

NEWS:

Delaware's Rainy Day Fund Remains a Mystery to Many

May 26, 2017 – The Rainy Day Fund -- nearly every Delawarean is familiar with the name, but despite being in existence for more than three-and-a-half decades, its exact nature remains an enigma to many.

Adopted in 1980, [Article 8, Section 6\(d\) of the Delaware Constitution](#) established a "Budget Reserve Account within the General Fund." This reserve is known as "the Rainy Day Fund," although that moniker does not appear in the code.

Under state spending limits also contained in the constitution, government officials cannot spend any more than 98 percent of projected revenues, leaving a two percent buffer of "unencumbered" money.



After the end of the fiscal year, the excess unencumbered funds remaining are paid into the Rainy Day Fund, which is capped not to exceed five percent of estimated General Fund revenues.

Delaware is one of fewer than a dozen states to have secured the highest ratings for its bonds. As a result, the state can borrow money at lower rates, saving taxpayers millions-of-dollars annually. Some state officials have attributed this success to the existence of a flush Rainy Day Fund.

At present, the Rainy Day Fund contains \$221.1 million.

The General Assembly has been very reluctant to tap the fund, treating it as an option of last resort to be used only in the event of an emergency. The fund went untouched

even in 2009, when the state faced a FY 2010 budget gap double the size of the current \$382 million projected deficit.

However, the actual language of the law states that the General Assembly can appropriate the reserve funds "as may be necessary to fund any unanticipated deficit in any given fiscal year or to provide funds required as a result of any revenue reduction enacted by the General Assembly."

Any appropriation from the fund requires a three-fifths vote (60 percent) of both the House of Representatives and the Senate.

While not advocating for the use of the Rainy Day Fund, some lawmakers believe the legislature should take another look at what constitutes an emergency and better define the conditions for the fund's use.