

BUDGET MANAGEMENT AND COMPENSATION RESERVES

Funding 2% Statutory Reserve
[LFB Paper #170]

Motion:

Move to modify current law governing transfers of excess general fund revenues to the budget stabilization fund to specify that if a transfer from the general fund to the budget stabilization fund would be made under current law, those moneys would instead be retained in the general fund and the statutory reserve would be increased correspondingly. Provide that this provision would not apply to any excess general fund revenues whose retention in the general fund would result in the statutory reserve exceeding 2% of GPR appropriations and compensation reserves; in this case, once the 2% reserve has been attained, the current law transfer provision to the budget stabilization fund would apply.

Note:

Under current law, if actual general fund tax revenues exceed budget projections for a fiscal year, then 50% of the additional tax revenues are required to be transferred to the budget stabilization fund. This transfer provision is subject to two limitations. First, if the balance in the budget stabilization fund prior to a transfer exceeds 5% of general fund expenditures for that fiscal year, no transfer is made. Second, if a transfer would reduce the balance in the general fund below the required statutory balance, then the transfer must be reduced as needed to maintain the required statutory reserve in the general fund. The budget stabilization fund currently has a balance of \$280 million, which equal approximately 1.7% of estimated GPR appropriations in 2016-17. In that year, a 2% statutory reserve would total approximately \$340 million. Under the bill, the statutory reserve would be set at \$65 million, and the requirement for a 2% statutory reserve would first apply in 2019-20.

Posted By:
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