

HJR

12

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 22, 2005

FURTHER REFERRALS: Finance

Date of Committee Action: April 25, 2005

The JUDICIARY Committee considered:

HJR 12

HOUSE JOINT RESOLUTION NO. 12

CONST. AM: BUDGET RESERVE FUND REPEAL

Proposing amendments to the Constitution of the State of Alaska relating to the repeal of the budget reserve fund.

Recommends it be replaced with HCS or CS for HJR 12 (W+M)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of
Abbrev
for
Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

| <u>NEW FISCAL NOTES</u> | | | | |
|-----------------------------------|------|--------|--------|------|
| *Assigned by Chief Clerk's Office | | | | |
| List by Dept(s): | *FN# | Fiscal | Indet. | Zero |
| GOV | | ✓ | | |
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| <u>PREVIOUS FISCAL NOTES</u> | | | | |
|------------------------------|-----|--------|--------|------|
| List by Dept(s): | FN# | Fiscal | Indet. | Zero |
| REV | 1 | ✓ | | |
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| <u>Signing with recommendations</u> | Printed Last Name | DP | DNP | NR | AM |
|-------------------------------------|-------------------|----|-----|----|----|
| <i>Mr. Greenberg</i> | Greenberg | | | ✓ | |
| <i>John Kott</i> | Kott | ✓ | | | |
| <i>Tom Anderson</i> | ANDERSON | X | | | |
| <i>Nancy Dahlstrom</i> | DAHLSTROM | X | | | |
| <i>John Coshill</i> | COSSHILL | | | ✓ | |
| <i>John GARA</i> | GARA | | | | ✓ |
| Chair: <i>Res McGuire</i> | McGUIRE | ✓ | | | |
| Chair: | | | | | |

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HJR12
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
 Title Constitutional amendment relating to RDU Elections
to the repeal of the budget reserve fund Component Elections
 Sponsor Representative Harris
 Requester (H) Ways and Means Committee Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | 1.5 | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 |

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| CAPITAL EXPENDITURES | | | | | | |
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| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| FUND SOURCE | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | 1.5 | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type--Do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)
 If this amendment appears on the 2006 ballot, the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58 is \$1.5. Should the addition of this question require printing an 8 1/2 by 18 inch ballot the cost will increase to \$22.0.

Prepared by: Lauri Allred, Admin. Assistant Supervisor Phone 465-4611
 Division: Division of Elections Date/Time: 3/29/05 9:52 AM
 Approved by: Laura A. Glaiser, Director Date: 3/29/2005
 Agency: Office of the Lt. Governor, Division of Elections

Conceptual Amendment #1 FAILED

to HJR 12 (w & w)

by Rep. Gara

Expenditures from the fund should not provide more than 20% more to majority members' districts than to minority members' districts.

2/3 vote would be required to disrupt this requirement.

Alaska State Legislature

Session: (Jan-May)
State Capitol, Room 208
Juneau, AK 99801-1182
(907) 465-4859
Fax (907) 465-3799



Interim: (June-Dec)
716 West 4th Avenue, Suite 300
Anchorage, AK 99501-2133
(907) 269-0129
Fa (907) 269-0128

John Harris
Speaker of the House

MEMORANDUM

TO: Representative Lesil McGuire, Chair
House Judiciary Committee

FROM: Representative John Harris

DATE: April 21, 2005

RE: Request for Hearing, CS for HJR 12 (W&M)

Please consider this request to hear House Joint Resolution 12: Proposing amendments to the Constitution of the State of Alaska relating to the repeal of the budget reserve fund at your earliest possible convenience.

I appreciate your consideration of my request. Please do not hesitate to contact Tom Wright of my staff or me if you have any questions or need further information.

JLH:tw

Alaska State Legislature

Session: (Jan-May)
State Capitol, Room 208
Juneau, AK 99801-1182
(907) 465-4859
Fax (907) 465-3799



Interim: (June-Dec)
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John Harris
Speaker of the House

SPONSOR STATEMENT

COMMITTEE SUBSTITUTE for HOUSE JOINT RESOLUTION 12 (W&M) *CONSTITUTIONAL AMENDMENT: BUDGET RESERVE FUND REPEAL*

In 1990, the Constitutional Budget Reserve was established to provide cash to fund state government during times when low oil prices caused revenues to fall short of expenditures. It was funded by proceeds of settlements of tax and royalty disputes with the oil companies. Most of these large disputes have been settled and little additional dedicated revenue is expected anytime in the future.

