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# **budget stabilization fund and general fund reserve requirements**

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# Budget Stabilization Fund and General Fund Reserve Requirements

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# Budget Stabilization Fund and General Fund Reserve Requirement

## Introduction

This paper provides a brief discussion of issues relating to budget stabilization funds. In addition, survey data is presented on other state's "rainy day" funds. Further, the paper summarizes current law governing the budget stabilization fund in Wisconsin. Finally, information is presented on the statutory reserve requirement for the state's general fund.

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## Budget Stabilization Fund

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**Advantages of a Budget Reserve.** Many writers on best practices relating to state budget management include budget reserves as a desirable factor. These reserves can take the form of undesignated balances within a state's general fund or of balances held in a separate "rainy day" or budget stabilization fund.

A budget reserve offers several advantages to a state. If monies are available in a budget reserve, they can be used if revenues are less than projected or expenditures exceed budgeted amounts. This can mitigate the effects of a mild economic downturn on a state's finances. If the revenue shortfall is more severe, a budget reserve can allow state policy makers more time to consider a response to the imbalance, before they are forced to adjust state revenues or expenditures to maintain a balanced budget.

A budget reserve can be used to support a state's cash position, which may reduce or eliminate the need for short-term borrowing for cash-flow purposes. Depending on the timing of cash

receipts and expenditures, a state's general fund can be in a negative cash position at times during the fiscal year, even though it shows a positive accounting balance at the end of the fiscal year. If there is a budget reserve, these monies can be used to support spending from the general fund on the days that its cash balance would otherwise be negative.

A state's bond rating may also be influenced by the presence or absence of a budget reserve. Although bond credit rating agencies consider many financial, economic, and organizational aspects of a state in their rating analysis, the availability of budget reserves is viewed as a positive factor. Rating agencies will not specify the amount of weight they place upon budget reserves in discussing their ratings. However, most states with a strong bond rating do have some form of budget reserve.

Another factor that a budget reserve could affect is a state's financial position when calculated under generally accepted accounting principles (GAAP). In general, under GAAP, monies held in a budget reserve would count into the state's ending balance. If, for example, Wisconsin held \$500 million in a budget reserve, these monies would reduce the state's GAAP deficit by a corresponding amount.

**Disadvantages of a Budget Reserve.** There are policymakers who disagree with the idea of a "rainy day" fund. From this point of view, the potential benefits from a budget reserve are outweighed by other factors.

As a matter of policy, other uses for these funds are viewed as having a higher priority than funding a budget reserve. In this case, either reducing state taxes or increasing state spending may be

preferred uses of monies that otherwise could fund a budget reserve. Underlying this approach is the concern that monies accumulated as a reserve represent over-taxation, and could better be used by the state to either support higher priority spending programs, or to reduce taxes.

**Priorities in Wisconsin.** The question of competing priorities has been evident in Wisconsin. Wisconsin had not allocated significant monies to its budget stabilization fund from its creation in 1986 through 2006. More recently, there were deposits of \$55.6 million to the fund in the fall of 2007, \$14.8 million in the fall of 2011, \$108.7 million in the fall of 2012, \$153.2 million in the fall of 2013, \$33.1 million in the fall of 2018, \$321.7 million in 2018-19, and \$105.8 million in 2019-20. Generally, in times of economic downturns, Wisconsin has used tax and fee increases, specific expenditure reductions, one-time sources of revenue or fund transfers, and across-the-board budget reductions to state operations to balance its budget.

Although the state does have a required statutory reserve, this generally has been set at 1% or less of annual general fund spending and provides only limited support in the case of a revenue shortfall. During years of strong revenue growth in the 1990s, monies that could have been used to fund a budget reserve were allocated to significantly increase state school aids, reduce the individual income tax, and provide a one-time sales tax rebate.

With regard to the state's general fund cash-flow, rather than using monies in a budget reserve, the state has issued operating notes to borrow for short-term cash-flow purposes in some years, most recently in 2011-12. In addition, the state borrows cash balances from certain other state funds that are used on a temporary basis to support the general fund's cash-flow. These forms of external and internal short-term cash-flow borrowing have allowed the general fund to make payments in a timely manner.

