

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2726

(SENATE AUTHORS: SKOE)

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|------------|------|---|
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| 04/08/2014 | | HF substituted in committee HF3167 |

A bill for an act

1.1 relating to state financial management; modifying priorities for additional
 1.2 revenues; providing for contingent transfers to the budget reserve; amending
 1.3 Minnesota Statutes 2012, section 16A.152, subdivisions 1a, 2, by adding a
 1.4 subdivision; repealing Minnesota Statutes 2012, section 16A.152, subdivision 1b.
 1.5

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

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

1.9 Subd. 1a. **Budget reserve.** A budget reserve account is created in the general fund
 1.10 in the state treasury. The target amount for the budget reserve account is five percent of
 1.11 general fund expenditures and transfers for the current biennium. The commissioner
 1.12 shall determine the target amount as part of each forecast of general fund revenues and
 1.13 expenditures under section 16A.103 and as part of the general fund balance analysis
 1.14 prepared after the end of each legislative session. The commissioner of management and
 1.15 budget shall transfer to the budget reserve account on July 1 of each odd-numbered year
 1.16 any amounts specifically appropriated by law to the budget reserve.

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

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

1.23 (1) the cash flow account established in subdivision 1 until that account reaches
 1.24 \$350,000,000;

2.1 (2) the budget reserve account established in subdivision 1a until that account
2.2 reaches ~~\$653,000,000~~ \$.....;

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

2.7 (4) the amount necessary to restore all or a portion of the net aid reductions under
2.8 section 127A.441 and to reduce the property tax revenue recognition shift under section
2.9 123B.75, subdivision 5, by the same amount; and

2.10 (5) ~~to the state airports fund, the amount necessary to restore the amount transferred~~
2.11 ~~from the state airports fund under Laws 2008, chapter 363, article 11, section 3,~~
2.12 ~~subdivision 5~~ budget reserve account under subdivision 1a until the account reaches the
2.13 target amount for the current biennium, but no more than percent of the amount
2.14 remaining after the requirement in clause (4) is satisfied.

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

2.19 (c) ~~The commissioner of management and budget~~ shall certify the total dollar
2.20 amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of
2.21 education. The commissioner of education shall increase the aid payment percentage and
2.22 reduce the property tax shift percentage by these amounts and apply those reductions to
2.23 the current fiscal year and thereafter.

2.24 Sec. 3. Minnesota Statutes 2012, section 16A.152, is amended by adding a subdivision
2.25 to read:

2.26 Subd. 9. **Additional budget reserve transfers; extraordinary revenue.** (a)
2.27 Beginning with the November 2014 economic forecast and for each subsequent economic
2.28 forecast, the commissioner of management and budget, in consultation with the
2.29 commissioner of revenue, shall estimate:

2.30 (1) the percentage of individual income tax revenues resulting from taxation of
2.31 capital gains income for each fiscal year in the current biennium;

2.32 (2) the percentage of individual income tax revenues resulting from taxation of
2.33 capital gains income in each of the preceding five fiscal years; and

2.34 (3) the average percentage of individual income revenues resulting from taxation of
2.35 capital gains income over the preceding five fiscal years.

3.1 (b) If the commissioner estimates that the percentage of individual income tax
3.2 revenues resulting from taxation of capital gains income in any fiscal year in the current
3.3 biennium exceeds the average percentage over the preceding five fiscal years, then the
3.4 commissioner must estimate the amount of excess capital gains, if any, for each fiscal year
3.5 in the current biennium. Excess capital gains equals:

3.6 (1) the percentage of individual income tax revenues resulting from taxation of
3.7 capital gains income in the fiscal year; minus

3.8 (2) the average percentage of individual income revenues resulting from taxation of
3.9 capital gains income over the preceding five fiscal years; multiplied by

3.10 (3) individual income tax revenues in the fiscal year.

3.11 If the amount of excess capital gains for a fiscal year exceeds \$5,000,000, the
3.12 commissioner must transfer the excess over \$5,000,000 to the budget reserve account until
3.13 it reaches the target amount determined in subdivision 1a.

3.14 (c) On or before October 31 of each fiscal year, the commissioner shall determine
3.15 the following amounts:

3.16 (1) the amount of net corporate franchise tax revenues collected in the prior fiscal
3.17 year; and

3.18 (2) 125 percent of the average annual amount of net corporate franchise tax revenues
3.19 collected over the prior ten fiscal years.

3.20 (d) If the commissioner determines that the amount under paragraph (c), clause
3.21 (1), exceeds the amount under paragraph (c), clause (2), by more than \$10,000,000, the
3.22 commissioner must transfer the excess over \$10,000,000 to the budget reserve account
3.23 until it reaches the target amount determined in subdivision 1a. The commissioner must
3.24 make the determinations under this paragraph immediately following the determinations
3.25 under paragraph (c) and incorporate the transfers in preparation of the succeeding
3.26 November forecast.

3.27 **Sec. 4. REPEALER.**

3.28 Minnesota Statutes 2012, section 16A.152, subdivision 1b, is repealed.

APPENDIX
Repealed Minnesota Statutes: 14-5494

16A.152 BUDGET RESERVE AND CASH FLOW ACCOUNTS.

Subd. 1b. **Budget reserve increase.** On July 1, 2003, the commissioner of management and budget shall transfer \$300,000,000 to the budget reserve account in the general fund. On July 1, 2004, the commissioner of management and budget shall transfer \$296,000,000 to the budget reserve account in the general fund. The amounts necessary for this purpose are appropriated from the general fund.