Theoretically, the CBR should grow in size because the account is to be repaid when revenues exceed expenditures. To date, this has not occurred. The cumulative draw has been over \$5 billion.

By repealing this amendment, there is no longer a need for a three-quarter vote whenever additional funds are needed to balance our budget. Also, elimination of this amendment will help facilitate the development of a fiscal plan that will allow the legislature to balance a budget on a year-to-year basis with known anticipated revenues.

As written within the resolution, funds from the CBR would be placed into a capital construction permanent fund. Appropriations from the fund are to be made on a percent of market value method with no more than five per cent of the average of the fiscal year end market values of the fund for the first five of the preceding six years.

The state needs a long term fiscal plan and the first step should be the repeal of the constitutional budget reserve fund amendment.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HJR12
 () Publish Date: _____

Revision Date/Time (Note if correction):
 Title Constitutional amendment relating to
to the repeal of the budget reserve fund
 Sponsor Representative Harris
 Requester (H) Ways and Means Committee

Dept. Affected: OOG
 RDU Elections
 Component Elections
 Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | 1.5 | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 |

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| CAPITAL EXPENDITURES | | | | | | |
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| CHANGE IN REVENUES () | | | | | | |
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FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | 1.5 | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type--Do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

If this amendment appears on the 2006 ballot, the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58 is \$1.5. Should the addition of this question require printing an 8 1/2 by 18 inch ballot the cost will increase to \$22.0.

Prepared by: Lauri Allred, Admin. Assistant Supervisor
 Division: Division of Elections
 Approved by: Laura A. Glaiser, Director
 Agency: Office of the Lt. Governor, Division of Elections

Phone 465-4611
 Date/Time 3/29/05 9:52 AM
 Date 3/29/2005

Available Balance in Constitutional Budget Reserve Fund

in thousands

| | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|-----------------|-----------------|----------------|----------------|
| Beginning balance as of July 1 | 3,110,104 | 2,466,918 | 2,093,556 | 2,155,078 |
| Cash flow (borrowing) and repayment: | | | | |
| | (100,000) 8/10 | (100,000) 7/12 | (100,000) 7/23 | (100,000) 8/12 |
| | (100,000) 8/15 | (100,000) 8/12 | (100,000) 8/12 | (100,000) 8/17 |
| | (100,000) 11/13 | (50,000) 9/17 | (100,000) 9/11 | 100,000 11/14 |
| | (100,000) 12/10 | (100,000) 10/11 | 100,000 1/6 | 100,000 12/7 |
| | (100,000) 12/13 | (100,000) 11/14 | 100,000 4/12 | |
| | (100,000) 1/25 | (50,000) 2/18 | 100,000 8/28 | |
| | (100,000) 2/15 | | | |
| | (100,000) 3/13 | | | |
| | 50,000 8/27 | 85,000 8/27 | | |
| Net cash flow borrowing | (750,000) | (415,000) | - | - |
| Additional (deficit borrowing) or repayment | (134,312) | (83,120) | (10,785) | |
| Subfunds swept per Article IX, section 1 | 130,695 | 88,755 | 94,627 | |
| Subfund balances appropriated back | (101,947) | (130,695) | (88,750) | |
| Direct appropriations: | | | | |
| Treasury operations | (125) | (121) | (109) | |
| New revenues | 212,503 | 166,819 | 61,627 | |
| Appropriated fund transfer from GF | - | - | 4,917 | |
| Ending balance as of June 30 (audited) | 2,466,918 | 2,093,556 | 2,155,078 | |

Please direct any questions about this information to Lisa Pusich, State Accountant at 465-5616.