For bond rating agencies, the state has attempted to hold its general fund debt service below 4% of annual general fund revenues, and is generally viewed by rating agencies as having a moderate debt load. However, the state has not established a significant budget reserve and has foregone the potential positive effect such an action might have on its bond rating.

For budgetary purposes, the state uses a statutory basis of accounting and maintains a balanced general fund budget using that accounting approach (\$1.17 billion balance in 2019-20). The state has also prepared an annual fiscal report using GAAP since the 1989-90 fiscal year. When presented on a GAAP basis, the state's general fund has shown annual deficits that reached a maximum of -\$2.99 billion in 2010-11 and have declined since that year, with a deficit of -\$0.77 billion in 2018-19, and for the first time a positive balance of \$1.5 million in 2019-20.

**Other States.** Survey data from the National Conference of State Legislatures indicates that 49 states and the District of Columbia are identified as having a general "rainy day" or budget stabilization fund or reserve of some kind. Eleven states and the District of Columbia are reported having more than one such fund. The only state without an official "rainy day" fund is Colorado. However, Colorado does have a general fund required reserve, which serves a similar purpose. The mechanisms governing how revenues to these funds are provided, the amount of fund balances permitted, and the specific procedures for transfer of moneys from the funds vary considerably among the states. In contrast, however, the conditions under which transfer of moneys from the budget stabilization funds to the states' general funds are permitted are much more similar. Generally, if there are restrictions established on the withdrawal of moneys from the funds, they tend to focus on the occurrence of revenue downturns or the development of projected deficit conditions in the states' general funds.

### **Wisconsin's Budget Stabilization Fund.**

Wisconsin's budget stabilization fund was created by 1985 Act 120. The creation of this fund occurred after the state had endured a difficult economic downturn during the early 1980's. During that recession, the state increased general fund taxes, including both permanent increases as well as temporary surcharges. In addition, the state reduced budgets in a number of the state's programs and agencies. This was the case in many states at the time and it was during this period that many of the states created "rainy day" or budget stabilization funds. Generally, these funds were established for the purpose of setting aside funds for a time period when state revenues might grow more slowly than estimated or actually decrease from the prior year.

As created in Act 120, revenues to the fund were to come by direct appropriation from the general fund. A separate appropriation to accomplish this was created. No funds were appropriated in Act 120; however, Act 120 did require that the Secretary of the Department of Administration recommend to the Governor and Legislature an amount of general purpose revenues that should be transferred into the fund in the succeeding (1987-89) biennial budget. However, no recommendation was provided.

From the time of creation of the fund by 1985 Act 120 until the enactment of the 2001-03 biennial budget, the funding mechanism for the budget stabilization fund remained unchanged. But no funds were appropriated to the fund and the only revenues to the fund consisted of small donations.

The 2001-03 biennial budget substantially changed the underlying funding structure for the fund. As enacted into law, 2001 Act 16 created another mechanism for providing moneys to the fund, in addition to donations and appropriations. Act 16 established an automatic procedure for the transfer of funds to the budget stabilization fund when general fund tax revenues exceed the level of such revenues as estimated in the general fund

condition statement for that biennium, as included in the biennial budget act. Under Act 16, in each fiscal year, if actual general fund tax revenues exceed those projected revenues in the biennial budget act or acts, 50% of the additional tax revenues are required to be transferred to the budget stabilization fund. Act 16 also created an appropriation to allow the Secretary of the Department of Administration to make the required transfer of such excess tax revenues to the budget stabilization fund.

The transfer of excess tax revenues is subject to two general limitations. First, if the balance in the budget stabilization fund prior to a transfer exceeds 5% of estimated general fund expenditures, as included in the biennial budget act or acts, for that fiscal year, no transfer is made. For 2019-20 and 2020-21, 5% of net appropriations under 2019 Act 9 would have been \$901.3 million and \$945.2 million, respectively. Second, if a transfer would reduce the balance in the general fund below the required statutory balance, \$80 million in 2019-20 and \$85 million in 2020-21, then the transfer must be reduced as needed to maintain the required statutory reserve in the general fund.

