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HOUSE FILE No. 2038

FIRST COMMITTEE ENGROSSMENT

March 23, 2009

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

Referred by Chair to State Government Finance Division.

April 6, 2009

Returned to the Committee on Finance as Amended.

1.1 A bill for an act
1.2 relating to the budget reserve; requiring periodic review of the formula used for
1.3 the budget reserve percentage; requiring a report; amending Minnesota Statutes
1.4 2008, section 16A.152, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2008, section 16A.152, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 8. Report on budget reserve percentage. (a) The commissioner of finance
1.9 must periodically review the formula developed as part of the Budget Trends Study
1.10 Commission authorized by Laws 2007, chapter 148, article 2, section 81, to estimate
1.11 the percentage of the preceding biennium's general fund expenditures and transfers
1.12 recommended as a budget reserve.

1.13 (b) The commissioner must annually review the variables and coefficients in the
1.14 formula used to model the base of the general fund taxes and the mix of taxes that provide
1.15 revenues to the general fund. If the commissioner determines that the variables and
1.16 coefficients have changed enough to result in a change in the percentage of the preceding
1.17 biennium's general fund expenditures and transfers recommended as a budget reserve,
1.18 the commissioner must update the variables and coefficients in the formula to reflect the
1.19 current base and mix of general fund taxes.

1.20 (c) Every ten years, the commissioner must review the methodology underlying the
1.21 formula, taking into consideration relevant economic literature from the past ten years, and
1.22 determine if the formula remains adequate as a tool for estimating the percentage of the
1.23 preceding biennium's general fund expenditures and transfers recommended as a budget

2.1 reserve. If the commissioner determines that the methodology underlying the formula is
2.2 outdated, the commissioner must revise the formula.

2.3 (d) By January 15 of each year, the commissioner must report to the chairs of the
2.4 house of representatives Committee on Ways and Means and the senate Committee on
2.5 Finance, in compliance with sections 3.195 and 3.197, on the percentage of the preceding
2.6 biennium's general fund expenditures and transfers recommended as a budget reserve.

2.7 The report must specify:

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

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

2.13 (3) if the percentage of the preceding biennium's general fund expenditures and
2.14 transfers recommended as a budget reserve has changed as a result of an update of or a
2.15 revision to the formula.

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

2.17 **Sec. 2. CASH FLOW STUDY.**

2.18 By January 15, 2010, the commissioner of finance must submit to the chair of the
2.19 Finance Committee in the senate and the chair of the Ways and Means Committee in the
2.20 house of representatives, a report on the cash flow condition of the general fund for the
2.21 fiscal year 2010-2011 biennium and the following biennium, including an assessment of
2.22 the options for improving the long-term cash flow of the state through changes in the
2.23 timing of general fund payment dates, revenue collections, or other changes. In addition,
2.24 the report should identify all major provisions of law that result in state expenditures or
2.25 revenues being recognized in budget documents in a fiscal year earlier or later than the
2.26 fiscal year in which the obligation to pay state expenses was incurred or the liability
2.27 to pay state taxes was incurred.