



October 12 Update

Snapshot

The Public Affairs Research Council of Louisiana

PAR Snapshot

Louisiana Builds Rainy Day Fund

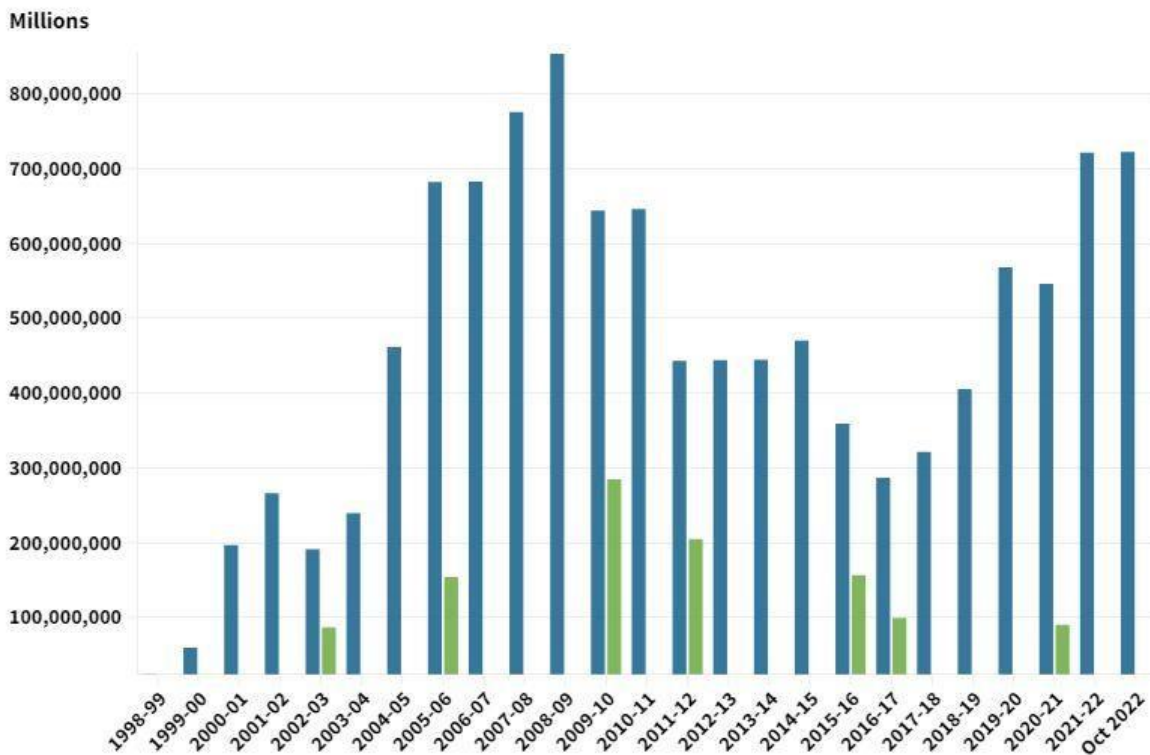
State Savings Account Growing After Recent Deposits

Louisiana is rebuilding its state savings account for tough times, after repeatedly taking out money to patch budget gaps during years of financial difficulties for the state.

At its height in the 2008-09 financial year, the Budget Stabilization Fund held nearly \$854 million. Governors and lawmakers, however, repeatedly tapped the account – more commonly known as the state’s “rainy day” fund – until it fell to about \$287 million by the 2016-17 budget year. Recent deposits have boosted the account to more than \$722 million, and more deposits are expected.

Through its constitution and laws, the state has set strict guidelines on when the Budget Stabilization Fund can be used and how much money can be spent.

■ Fund Balance ■ Amount Used



Source: Louisiana Department of Treasury

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The rainy day fund can be used to fill budget holes if the official forecast of recurring money for the next fiscal year is less than the forecast for the current year or if there is a projected deficit for the current year. Voters agreed to amend the Louisiana Constitution in November 2020 to add a third way to tap into the fund, allowing its use if there is a federally declared disaster in the state, though the withdrawal can't exceed the state costs associated with the disaster.