Likewise, transfers to the fund have been limited by certain temporary provisions. Under the provisions of 2013 Act 145, transfers attributable to general fund tax revenues in 2013-14 or 2014-15 were prohibited. As a result, a transfer of \$11.8 million that would have otherwise occurred in 2014-15 was prohibited. Additionally, the provisions of 2017 Act 368 required the Secretary of the Department of Administration to exclude additional revenue deposited in the general fund in the 2018-19 fiscal year that is attributable to an increase in sales and use tax revenues (as a result of U.S. Supreme Court decision *South Dakota v. Wayfair, Inc.*), as determined by the Department of Revenue, in calculating the amount transferred to the budget stabilization fund. Therefore, \$59.2 million of revenue was excluded when calculating the transfer to the fund in 2018-19, reducing the transfer by \$29.6 million.

Finally, in 2003 Act 33, two additional mechanisms involving the sale of surplus land and buildings and of surplus state agency supplies and equipment were created to provide for additional potential sources of revenue to the budget stabilization fund. Under those provisions, the net proceeds from the sale or lease of surplus state land or buildings (net revenues remaining after paying off any outstanding debt on the land or buildings) were deposited in the budget stabilization fund, except as otherwise provided by law. Also, the net proceeds from the sale of any surplus property are deposited in the budget stabilization fund. Under 2013 Act 20, net revenues from the sale of surplus land or buildings are no longer deposited in the budget stabilization fund. However, net revenues from sale of surplus supplies and equipment are still deposited into the fund. This amount totaled \$30,801 in 2019-20.

Table 1 presents activity within the budget stabilization fund since 2003-04. Prior to 2006-07, the largest revenue source to the fund had been the sale of surplus property. However, in the fall of 2007, the first transfer of excess tax revenue to the budget stabilization fund occurred.

In 2007-08, \$57 million was transferred by law from the budget stabilization fund to the general fund to help address a budget shortfall in the 2007-09 biennium. As a result, the fund balance declined from \$56.4 million in 2006-07 to \$1.3 million in 2007-08. Note that this transfer marked the only time money has been taken out of the fund.

As shown in Table 1, excess general fund tax revenues resulted in transfers into the budget stabilization fund in the fall of 2007, 2011, 2012, 2013, 2018, 2019, and 2020. The transfer of \$321.7 million to the fund in the fall of 2019 was the largest to date, and more than double any other transfer. Other revenue, comprised primarily of interest earnings, as well as deposits from the sale of surplus equipment, gifts, and donations, are also included in Table 1. In early years, other revenue amounts were minimal. However, due to the larger

**Table 1: Budget Stabilization Fund Activity 2003-04 through 2019-20 (In Millions)**

	Excess Tax Revenue	Other Revenue*	Fund Withdrawals	Ending Balance (As of June 30)
2003-04	-	-	-	\$0.0
2004-05	-	\$0.5	-	0.5
2005-06	-	0.1	-	0.6
2006-07	\$55.6	0.2	-	56.4
2007-08	-	1.9	-\$57.0	1.3
2008-09	-	0.2	-	1.5
2009-10	-	0.2	-	1.7
2010-11	14.8	0.1	-	16.6
2011-12	108.7	0.1	-	125.4
2012-13	153.2	0.7	-	279.3
2013-14	-	0.4	-	279.7
2014-15	-	0.6	-	280.3
2015-16	-	0.9	-	281.2
2016-17	-	1.7	-	282.9
2017-18	33.1	4.1	-	320.1
2018-19	321.7	7.3	-	649.1
2019-20	105.8	6.9	-	761.8

\*Revenue from interest earnings, gifts and donations, sales of surplus land and buildings, and sales of surplus equipment. Sales of surplus land and buildings were no longer transferred beginning in 2013-14.

Source: Annual Fiscal Reports

account balance in the fund, interest revenues have grown in recent years. Most recently, actual general fund tax revenues exceeded projections in 2019-20, and \$105.8 million was transferred to the fund in the fall of 2020. This transfer, in addition to \$6.9 million in other revenue, brought the June 30, 2020, balance to \$761.8 million.

**Use of Moneys in the Fund.** When the budget stabilization fund was established, language was created regarding the permissible uses of moneys in the funds. The use of the fund was specifically limited by the statement that "Moneys in this fund are reserved to provide state revenue stability during periods of below-normal economic activity when actual state revenues are lower than estimated revenues under s. 20.005(1) [the general fund condition statement as established under the biennial budget act]." This statutory provision remained unchanged until modified in 2001 Act 16.

