

MINNESOTA • REVENUE

Budget Reserve Target

March 21, 2014

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1982 (Erhardt) / S.F. 2528 (Franzen)

Effective August 1, 2014.

The bill sets a target amount of \$2 billion for the budget reserve account in the general fund for the biennium beginning on July 1, 2015. Targets for subsequent bienniums are determined by adjusting the target for the prior biennium by the percentage change in general fund spending for the current biennium over the prior biennium.

Currently, if the forecast of general fund revenues and expenditures indicates a general fund surplus at the close of the biennium, the Commissioner of Management and Budget must allocate money to the following accounts and purposes in priority order:

1. To the cash flow account, until it reaches \$350 million
2. To the budget reserve account, until it reaches \$653 million
3. To increase the school aid payment schedule to 90%
4. To restore previous school aid reductions and reduce the property tax recognition shift
5. To the state airports fund to restore \$15 million previously transferred to the general fund.

The bill eliminates the allocation to the state airports fund. An allocation is made to the budget reserve account until it reaches the target amount, provided that the amount of this allocation does not exceed 10% of the surplus that remains after the four previous allocations in the list have been satisfied.

The bill would not affect state tax revenue.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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