increased its reliance on uncertain capital gains. The balance in the fund is almost $400 million lower today than it was at the beginning of 2002 after adjusting for inflation (see Figure 1). Its share of the budget has shrunk from roughly 10 percent at the fund’s peak in 2006 to only 6 percent for 2009. If the fund’s balance were used to replace 100% of the potential loss in capital gains receipts, most of it would be drained this year, with no end to the current crisis in sight.

Much of the harm from the current decline in capital gains might have been avoided. It is almost certainly too late to protect the budget from that harm. This reality only underscores the need for serious action to fend off future damage to programs and services from difficult-to-predict capital gains.

What are capital gains?
Capital gains are the profits individuals make on the sale of the capital assets they hold. Their investments in stocks, bonds, real estate, their motor vehicles, in fact, almost everything they own, are