Under the provisions of 2001 Act 16, the



language governing the fund itself [s. 25.60] was modified to delete any references to use of the fund. Act 16 also modified language dealing with fiscal emergencies [s. 16.50(7)] to provide that when a Governor submits his or her recommendations for dealing with a fiscal emergency, the Governor must include a recommendation as to whether moneys should be transferred from the budget stabilization fund to the general fund as a part of those overall recommendations. Under the provisions of 2013 Act 20, the pre-2001 Act 16 language relating to below-normal economic activity was restored, so this statement of intent guides uses of moneys in the budget stabilization fund.

The Appendix briefly describes the topic covered by each of the statutory provisions relating to the budget stabilization fund.

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### General Fund Reserve Requirement

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Section 20.003(4) of the statutes requires that no bill directly or indirectly affecting general purpose revenue (GPR) may be enacted by the Legislature if the bill would cause the estimated general fund balance on June 30 of any fiscal year to be less than a required amount. That required amount may vary from year to year. However, the application of the requirement is the same, as it applies to the biennial budget bill and to any other bills that the Legislature may consider for passage.

Under this provision, the general fund must have an overall balance between revenues and appropriations sufficient to allow for the deduction of the required statutory balance (shown as a deduction from the gross balance) and still have a positive balance. Table 2 shows an example of how the required statutory balance appears in the general fund condition statement.

As shown in Table 2, the gross balance is \$100

million and the required statutory balance is \$85 million. Thus, \$15 million is available for other legislation without violation of the reserve requirement.

Although the statutes establish a required reserve amount, as a practical matter, such a statutory limit is not binding. If a bill would reduce the balance in the general fund below the required amount, the Legislature can include a provision in the bill that specifies that the statutory reserve requirement does not apply to the bill under consideration.

**Table 2: Sample General Fund Condition Statement (\$ in Millions)**

<b>Opening Balance, July 1</b>	\$100
<b>Revenues</b>	
Taxes	\$18,000
Departmental Revenues	<u>500</u>
Total Available (opening balance plus revenues)	\$18,600
 <b>Appropriations and Reserves</b>	
Gross Appropriations	\$18,800
Compensation Reserves	100
Less Lapses	<u>-400</u>
Total Expenditures	\$18,500
 <b>Balances</b>	
Gross Balance	\$100
Less Required Statutory Balance	<u>-85</u>
Net Balance, June 30	\$15

**History of the Statutory Balance Requirement.** Prior to the 1983 session of the Legislature, there was no requirement for a statutory balance or reserve within the general fund. In the 1981 session of the Legislature, the first act passed dealt with shortfalls in 1980-81. A statutory provision contained in that legislation (Chapter 1, Laws of 1981) created s. 20.003(4) dealing with the required general fund balance.

This statutory section provided that, beginning with the 1983-85 biennial budget, no bill directly or indirectly affecting general purpose revenues could be enacted by the Legislature if the bill would cause the estimated general fund balance in the condition statement for that biennium to be

less than 1% of total general purpose revenue appropriations for that biennium. However, by the time of the enactment in that 1981 session of the biennial budget bill, the deteriorating fiscal situation led to reducing the 1% statutory reserve requirement to be 0.5% of total GPR appropriations, still effective beginning with the 1983-85 biennial budget.

**1983-85 Budget.** The 1983-85 biennial budget had a statutory balance in the second fiscal year of the biennium equal to 0.5% of total GPR appropriations for the biennium. In the budget adjustment bill for that session, the statutory balance percentage was changed back to the requirement, as first enacted, for a reserve equal to 1% of GPR appropriations for the biennium.

**1985-87 Budget.** The 1% statutory reserve requirement remained unchanged for the 1985-87 biennial budget. However, later in that biennium, due to a projected budget shortfall for the second year (1986-87) of that budget, 1985 Act 120 created a session law provision to suspend the 1% statutory reserve requirement for the 1985-87 biennium and to instead provide that the statutory amount of reserve be equal to \$72.9 million. This amount was \$26.5 million less than what would have been required had the 1% statutory reserve requirement remained in effect.