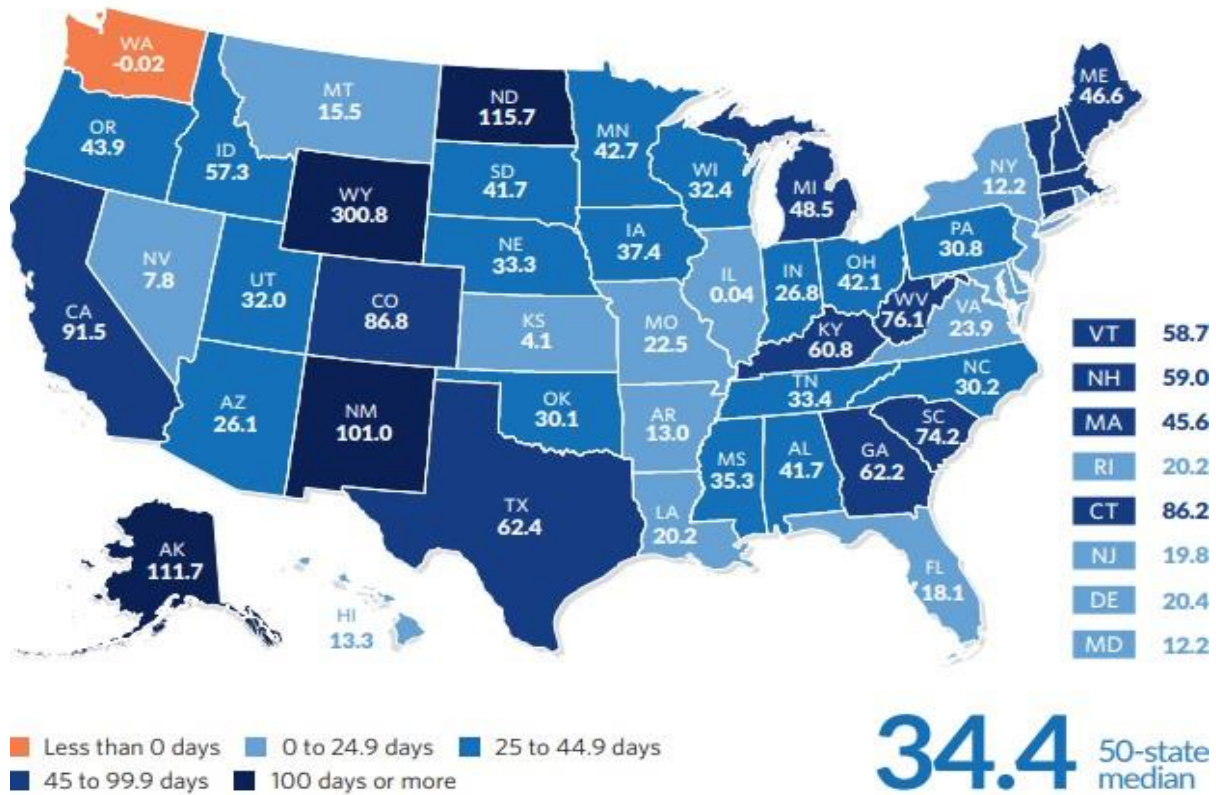
In each instance, a governor and lawmakers can only use up to one-third of the Budget Stabilization Fund at a time, and two-thirds of the House and Senate must agree to tap into the account.

Many States Have Rainy Day Accounts

Louisiana's rainy day fund was created in the 1998-99 fiscal year with an initial balance of \$23.5 million. To build the account, lawmakers must deposit at least \$25 million into the fund every year or 25% of any recognized state surplus, whichever is greater.

Certain oil and gas income, in times of a mineral revenue boom, also must flow into the fund. That happened in the early years after the savings account was created, but the state hasn't hit those benchmarks more recently because of declines in oil and gas prices and production.

According to the Pew Research Center, Louisiana was one of 14 states that withdrew money from its rainy day fund in the 2020-21 fiscal year, because of financial problems expected during the COVID-19 pandemic. The state Legislature appropriated \$90 million from the Budget Stabilization Fund. By the next budget year, Louisiana replaced that withdrawal and raised the fund total to more than \$721 million.



Note: Colorado and Illinois do not have a rainy day fund as defined by The Pew Charitable Trusts, despite balances reported within NASBO's surveys.

Source: The Pew Charitable Trusts/ National Association of State Budget Officers

Pew calculated the number of days each state could run government operations using rainy day funds alone. In comparison to the rest of the country, Louisiana ranks 38th in the number of days it could solely run on the account, with an estimated 20.2 days.

This is not a complete picture, however, since Pew's data looked at the amount of money in the fund for the 2020-21 fiscal year. Louisiana has since deposited more cash into the account, with a \$722 million fund balance as of October 2022. That would give Louisiana 26.8 days of state government operations, using Pew's metrics.

Special thanks to the Union Pacific Foundation for supporting PAR's Louisiana Recovery Project.

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