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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **3170**

03/17/2014 Authored by Lenczewski

The bill was read for the first time and referred to the Committee on Ways and Means

1.1 A bill for an act  
1.2 relating to state government; establishing a policy for the general fund budget  
1.3 reserve level; increasing the budget reserve; authorizing a transfer of funds;  
1.4 amending Minnesota Statutes 2012, section 16A.152, subdivisions 1b, 2, 8.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2012, section 16A.152, subdivision 1b, is amended to  
1.7 read:

1.8 Subd. 1b. **Budget reserve increase level.** ~~On July 1, 2003, (a)~~ The commissioner  
1.9 of management and budget shall ~~transfer \$300,000,000 to the budget reserve account in~~  
1.10 ~~the general fund. On July 1, 2004, the commissioner of management and budget shall~~  
1.11 ~~transfer \$296,000,000 to the budget reserve account in the general fund. The amounts~~  
1.12 ~~necessary for this purpose are appropriated from the general fund~~ calculate the budget  
1.13 reserve level by multiplying the current biennium's general fund nondedicated revenues  
1.14 and the most recent budget reserve percentage under subdivision 8.

1.15 (b) If, on the basis of a forecast of general fund revenues and expenditures, the  
1.16 commissioner of management and budget determines that there will be a positive  
1.17 unrestricted general fund balance at the close of the biennium and that the provisions of  
1.18 subdivision 2, clauses (1), (2), (3), and (4), are satisfied, the commissioner shall transfer  
1.19 to the budget reserve the amount necessary to increase the budget reserve to the budget  
1.20 reserve level in paragraph (a). The amount of the transfer authorized in this paragraph  
1.21 shall not exceed the positive unrestricted general fund balance determined in the forecast.

1.22 **EFFECTIVE DATE.** This section is effective for forecasts issued following final  
1.23 enactment.

2.1 Sec. 2. Minnesota Statutes 2012, section 16A.152, subdivision 2, is amended to read:

2.2 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general  
2.3 fund revenues and expenditures, the commissioner of management and budget determines  
2.4 that there will be a positive unrestricted budgetary general fund balance at the close of  
2.5 the biennium, the commissioner of management and budget must allocate money to the  
2.6 following accounts and purposes in priority order:

2.7 (1) the cash flow account established in subdivision 1 until that account reaches  
2.8 \$350,000,000;

2.9 (2) the budget reserve account established in subdivision 1a until that account  
2.10 reaches ~~\$653,000,000~~ \$1,923,000,000;

2.11 (3) the amount necessary to increase the aid payment schedule for school district  
2.12 aids and credits payments in section 127A.45 to not more than 90 percent rounded to the  
2.13 nearest tenth of a percent without exceeding the amount available and with any remaining  
2.14 funds deposited in the budget reserve; and

2.15 (4) the amount necessary to restore all or a portion of the net aid reductions under  
2.16 section 127A.441 and to reduce the property tax revenue recognition shift under section  
2.17 123B.75, subdivision 5, by the same amount; and

2.18 ~~(5) to the state airports fund, the amount necessary to restore the amount transferred~~  
2.19 ~~from the state airports fund under Laws 2008, chapter 363, article 11, section 3,~~  
2.20 ~~subdivision 5.~~

2.21 (b) The amounts necessary to meet the requirements of this section are appropriated  
2.22 from the general fund within two weeks after the forecast is released or, in the case of  
2.23 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations  
2.24 schedules otherwise established in statute.

2.25 (c) The commissioner of management and budget shall certify the total dollar  
2.26 amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of  
2.27 education. The commissioner of education shall increase the aid payment percentage and  
2.28 reduce the property tax shift percentage by these amounts and apply those reductions to  
2.29 the current fiscal year and thereafter.

2.30 **EFFECTIVE DATE.** This section is effective for forecasts issued following final  
2.31 enactment.

2.32 Sec. 3. Minnesota Statutes 2012, section 16A.152, subdivision 8, is amended to read:

2.33 Subd. 8. **Report on budget reserve percentage.** (a) The commissioner of  
2.34 management and budget must periodically review the formula developed as part of the  
2.35 Budget Trends Study Commission authorized by Laws 2007, chapter 148, article 2,

3.1 section 81, to estimate the percentage of the ~~preceeding current~~ biennium's general fund  
 3.2 ~~expenditures and transfers~~ nondedicated revenues recommended as a budget reserve.

3.3 (b) The commissioner must annually review the variables and coefficients in the  
 3.4 formula used to model the base of the general fund taxes and the mix of taxes that  
 3.5 provide revenues to the general fund. If the commissioner determines that the variables  
 3.6 and coefficients have changed enough to result in a change in the percentage of the  
 3.7 ~~preceeding current~~ biennium's general fund ~~expenditures and transfers~~ nondedicated  
 3.8 revenue recommended as a budget reserve, the commissioner must update the variables  
 3.9 and coefficients in the formula to reflect the current base and mix of general fund taxes.

3.10 (c) Every ten years, the commissioner must review the methodology underlying the  
 3.11 formula, taking into consideration relevant economic literature from the past ten years,  
 3.12 and determine if the formula remains adequate as a tool for estimating the percentage of  
 3.13 the ~~preceeding current~~ biennium's general fund ~~expenditures and transfers~~ nondedicated  
 3.14 revenues recommended as a budget reserve. If the commissioner determines that the  
 3.15 methodology underlying the formula is outdated, the commissioner must revise the  
 3.16 formula.

3.17 (d) By January 15 of each year, the commissioner must report to the chairs and  
 3.18 ranking minority members of the house of representatives Committee on Ways and Means  
 3.19 and the senate Committee on Finance, in compliance with sections 3.195 and 3.197, on the  
 3.20 percentage of the ~~preceeding current~~ biennium's general fund ~~expenditures and transfers~~  
 3.21 nondedicated revenues recommended as a budget reserve. The report must specify:

3.22 (1) if the commissioner updated the variables and coefficients in the formula to  
 3.23 reflect significant changes to either the base of one or more general fund taxes or to the  
 3.24 mix of taxes that provide revenues to the general fund as provided in paragraph (b);

3.25 (2) if the commissioner revised the formula after determining the methodology was  
 3.26 outdated as provided in paragraph (c); and

3.27 (3) if the percentage of the ~~preceeding current~~ biennium's general fund ~~expenditures~~  
 3.28 ~~and transfers~~ nondedicated revenues recommended as a budget reserve has changed as a  
 3.29 result of an update of or a revision to the formula.

3.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.31 Sec. 4. **BUDGET RESERVE INCREASE.**

3.32 On July 1, 2014, the commissioner of management and budget shall transfer  
 3.33 \$1,262,008,000 to the budget reserve in the general fund.

3.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.