**1987-89 Budget.** For 1987-89, the statutory provision was modified in 1987 Act 27 to set a statutory balance at 1% of appropriations for each "fiscal year" rather than a single statutory balance for the "fiscal biennium". Under this change, the required balance was \$53.0 million for 1987-88 and \$55.5 million for 1988-89. Had the change not been made, the statutory balance would have been \$108.5 million for 1987-89 -- 1% of biennial (rather than annual) appropriations. Thus, the change contained in 1987 Act 27 reduced the required balance to approximately one-half of what it would have been without the modification.

**1995-97 Budget.** In 1995 Act 27, the 1%

annual statutory reserve requirement was modified by including GPR compensation reserves in addition to gross GPR appropriations. This change increased the required balance amount by \$0.2 million in 1995-96 and by \$0.5 million in 1996-97.

**1999-01 Budget.** In the 1999-01 biennial budget (1999 Act 9), a gradual increase in the statutory reserve percentage was adopted. As initially proposed by the Governor, the increase would have been as shown in Table 3.

**Table 3: Governor's 1999-01 Budget Proposal**

Fiscal Year	Required Reserve
1999-00	1.0%
2000-01	1.1
2001-02	1.2
2002-03	1.4
2003-04	1.6
2004-05	1.8
2005-06 and thereafter	2.0

In the budget as passed by the Legislature, the statutory reserve increase to 1.1% proposed for 2000-01 would not have been implemented (the requirement would have remained at 1.0% for that year), but the remainder of the proposed increases to 2.0% in 2005-06 were adopted. However, the Governor made a partial veto to this section, which made what would have been the 1.2% requirement for 2001-02 instead apply to 2000-01. The result of this partial veto, however, also eliminated the statutory reserve requirement for 2001-02. The remainder of the scheduled increases were not affected and the statutory reserve percentages were as shown in Table 4.

**Table 4: 1999 Act 9**

Fiscal Year	Required Reserve
1999-00	1.0%
2000-01	1.2
2001-02	None specified
2002-03	1.4
2003-04	1.6
2004-05	1.8
2005-06 and thereafter	2.0

**2001-03 Budget.** In the Governor's 2001-03 biennial budget recommendations, it was proposed that the statutory reserve requirement of 1.4% for 2002-03 be reduced to 1.2%.

As passed by the Legislature, the statutory reserve requirement for 2002-03 was set at a fixed dollar amount of \$90 million. The Governor used a partial veto to delete the reference to the fixed dollar amount and, in connection with a related veto, established a requirement for a 1.2% statutory reserve for that fiscal year. The remainder of the staged increases in the statutory reserve requirement were continued unchanged from prior law. The statutory reserve requirements for 2001-03 and beyond, as affected by 2001 Act 16, are shown in Table 5.

**Table 5: 2001 Act 16**

Fiscal Year	Required Reserve
2001-02	None*
2002-03	1.2%
2003-04	1.6
2004-05	1.8
2005-06 and thereafter	2.0

\*No actual statutory reserve percentage; the 2001-03 budget as enacted had an estimated balance equal to 1.2% of gross GPR appropriations plus compensation reserves for fiscal year 2001-02.

**2003-05 Budget.** The Governor's 2003-05 biennial budget modified the statutory reserve requirement for the biennium. Instead of a statutory reserve of 1.6% for 2003-04 and of 1.8% for 2004-05, a dollar amount of \$35 million for 2003-04 and \$40 million for 2004-05 was proposed. Under the Governor's budget recommendations, a 1.6% statutory reserve for 2003-04 would have required an additional \$139.4 million and a 1.8% statutory reserve for 2004-05 would have required an additional \$173.4 million.

The Governor's budget recommendations also delayed the scheduled increase in the reserve requirement to 2.0% in 2005-06 until 2006-07 and provided that the reserve requirement for 2005-06 be set at \$75 million. The Legislature concurred in

those recommendations. The reserve requirements for 2003-05 and thereafter under 2003 Act 33 are presented in Table 6.

