

# HOUSE RESEARCH

## Bill Summary

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### Overview

Sets a target amount for the budget reserve defined as five percent of general fund expenditures and transfers. Provides a new priority for unrestricted general fund balances in economic forecasts, under which an unspecified percentage of any surplus remaining after other priorities are satisfied would go to the budget reserve until it reached the target amount. Provides additional transfers to the reserve when income tax revenues resulting from capital gains taxation and/or when corporate franchise tax revenues exceed historical averages.

#### Section

- 1 Budget reserve level established.** Establishes a desired level for the budget reserve for the current biennium, defined as five percent of general fund expenditures and transfers in the most recent economic forecast or in the general fund balance analysis prepared after the end of the legislative session.
- 2 Additional revenues; priorities.** Increases the amount for the budget reserve in the second priority from the \$653 million in current law to an unspecified amount. Adds a new priority for unrestricted general fund balances in economic forecasts. The new priority is for an unspecified percentage of unrestricted balances remaining after other priorities have been satisfied to be transferred to the budget reserve, until it reaches the level established in section 1.
- 3 Additional budget reserve transfers; extraordinary revenues.** Requires additional transfers to the budget reserve, until it meets the reserve level established in section 1. Directs the commissioner to estimate as part of each economic forecast the amount of income tax revenues resulting from taxation of capital gains. If the percentage of total income tax

**Section**

revenues resulting from taxation of capital gains exceeds the average for the past five fiscal years, and exceeds \$5 million, the commissioner must transfer the amount in excess of \$5 million to the budget reserve.

Also directs the commissioner to determine the amount of corporate franchise tax revenues for a fiscal year by October 31<sup>st</sup> after the close of the fiscal year. If corporate franchise tax revenues exceed 125 percent of the average for the past 10 fiscal years by more than \$10 million, the commissioner must transfer the amount in excess of \$10 million to the budget reserve.

The transfers in this section are limited by the amount of positive unrestricted general fund balance remaining after the transfers required under current law, and the new priority transfer proposed in section 2.

- 4**      **Repealer.** Repeals 16A.152, subdivision 1b, which transferred specified dollar amounts to the budget reserve in 2003 and 2004.