

Source: Governor's Budget Books; Department of Legislative Services

Appendix 2

Revenue Stabilization Account (Rainy Day Fund)

Section 7-311 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill and interest earned from all reserve fund accounts.

- ***Required Appropriations If Account Balance Is Less Than 7.5% of General Fund Revenues:*** Current law requires that if the fund balance is between 3% and 7.5% of projected general fund revenues, annual appropriations of at least $50 million must be made until the account balance reaches 7.5% of estimated general fund revenues. If the account balance is below 3%, State law requires an appropriation of at least $100 million.

- ***Sweeper Provision:*** State law requires that the Administration appropriate an amount equal to any unassigned general fund balance at closeout in excess of $10 million into the Rainy Day Fund. This appropriation is made to the budget two years after the unassigned general fund surplus is realized. For example, fiscal 2020 closed with an unassigned surplus totaling $585.8 million, thus the Administration's fiscal 2022 allowance included a $575.8 million appropriation to the Rainy Day Fund. This appropriation to the Rainy Day Fund is referred to as the "sweeper."

  - Chapter 557 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is divided between the Rainy Day Fund, the Pension System, and the Post-Retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-Retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis. Chapter 391 amended this distribution for fiscal 2024 only, reducing the amount distributed to the Pension System to 15% and directing 10% to the Maryland Equity Investment Fund. Amounts above $110 million are credited to the Rainy Day Fund.

Mechanisms for Transferring and Spending Funds

The Governor can transfer balance from the Rainy Day Fund above 5% of estimated general fund revenues in the budget bill. To transfer an amount that would reduce the Rainy Day Fund balance below 5% requires the transfer to be authorized in an Act of the General Assembly other than the budget bill.

Appendix 3

Dedicated Purpose Account

Section 7-310 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1986 to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill committed to a specific purpose. Interest earnings generated by the account are credited to the Rainy Day Fund.

- ***Other:*** The unspent balance of an appropriation reverts to the Rainy Day Fund four years after the end of the fiscal year for which the appropriation was made.

Mechanisms for Transferring and Spending Funds

To transfer funds from the DPA:

- funds may be reflected in the State budget subject to appropriation;

- after submission to the budget committees and review and approval by LPC, funds may be transferred by budget amendment to the appropriate Executive Branch agency; or

- the Governor may declare appropriations to the DPA surplus and may transfer funds by budget amendment to the Rainy Day Fund, following review by the budget committees and LPC.

Appendix 4
Catastrophic Event Account
Section 7-324 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1990 to enable the State to respond quickly to a natural disaster or catastrophe that could not be addressed within existing State appropriations.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill. Interest earnings generated by the account are credited to the Rainy Day Fund.

Mechanisms for Transferring and Spending Funds

Prior to transferring funds by budget amendment to the appropriate Executive Branch agency, the Administration must notify LPC of the proposed amendment and allow the committee to review and approve the proposed amendment. The committee has 15 days to review and comment.

Appendix 5
Fiscal Responsibility Fund
Section 7-330 State Finance and Procurement Article

The Fiscal Responsibility Fund (FRF) is not a budgeted account within the State Reserve Fund. Authorized appropriations from the FRF are budgeted directly within the agency budgets. For administrative purposes however, actions relating to the underlying revenue volatility calculation that distributes revenues to the FRF or other accounting maneuvers impacting the FRF balance are often discussed as a component of this analysis.

Account Characteristics

- ***Purpose:*** The account was established in 2017 to retain the amount of nonwithholding income tax revenues deposited to the fund in accordance with the revenue volatility calculation.

- ***Authorized Uses:*** Funds are to be used to address revenue shortfalls, maintain the equivalent of at least 6% of general fund revenues in the Rainy Day Fund, and support supplemental PAYGO capital funds for public school construction, public school capital improvement projects, capital projects at public community colleges, and capital projects at four-year public institutions of higher education.

  - For fiscal 2023 only, the fund may be used to provide a cost-of-living adjustment (COLA) beginning July 1, 2022, of up to 4.5% for permanent employees in the Executive Branch of State government who are in specific bargaining units.

Mechanisms for Allocating Revenues and Spending Funds

Calculation of Available Revenues

Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceeds the 10-year average. If nonwithholding revenues as a percentage of general fund revenues are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the excess revenues are to be distributed (1) to close any revenue gap for the fiscal year; (2) to the Rainy Day Fund (if the account is less than 6.0% of general fund revenues) the amount that is required to provide a balance in the account of 6.0% of general fund revenues; and (3) the remainder split 50.0% to the Rainy Day Fund (until a maximum balance of 10% is achieved) and 50.0% to the FRF. If the Rainy Day

Fund balance exceeds 10% of general fund revenues, 100% of the remainder is directed toward the FRF.

Chapter 538 altered the amount of adjustment made to general fund revenues, slowing the phase-in to the goal of setting aside 2% of general fund revenues from the revenue estimate. Per statute, the adjustment made may not exceed the following percentage of total General Fund Revenues or dollar value in a specified fiscal year:

- 0.225% for fiscal 2020;
- $0 for fiscal 2021;
- $80 million for fiscal 2022;
- $100 million for fiscal 2023;
- $120 million for fiscal 2024;
- $140 million for fiscal 2025; and
- 2% for fiscal 2026 and each fiscal year thereafter.

Expenditure Requirements

The Governor must include in the budget bill for the second following fiscal year an appropriation equal to the amount in the fund for the authorized uses defined above.

Money expended from the fund for PAYGO capital projects is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for capital projects, including those funded with PAYGO funds and the proceeds from the sale of general obligation bonds.

Fiscal Responsibility Fund Activity

In fiscal 2022, nonwithholding revenues exceeded the capped BRE estimate by $870.3 million. Pursuant to the requirements of Chapters 4 and 550, as amended by subsequent BRFAs, the Comptroller distributed $500.2 million to the Rainy Day Fund, bringing its total balance to $1.66 billion. The remaining $370.0 million was distributed to the FRF.

The fiscal 2024 budget is the first year of appropriated funds from the FRF, allocating $40 million in fiscal 2023 and $20 million in fiscal 2024 to support the previously mentioned 4.5% employee COLA and $310 million in fiscal 2024 to supplement education and higher education capital funding.

Appendix 6
Object/Fund Difference Report
State Reserve Fund

Object/Fund	FY 22 Actual	FY 23 Working Appropriation	FY 24 Allowance	FY 23 – FY 24 Amount Change	Percent Change
Objects					
12 Grants, Subsidies, and Contributions	$ 879,649,432	$ 4,376,612,663	$ 1,604,451,653	-$ 2,772,161,010	-63.3%
Total Objects	**$ 879,649,432**	**$ 4,376,612,663**	**$ 1,604,451,653**	**-$ 2,772,161,010**	**-63.3%**
Funds					
01 General Fund	$ 879,649,432	$ 4,205,388,848	$ 1,604,451,653	-$ 2,600,937,195	-61.8%
05 Federal Fund	0	171,223,815	0	-171,223,815	-100.0%
Total Funds	**$ 879,649,432**	**$ 4,376,612,663**	**$ 1,604,451,653**	**-$ 2,772,161,010**	**-63.3%**

Note: The fiscal 2023 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2024 allowance does not include contingent reductions or COLAs.