Interest Earnings Update

Independent Fiscal Office | Budget Brief | September 2026

This budget brief updates trends in interest earned on the General Fund and Budget Stabilization Reserve Fund (commonly referred to as the Rainy Day Fund, or RDF) balances. Interest earnings are a function of (1) the average cash balance in the fund and (2) applicable interest rates. The table displays the federal funds target rate, the average daily balance and interest earnings for FY 2018-19 through FY 2027-28 (projected) for the General Fund and RDF.[1]

Balances and Earnings: General Fund and Rainy Day Fund

Fiscal	Fed Funds	General Fund		Rainy Day Fund		Total
Year	Target Rate	Avg. Balance	Earnings	Avg. Balance	Earnings	Earnings
2018-19	2.1%	$1,606	$42	$17	$0	$42
2019-20	1.2	1,394	30	263	3	32
2020-21	0.0	3,343	9	286	1	10
2021-22	0.2	11,175	23	2,225	3	27
2022-23	3.7	13,372	452	4,514	160	612
2023-24	5.2	13,923	779	5,840	223	1,002
2024-25	4.6	11,047	566	7,041	417	983
2025-26	3.7	9,254	417	7,574	334	752
2026-27	3.6	4,600	221	7,900	350	571
2027-28	3.8	2,600	150	n.a.	n.a.	n.a.

Note: Dollars in millions. Fiscal years 2026-27 and 2027-28 are estimates.

Source: Fund balances from the Pennsylvania Treasury Transparency Portal. Daily average computed by the IFO.

Prior to the Covid pandemic, the General Fund average balance was roughly $1.5 billion and generated modest interest earnings. In FY 2021-22, the balance surged due to federal relief funds (paid directly to the state) and strong revenue growth (higher spending from relief funds transferred directly to residents). Despite the much higher balance that year, there was little impact on earnings due to the near zero interest rates in effect.

For FY 2023-24, General Fund balances and interest rates increased to produce record interest earnings, a gain of nearly $750 million compared to pre-Covid levels. From that peak, earnings declined by $361 million (-46%) for FY 2025-26, the result of continued budget deficits that diminished the General Fund balance and reductions in the federal funds target rate.[2] For FY 2026-27, earnings are projected to fall to $221 million, as the remaining General Fund balance is depleted. (Note: The General Fund balance at the end of FY 2025-26 was roughly $2.5 billion. The average daily balance shown in the table exceeds the end-of-year balance for various reasons, such as the timing of cash flows and restricted revenues that are included in the balance.) For FY 2027-28, the IFO projects that the General Fund average balance will decline to $2.6 billion, a $2.0 billion reduction.

The average daily balance for the RDF increased from $17 million in FY 2018-19 (pre-Covid) to $7.0 billion in FY 2024-25, the result of annual transfers from the fiscal-year-end General Fund balance and elevated interest rates. For FY 2025-26 and FY 2026-27, annual transfers from the General Fund balance were suspended and the increase in the RDF balance results from interest earnings only. Due to the $2.6 billion double cycle roll (i.e., delay) of certain Department of Human Services payments, the RDF balance is preserved this fiscal year. As provided by statute, the RDF can be used for emergencies that involve the health, safety and welfare of Commonwealth residents or economic downturns that result in significant unanticipated revenue shortfalls.

1 Interest earnings include interest, as well as earnings/gains from other types of investments.

2 See: General Fund Budget Update.