



STATE OF INDIANA

Mitchell E. Daniels, Jr.
Governor

STATE BUDGET AGENCY
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Christopher A. Ruhl
Director

MEMORANDUM

TO: President Pro-Tem David Long
Speaker B. Patrick Bauer
Senator Richard Young
Representative Brian Bosma

FROM: Christopher A. Ruhl

RE: State Education Rainy Day Fund

DATE: July 18, 2008

At fiscal year close-out, the Governor ordered a transfer to the State Education Rainy Day Fund of \$83.4 million. Combined with the existing reserve balances of \$316.6 million, balances in the State Education Rainy Day fund now total \$400 million. This exceeds by a substantial amount the target set during the 2008 session and occurred two and a half years early.

The 2008 property tax relief and reform legislation established a new State Education Rainy Day Fund. During session, the General Assembly directed a \$50 million transfer from the general fund to the State Education Rainy Day Fund on or before December 31, 2010, to achieve a total balance of \$366.6 million.

As part of the \$83.4 million transfer ordered by the Governor, the \$50 million transfer described above was made at close-out. An additional \$33.4 million was transferred to achieve a \$400 million balance. These transfers were made possible by the strong fiscal condition of the state—a third consecutive balanced budget, debts fully repaid and over 10% of our operating budget in reserve.

Providing sufficient resources in this reserve fund is critical to maintain the state's commitment to schools. This is particularly important as state revenue growth is slowing. Additionally, a significant number of states are responding to massive budget deficits by cutting funding to education. Nineteen states have proposed or implemented cuts to education.

The measures ordered by the Governor will further protect education funding.