



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #175

Limitations on Certain Transfers to Budget Stabilization Fund (Budget Stabilization Fund)

[LFB 2005-07 Budget Summary: Page 85, # 2 and #3]

CURRENT LAW

Fifty percent of all excess tax revenues (taxes collected that are in excess of the budgeted level of collections), plus all net proceeds from the sale of surplus land and buildings and all net proceeds from the sale of surplus state equipment and supplies are to be deposited in the budget stabilization fund.

GOVERNOR

Provide that all net proceeds from any sales of state facilities and land that occur during the 2005-07 fiscal biennium be transferred to the general fund rather than the budget stabilization fund. Further, provide - effective for the 2005-07 biennium - three limitations on the general statutory requirement for the transfer of 50% of any excess tax revenues above budgeted levels to the budget stabilization fund. One limitation would provide for any excess general fund revenues (not just 50% of any excess tax revenues, as under current law), in excess of funds to be expended in 2006-07 under a proposed new equalization aids supplement appropriation, to be transferred to a proposed new health care quality improvement fund. A second limitation would require that, after making the transfer to the health quality improvement fund, the transfer of any additional such revenues, in an amount up to a maximum of \$150 million, would be used for distribution in fiscal year 2006-07 as school levy tax credits. The third limitation would provide that after the foregoing transfers -- if any -- are made, 50% of any additional tax revenues collected in 2006-07 that are in excess of budgeted levels would be transferred to a new general equalization aids supplement appropriation in an amount sufficient to ensure the distribution amount under that new appropriation.

DISCUSSION POINTS

1. The balance in the budget stabilization fund as of April 30, 2005, was \$33,406.89. Despite this modest balance, however, there are existing statutory provisions that, under certain conditions, will result in more substantial amounts of moneys being transferred to the budget stabilization fund. The primary one, established as a part of the 2001-03 biennial budget (2001 Act 16), is the requirement that the Secretary of DOA annually transfer to the budget stabilization fund 50% of any taxes collected in a fiscal year that are in excess of the amount of taxes that were estimated to be received in that fiscal year under the adopted biennial budget. Such transfers are to occur in each year that such excess taxes are collected, unless the amount of funds already in the budget stabilization fund is equal to or in excess of 5% of the total estimated GPR expenditures for that fiscal year.

2. There are also two other provisions under current law that relate to potential additional revenues that are to be transferred to the budget stabilization fund. The first is a provision relating to the sale of surplus land and buildings. The statutes require that the net proceeds from the sale or lease of surplus state land or buildings (the net sale revenues after deducting any sale costs and paying off any outstanding debt on the land or buildings) are to be deposited in the budget stabilization fund. Second, the net proceeds (sale revenues after deducting any sales costs or outstanding payments) from any sale of agency surplus property [principally agency supplies and permanent property (such as vehicles and office equipment)] are also to be deposited in the budget stabilization fund.

3. Under the Governor's recommendations, there are a number of limitations or overrides that would apply to these current statutory transfer provisions for the 2005-07 biennium. These limitations would affect the existing provisions relating to required transfers to the budget stabilizations fund as follows:

Current Transfer Requirement	AB 100 Proposed Exception(s)	Duration of Exception(s)
Net proceeds from the sale of any state land or facilities must be transferred to the budget stabilization fund.	Provide that the net proceeds from any state land of facilities must be transferred to the general fund instead of the budget stabilization fund.	During the 2005-07 fiscal biennium.
Transfer 50% of any tax revenues received in excess of the amounts estimated in the biennial budget act to the budget stabilization fund.	(1) Modify the transfer measurement criteria to provide that the criteria be a comparison of estimated and actual total general fund revenues, plus general equalization aids supplement expenditures, not just a comparison of budgeted and actual tax revenues. (2) Provide that any such excess funds shall first be transferred to the health care quality improvement fund.	During the 2005-07 fiscal biennium.

Current Transfer Requirement	AB 100 Proposed Exception(s)	Duration of Exception(s)
	<p>(3) Specify that any remaining excess general fund revenues, up to a maximum of \$150 million, shall be distributed in 2006-07 as school levy tax credits.</p> <p>(4) Require that the DOA Secretary compare 2006-07 actual and projected general fund tax revenues and use any excess amounts available as necessary to ensure the distribution in 2006-07 provided for under a new general equalization aids supplement appropriation.</p>	

4. Separate papers have been prepared addressing the issues of: (a) sale of surplus state land and facilities (Paper #183); (b) the proposed health care quality improvement fund (Paper # 365); (c) the proposed general equalization aids supplement appropriation (Paper #596); and (d) the payment of school levy tax credits (Paper #601). The Committee could take action under this paper to provide that, if the Committee takes actions with regard to any of those papers which result in the elimination of any of the proposed uses of moneys that would otherwise be transferred to the budget stabilization fund, then the appropriate corresponding limitation cited in this paper is also deleted from the bill.

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Provide that any limitation proposed in AB 100 that would limit current statutorily required transfers to the budget stabilization fund be deleted from the bill if the purpose for which the limitation in the bill was proposed has been deleted by other actions of the Committee.

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