



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #221

### Required General Fund Structural Balance (Budget Management and Compensation Reserves)

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#### CURRENT LAW

Under s. 20.003(4m) of the statutes, no bill may be adopted by the Legislature if the bill would cause general fund net appropriations to exceed general fund revenues in the second year of the fiscal biennium.

#### DISCUSSION POINTS

1. The "required general fund structural balance" provision was first enacted by 2001 Act 109. As initially enacted, the provision directed that no bill could be adopted by the Legislature that would cause net general fund appropriations to exceed general fund revenues in either year of the biennium. This provision was modified in 2011 Act 32 to only apply to the second year of the biennium.

2. The intent of the provision is to ensure that in the second fiscal year ongoing revenues would exceed net appropriations, which would produce a structural balance in the general fund. To meet the statutory test, any opening balance (moneys brought forward from the previous fiscal year) is ignored. The second fiscal year is focused on, because the budget in the ensuing biennium is constructed from the second year of the current biennium (the base year). The advantage of having a structural balance in the base year is that no revenue growth needs to be allocated to address a structural shortfall from the previous biennium.

3. Although the current statutory provision has been in effect since the 2011-13 budget, the 2013-15, 2015-17, 2017-19, 2019-21, and 2021-23 budget acts each stated that the provision would either: (a) not apply to the budget act; or (b) not apply to any legislation adopted in that biennium. The reason that the structural balance provision was suspended for each of the last five biennia was due to the fact that, at the time of budget deliberations, there was a relatively large projected balance

carried into the second year of those biennia. The Legislature used a part of those balances to address revenue and spending priorities.

4. The provision, if followed, limits the options that the Legislature may have on use of balances that are carried forward from year to year. Under this provision, none of the balance carried forward into the second year of the biennium can be used. Given the substantial balances projected for the general fund, it is likely that the Legislature will chose not to meet the structural balance requirement for the 2023-25 biennium.

5. Because it is unlikely that the Legislature will be able to meet the statutory test for 2023-25, the Committee may wish to suspend the requirement for this session as was done for the last five budget acts. [Alternative 1]

6. Finally, given that the provision has been suspended in the last five biennia and will likely need to be suspended in 2023-25, the Committee may wish to repeal the statutory provision. (Alternative 2)

## **ALTERNATIVES**

1. Suspend the provision requiring a general fund structural balance in 2024-25, so that it would not apply to any legislation adopted in the 2023-25 biennium.

2. Repeal the statutory requirement for a structural balance in the second year of the biennium.

3. Take no action.

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