**Table 6: 2003 Act 33**

Fiscal Year	Required Reserve
2003-04	\$35 million
2004-05	\$40 million
2005-06	\$75 million
2006-07 and thereafter	2.0%

**2005-07 Budget.** The Governor's 2005-07 biennial budget included a modification to the statutory reserve requirement for four fiscal years. Instead of a statutory reserve of \$75 million in 2005-06 and 2.0% beginning in 2006-07 and thereafter, a requirement for a \$65 million statutory reserve was established for each fiscal year from 2005-06 through 2008-09. Beginning in 2009-10, a 2.0% statutory reserve applied. The Legislature approved these recommendations.

Table 7 shows the reserve requirements for 2005-07 and thereafter under 2005 Act 25.

**Table 7: 2005 Act 25**

Fiscal Year	Required Reserve
2005-06	\$65 million
2006-07	\$65 million
2007-08	\$65 million
2008-09	\$65 million
2009-10 and thereafter	2.0%

**2007-09 Budget.** The Governor's 2007-09 biennial budget would have modified the statutory reserve requirement for four fiscal years. Instead of a statutory reserve of \$65 million in 2007-08 and in 2008-09, and 2.0% beginning in 2009-10 and thereafter, a requirement for a \$130 million statutory reserve would have been established for each fiscal year from 2007-08 through 2010-11. Beginning in 2011-12, a 2% statutory reserve would have applied. In its final action on the bill (2007 Act 20), the Legislature established a \$65 million statutory reserve for each fiscal year from

2007-08 through 2010-11. Beginning in 2011-12, a 2% statutory reserve applies. Although the budget adjustment bill as passed by the Legislature would have reduced the statutory reserve to \$25 million in 2007-08 and in 2008-09, the Governor used a partial veto to retain the reserve amounts established in 2007 Act 20.

Table 8 shows the reserve requirements for 2007-09 and thereafter under 2007 Act 20.

**Table 8: 2007 Act 20**

Fiscal Year	Required Reserve
2007-08	\$65 million
2008-09	\$65 million
2009-10	\$65 million
2010-11	\$65 million
2011-12 and thereafter	2.0%

**2009-11 Budget.** The Governor's 2009-11 biennial budget would have modified the statutory reserve requirement for three fiscal years. Instead of a statutory reserve of \$65 million in 2010-11, and 2.0% in 2011-12, 2012-13, and thereafter, a requirement for a \$130 million statutory reserve would have been established for each fiscal year from 2010-11 through 2012-13. Beginning in 2013-14, a 2.0% statutory reserve would have applied. In its final action on the bill (2009 Act 28), the Legislature established a \$65 million statutory reserve for each fiscal year from 2010-11 through 2012-13. Beginning in 2013-14, a 2.0% statutory reserve applies.

Table 9 shows the reserve requirements for 2009-11 and thereafter under 2009 Act 28.

**Table 9: 2009 Act 28**

Fiscal Year	Required Reserve
2009-10	\$65 million
2010-11	\$65 million
2011-12	\$65 million
2012-13	\$65 million
2013-14 and thereafter	2.0%

**2011-13 Budget.** The Governor's 2011-13 biennial budget proposed continuing a \$65 million required reserve into 2013-14 and 2014-15 and then establishing a 2% statutory reserve beginning in 2015-16. The Legislature approved this proposal as part of 2011 Act 32.

Table 10 shows the reserve requirements for 2011-13 and thereafter under 2011 Act 32.

**Table 10: 2011 Act 32**

Fiscal Year	Required Reserve
2011-12	\$65 million
2012-13	\$65 million
2013-14	\$65 million
2014-15	\$65 million
2015-16 and thereafter	2.0%

**2013-15 Budget.** The Governor's 2013-15 biennial budget proposed continuing a \$65 million required reserve into 2015-16 and 2016-17 and then establishing a 2% statutory reserve beginning in 2017-18. The Legislature approved this proposal as part of 2013 Act 20. Table 11 shows the reserve requirements for 2013-15 and thereafter under 2013 Act 20.

**Table 11: 2013 Act 20**

Fiscal Year	Required Reserve
2013-14	\$65 million
2014-15	\$65 million
2015-16	\$65 million
2016-17	\$65 million
2017-18 and thereafter	2.0%

Had the 2% requirement remained in effect for 2015-16, the statutory revenue would have increased from \$65 million to \$315 million.

