



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Budget Reserve Fund Management Advisory Report

Background	The Missouri's Budget Reserve Fund (BRF), frequently referred to as the "rainy day fund," was established by Senate Joint Resolution 25 (1999) under Missouri Constitution, Article IV, Sec. 27(a).
Fund Restrictions Leave State Vulnerable to Effects of Recession	The state does not have sufficient contingency funds in the BRF to address budget shortfalls in the event of an economic downturn. The state uses the BRF solely to borrow money annually for cash-flow assistance purposes leaving little to no money available to remedy budget shortfalls or emergencies. The Missouri Constitution restricts the maximum balance of the BRF to a level well below the anticipated reserves necessary to weather the next recession. Restrictions on accessing contingency funds as well as restrictions on fund repayment also make using the BRF for budget stabilization purposes difficult. Maintaining insufficient contingency funds and having significant restrictions on accessing those funds leaves the state unable to appropriately respond to economic recession or emergencies without significant cuts to state spending or services.

Due to the nature of this report, no rating is provided.



Recommendations in the audit of Budget Reserve Fund

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| Fund Restrictions Leave State
Vulnerable to Effects of
Recession | 1.1 | The General Assembly take action to increase the balance of the BRF to its constitutional maximum to improve the cash reserves available for budget stabilization purposes. |
| | 1.2 | The General Assembly should explore options to legislatively create a fund specifically for budget stabilization purposes, and include more reasonable criteria for when the funds can be accessed for budget stabilization purposes, and more reasonable restrictions on when funds must be repaid. |