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Overview

Increases the budget reserve account by:

- ▶ Transferring \$1,262,008,000 to the reserve on July 1, 2014
- ▶ Establishing a level for the reserve based on an annual report prepared by management and budget (MMB)
- ▶ Transferring to the reserve any general fund surpluses in an economic forecast until the level set by MMB is reached.

NOTE: The provisions of this bill were substantially enacted into law as part of Chapter 150 on March 21, 2014. The transfer to the budget reserve (in section 4) was set at \$150 million and the fixing of the budget reserve amount under the first priority for allocating forecast surpluses (in section 2) was set at \$810,992,000. The additional transfers (in section 1) are limited to 33 percent of the surplus remaining after other priorities have been satisfied, and only occur in November forecasts.

Section

- 1 Budget reserve level established.** Establishes a desired level for the budget reserve for the current biennium, defined as a percentage of general fund nondedicated revenues in the most recent budget reserve report prepared by the commissioner of management and budget (MMB).

Transfers to the budget reserve any unrestricted general fund balance in an economic forecast for the biennium after priorities (1) through (4) in 16A.152, subdivision 2, have been satisfied. The amount transferred is limited to the amount needed to meet the desired level

Section

for the budget reserve established in this section.

- 2 Additional revenues; priorities.** Increases the amount for the budget reserve in the second priority for unrestricted general fund balances from the \$653 million in current law to \$1.923 billion, which is the current level of the budget reserve plus the transfer in section 4. Strikes priority (5), restoration of amounts previously transferred from the state airports fund, which has been satisfied.

Background. This section designates uses for surpluses projected for the current biennium. Priorities in current law, all of which are currently satisfied, are:

- ▶ To the cash flow account, until it reaches \$350 million
- ▶ To the budget reserve account, until it reaches \$653 million
- ▶ To increase the school aid payment schedule to 90 percent, in increments of one-tenth of 1 percent with any residual amount deposited in the budget reserve
- ▶ Restore previous school aid reductions and reduce the property tax recognition shift accordingly
- ▶ Restore the \$15 million transferred in 2008 from the state airports fund to the general fund

- 3 Report on budget reserve percentage.** Modifies the report requirement in current law to require the commissioner of MMB to report each January 15 on the percentage of the current biennium's nondedicated revenues recommended as a budget reserve. Current law requires the report to specify the percentage of the previous biennium's expenditures and transfers recommended as a reserve.

- 4 Budget reserve transfer.** Transfers \$1,262,008,000 to the budget reserve on July 1, 2014.