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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-SIXTH  
SESSION

**HOUSE FILE No. 990**

February 19, 2009

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

1.1 A bill for an act  
1.2 relating to the budget reserve; modifying priorities for additional revenues in  
1.3 general fund forecasts; requiring a report; amending Minnesota Statutes 2008,  
1.4 section 16A.152, subdivision 2, 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, subdivision 2, is amended to  
1.7 read:

1.8 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general  
1.9 fund revenues and expenditures, the commissioner of finance determines that there will be  
1.10 a positive unrestricted budgetary general fund balance at the close of the biennium, the  
1.11 commissioner of finance must allocate money to the following accounts and purposes in  
1.12 priority order:

1.13 (1) the cash flow account established in subdivision 1 until that account reaches  
1.14 \$350,000,000; and

1.15 (2) the budget reserve account established in subdivision 1a until that account  
1.16 reaches ~~\$653,000,000~~ an amount equal to two percent of general fund expenditures and  
1.17 transfers for the preceding biennium;

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

1.22 (4) the amount necessary to restore all or a portion of the net aid reductions under  
1.23 section 127A.441 and to reduce the property tax revenue recognition shift under section  
1.24 123B.75, subdivision 5, paragraph (b), ~~and Laws 2003, First Special Session chapter 9,~~

2.1 ~~article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section~~  
2.2 ~~20, by the same amount; and~~

2.3 (5) 25 percent to the budget reserve account established in subdivision 1a until  
2.4 that account reaches an amount equal to five percent of the general fund expenditures  
2.5 and transfers for the preceding biennium.

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

2.10 ~~(c) To the extent that a positive unrestricted budgetary general fund balance is~~  
2.11 ~~projected, appropriations under this section must be made before section 16A.1522 takes~~  
2.12 ~~effect.~~

2.13 ~~(d)~~ (c) The commissioner of finance shall certify the total dollar amount of the  
2.14 reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The  
2.15 commissioner of education shall increase the aid payment percentage and reduce the  
2.16 property tax shift percentage by these amounts and apply those reductions to the current  
2.17 fiscal year and thereafter.

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

2.19 Sec. 2. Minnesota Statutes 2008, section 16A.152, is amended by adding a subdivision  
2.20 to read:

2.21 **Subd. 8. Report on budget reserve percentage.** (a) The commissioner of finance  
2.22 must periodically review the formula used to estimate the percentage of the preceding  
2.23 biennium's general fund expenditures and transfers recommended as a budget reserve.

2.24 (b) The commissioner must annually review the variables and coefficients in the  
2.25 formula used to model the base of the general fund taxes and the mix of taxes that provide  
2.26 revenues to the general fund. If the commissioner determines that the variables and  
2.27 coefficients have changed enough to result in a change in the percentage of the preceding  
2.28 biennium's general fund expenditures and transfers recommended as a budget reserve,  
2.29 the commissioner must update the variables and coefficients in the formula to reflect the  
2.30 current base and mix of general fund taxes.

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

3.1 reserve. If the commissioner determines that the methodology underlying the formula is  
3.2 outdated, the commissioner must revise the formula.

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

3.7 The report must specify:

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

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

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

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