The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted Arizona personal income (excluding transfer payments) adjusted for inflation.

The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of real adjusted Arizona personal income, its trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has rarely been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF’s total balance cannot be larger than 7.0% of the current year’s General Fund revenues, excluding the beginning balance.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities (A.R.S. § 35-314.02).

**FY 2014**

In CY 2013, Arizona real adjusted personal income grew by 0.85%, with a trend growth rate of (0.38)%. Since the “excess” growth rate in CY 2013 was 1.23%, the formula recommended a BSF deposit of $112.2 million in FY 2014. The Legislature, however, did not authorize such deposit.

Laws 2013, 1st Special Session, Chapter 9 deposited $1.0 million in BSF interest earnings into the Arts Fund (administered by the Arizona Commission on the Arts) in FY 2014. In addition, Chapter 9 authorized the transfer of $1.0 million in interest earnings into the Arizona State Park’s Board’s State Parks Revenue Fund in FY 2014.

**FY 2015**

The University of Arizona’s Economic and Business Research Center (EBR) estimates that Arizona real adjusted personal income increased by 2.04% in FY 2014. The EBR estimates that Arizona real adjusted personal income increased by 2.04% in FY 2014. Since this is 2.43% above the estimated trend growth rate of (0.39)%, the formula is expected to recommend a BSF deposit of $203.4 million in FY 2015. The budget enacted in March 2015, however, does not include such deposit into the BSF. Instead, Laws 2015, Chapter 8 requires the State Treasurer to transfer an amount equal to the negative ending balance for FY 2015 plus $12.0 million to the General Fund. Based on a projected FY 2015 ending
balance of $(132.3) million, the BSF transfer for FY 2015 is estimated to be $144.3 million.

Laws 2014, Chapter 9 authorized the transfer of $1.0 million in BSF interest earnings to the Arizona Commission on the Arts in FY 2015.

**FY 2016**

EBR currently projects that Arizona real adjusted personal income will grow by 1.77% in CY 2015. Since this is 1.57% above the estimated trend growth rate of 0.20%, the formula is projected to recommend a BSF deposit of $134.3 million in FY 2016. The enacted FY 2016 budget, however, does not include any deposit into the BSF.

### Table 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Revenues</td>
<td>$9,106,020.7</td>
<td>$8,369,078.8</td>
<td>$8,556,883.8</td>
<td>$8,851,768.3</td>
</tr>
<tr>
<td>Statutory Limit of Revenues</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Maximum Balance</td>
<td>637,421.4</td>
<td>585,835.5</td>
<td>598,981.9</td>
<td>619,623.8</td>
</tr>
</tbody>
</table>

**Arizona Personal Income in Prior CY**

Real Adjusted Annual Income Growth 1.99% 0.85% 2.04% 1.77%

7-Year Average Income Growth 0.32% (0.38)% (0.39)% 0.20%

Annual Difference 1.67% 1.23% 2.43% 1.57%

**BSF Transactions**

**Actual Transfer In**

Actual Appropriation – L’12, Ch. 294 2/ 200,000.0 0.0 0.0 0.0

**Actual Transfer Out**

Transfer of BSF Interest Income – L’13, 1st SS, Ch. 9 3/ 0.0 (2,000.0) 0.0 0.0

Transfer of BSF Interest Income – L’14, Ch. 9 4/ 0.0 0.0 (1,000.0) 0.0

Conditional Transfer – L’15, Ch. 8 5/ 0.0 0.0 (144,281.2) 0.0

SUBTOTAL 0.0 (2,000.0) (145,281.2) 0.0

Balance 450,062.8 452,101.7 311,455.7 315,505.7

Interest Earnings & Equity Gains/Losses 6/ 4,038.9 4,635.2 4,050.0 3,000.0

**Ending BSF Balance** $ 454,101.7 $ 456,736.9 $ 315,505.7 $ 318,505.7

**Percent of Revenues** 5.0% 5.5% 3.7% 3.6%

---

1/ BSF history prior to FY 2013 can be found on the JLBC website.
2/ Laws 2012, Chapter 294 authorized the transfer of $250.0 million in FY 2012 and $200.0 million in FY 2013 from the General Fund to the BSF.
3/ Laws 2013, 1st Special Session, Chapter 9 authorized a total transfer of $2.0 million in BSF interest earnings in FY 2014. Of this amount, $1.0 million was appropriated for deposit in the Arts Fund administered by the Arizona Commission on the Arts and $1.0 million to the State Parks Revenue Fund administered by the Arizona State Parks Board.
4/ Laws 2014, Chapter 9 appropriates $1.0 million from BSF interest earnings to the Arizona Commission on the Arts for FY 2015.
5/ Laws 2015, Chapter 8 authorizes a transfer equal to the negative ending balance for FY 2015 plus $12.0 million. Based on a projected FY 2015 General Fund ending balance of $(132.3) million, the BSF transfer for FY 2015 is estimated to be $144.3 million.
6/ Interest earnings estimates for FY 2015 and FY 2016 were provided by the State Treasurer’s Office and JLBC Staff, respectively.

**Statutory Changes**

Laws 2015, Chapter 11 suspends the requirement that the Legislature appropriates monies to or transfer monies from the Budget Stabilization Fund pursuant to A.R.S. § 35-144 for FY 2016, FY 2017, and FY 2018.