



TRANSFORMING OHIO FOR JOBS + GROWTH

Ohio's Rainy Day Fund

After Low of 89 Cents, Balance in Budget Stabilization Fund Hits All-Time High

Coming into office in 2011 with the prospect of a \$7.7 billion structural budget imbalance and a state savings account holding just 89 cents, Gov. John Kasich has responded with two balanced biennial budgets (FY 2012-13 and FY 2014-15) and a restored rainy day savings account that's now filled to \$1.48 billion. That's the fund's target level and the largest emergency savings account in Ohio history. These savings are the result of careful fiscal management, which along with an improving state economy have produced a \$2 billion year-end budget surplus – approximately one-half to fill the BSF and the remaining half to jump-start Ohio's permanent tax cuts contained in the state budget bill. Just as any family will want to have some savings on hand for an unexpected expense, medical bills or other financial emergency, it makes good fiscal sense for the state to put money aside for a rainy day.

What is the Budget Stabilization Fund?

The Budget Stabilization Fund (BSF) is Ohio's rainy day savings account, a reserve balance that's set aside in good economic times to protect the state budget from cyclical changes in revenues and expenditures that can hit should the economy unexpectedly turn sour. The law sets a maximum-balance target at five percent of prior-year General Revenue Fund (GRF) revenues, a goal that had not been met for more than a decade – until Gov. Kasich authorized the most recent BSF deposit of \$995.9 million on July 11, 2013. This followed two previous BSF deposits made on Gov. Kasich's watch: \$246.9 million in July 2011 and \$235.1 million in July 2012. With this latest deposit, a grand total of \$1,477,934,213.76 has been safely put aside in the state's savings account.

History of the Fund

The Budget Stabilization Fund was established by law in 1981, but no funds were deposited until 1985. Prior to this, any balance remaining at the end of a budget biennium was typically used to offset spending proposed in the next budget cycle. Little or nothing was reserved as a cushion to protect Ohioans in the event of a fiscal surprise. With creation of the BSF, budget balances were set aside as a hedge against future economic downturns. The following chart shows BSF balances after the close of each recent fiscal year:

Recent History of Budget Stabilization Fund Balances
(Including post-year end transfers)