**2015-17 Budget and Thereafter.** The Governor's 2015-17 biennial budget proposed continuing a \$65 million required reserve into 2017-18 and 2018-19 and then establishing a 2% statutory reserve beginning in 2019-20. In its final action on

the bill (2015 Act 55), the Legislature specified that in 2015-16 and 2016-17, the statutory reserve equaled \$65 million. Beginning in 2017-18, the statutory reserve equals the prior year amount plus \$5 million, not to exceed 2% of total GPR appropriations plus GPR compensation reserves. Table 12 shows the reserve requirements for 2015-17 and thereafter under 2015 Act 55.

**Table 12: 2015 Act 55**

Fiscal Year	Required Reserve
2015-16	\$65 million
2016-17	\$65 million
2017-18 and thereafter	Previous year + \$5 million

Table 13 presents a history of the required statutory balance requirement since its beginning in 1984-85.

**Table 13: History of Required General Fund Statutory Balance (\$ in Millions)**

Year	Amount	Requirement
1984-85	\$86.3	1% of biennial gross GPR appropriations
1985-86	0.0	No requirement for the first fiscal year of the biennium
1986-87	72.9	Set dollar amount
1987-88	53.0	1% of annual gross GPR appropriations
1988-89	55.5	1% of annual gross GPR appropriations
1989-90	58.1	1% of annual gross GPR appropriations
1990-91	62.9	1% of annual gross GPR appropriations
1991-92	66.6	1% of annual gross GPR appropriations
1992-93	69.6	1% of annual gross GPR appropriations
1993-94	73.6	1% of annual gross GPR appropriations
1994-95	78.8	1% of annual gross GPR appropriations
1995-96	82.6	1% of annual gross GPR appropriations and compensation reserves
1996-97	92.0	1% of annual gross GPR appropriations and compensation reserves
1997-98	98.1	1% of annual gross GPR appropriations and compensation reserves
1998-99	99.4	1% of annual gross GPR appropriations and compensation reserves
1999-00	113.9	1% of annual gross GPR appropriations and compensation reserves
2000-01	134.3	1.2% of annual gross GPR appropriations and compensation reserves
2001-02	0.0	No requirement
2002-03	134.4	1.2% of annual gross GPR appropriations and compensation reserves
2003-04	35.0	Set dollar amount
2004-05	40.0	Set dollar amount
2005-06	65.0	Set dollar amount
2006-07	65.0	Set dollar amount
2007-08	65.0	Set dollar amount
2008-09	65.0*	Set dollar amount
2009-10	65.0	Set dollar amount
2010-11	65.0	Set dollar amount
2011-12	65.0	Set dollar amount
2012-13	65.0	Set dollar amount
2013-14	65.0	Set dollar amount
2014-15	65.0	Set dollar amount
2015-16	65.0	Set dollar amount
2016-17	65.0	Set dollar amount
2017-18	70.0	Set dollar amount equal to previous year plus \$5 million, but not to exceed 2% of annual gross GPR appropriations and compensation reserves (\$386 million in 2020-21)
2018-19	75.0	
2019-20	80.0	
2020-21	85.0	
2021-22	90.0	
2022-23	95.0**	

\*2009 Act 2 specified that the statutory reserve requirement of \$65 million did not apply in 2008-09.

\*\*In future years, the reserve will continue to increase by \$5 million from the prior year amount.

## APPENDIX

### Statutory Citations Relating to Budget Stabilization Fund

<u>Statutory Citation</u>	<u>Topic</u>
s. 16.518	Establishes procedures for transfer of up to 50% of excess tax revenues to the budget stabilization fund.
s. 16.72(4)(b)	Establishes procedures for transfer of net proceeds from sale of state agencies' surplus supplies, materials and equipment to the budget stabilization fund.
s. 20.875 (1)(a)	Provides a sum sufficient appropriation for transfer of up to 50% of excess tax revenues from the general fund to the budget stabilization fund under s. 16.518 of the statutes.
s. 20.875 (2)(q)	Provides a sum certain appropriation for transfer of moneys from the segregated budget stabilization fund to the general fund.
s. 25.60	Creates a separate, nonlapsible trust fund designated as the budget stabilization fund. Specifies that moneys in the fund are reserved to provide state revenue stability during periods of below-normal economic activity when actual state revenues are lower than estimated revenues.