F. Budget Gap and the Constitutional Budget Reserve

The table below reflects the amount needed to make up the difference between the Department of Revenue's forecast of Unrestricted General Purpose Revenue and the annual general fund budget, shown here as a flat \$2.2517 billion (the Governor's proposed budget) for all operating, capital, debt service, lease payments and supplemental appropriations. ⁽¹⁾

Table 2-9. Difference Between Unrestricted General Purpose Revenue and General Fund Budget "The Gap,"^(m) \$ Million

| Fiscal Year | Total Unrestricted General Purpose Revenue | Transfer from Alaska Science & Technology | (1) General Fund Appropriation | Difference |
|-------------|--|---|--------------------------------|----------------------|
| Actual 2003 | 1,947.6 | 95.0 | 2,496.2 ⁽²⁾ | 453.6 ⁽²⁾ |
| 2004 | 2,245.3 | . | 2,300.6 | 55.3 |
| 2005 | 1,961.1 | . | 2,251.7 | 290.6 |
| 2006 | 1,770.5 | . | 2,251.7 | 481.2 |
| 2007 | 1,465.8 | . | 2,251.7 | 785.9 |
| 2008 | 1,450.7 | . | 2,251.7 | 801.0 |
| 2009 | 1,393.6 | . | 2,251.7 | 858.1 |
| 2010 | 1,390.2 | . | 2,251.7 | 861.5 |
| 2011 | 1,328.7 | . | 2,251.7 | 923.0 |
| 2012 | 1,277.0 | . | 2,251.7 | 974.7 |
| 2013 | 1,214.8 | . | 2,251.7 | 1,036.9 |
| 2014 | 1,156.0 | . | 2,251.7 | 1,095.7 |
| 2015 | 1,099.9 | . | 2,251.7 | 1,151.8 |

(1) The projected FY 2005-2015 budget of \$2.2517 billion is simply a reference point for analysis. Any budget estimate used to determine "The Gap" will have its detractors — some will contend spending should be cut, while others will argue just as strongly that spending should be increased to reflect inflation and population growth.

(2) The "Gap", or draw on the CBRF for FY 2003, is shown as the actual cash withdrawal.

(1) http://www.gov.state.ak.us/omb/04_OMB/fy04fiscal_summary.pdf



Rainy Day Funds

Appendix A. State Budget Stabilization Funds

The states of Arkansas, the District of Columbia, Hawaii, Illinois, Montana, and Oregon do not have budget reserve funds.

Alabama

Education Proration Prevention Fund (Statutory)

Method for deposit: Automatic appropriation of \$21M in the first year (following the fund's depletion) and \$8M thereafter up to \$75M. Automatic appropriation can be waived via emergency resolution.

Method for withdrawal: Declaration of proration by governor, or declaration of emergency by legislature with a 2/3 vote.

Alaska

Budget Reserve Fund (Statutory)

Method for deposit: By appropriation.

Method for withdrawal: By appropriation.

Constitutional Budget Reserve Fund (Constitutional)

Method for deposit: Mineral litigation/dispute settlements.

Method for withdrawal: 1) If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year; 2) for any public purpose with a 3/4 vote.

Arizona

Budget Stabilization Fund (Statutory)

Method for deposit: By appropriation (amount determined by formula comparing real, adjusted Arizona personal income growth to 7 year trend); fund capped at 5 percent of prior year GF revenue.

Method for withdrawal: By appropriation (amount determined by formula); 2/3 vote is required to waive formula-determined withdrawal.

California

Special Fund for Economic Uncertainties (Statutory)

Method for deposit: Year-end surplus or by appropriation.

Method for withdrawal: 1) Transfer by controller to cover revenue shortfall or other GF deficiency; 2) Director of finance can allocate funds for disaster relief (with notification to the Joint Legislative Budget Committee).

Colorado

Required Reserve (Statutory)

Method for deposit: 4 percent of GF appropriations.

Method for withdrawal: Automatic expenditure when revenue estimates fall below targets; fund can only be used to cover appropriations already authorized. (If

Contents

- Alabama, Alaska, Arizona, California, Colorado
- Connecticut, Delaware, Florida, Georgia
- Idaho, Indiana, Iowa, Kansas, Kentucky
- Louisiana, Maine, Maryland, Massachusetts, Michigan
- Mississippi, Missouri, Nebraska, Nevada, New Hampshire
- New Jersey, New Mexico, New York, North Carolina, North Dakota
- Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island
- South Carolina, South Dakota, Tennessee, Texas, Utah
- Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming

economic conditions require expenditures from the fund, the governor must develop a plan that would maintain the reserve at no less than 2 percent. The plan is subject to legislative modification.)

Connecticut

Budget Reserve Fund (Statutory)

Method for deposit: Year-end surplus; fund capped at 5 percent of net GF appropriations for the fiscal year in progress.

Method for withdrawal: Automatic appropriation to cover budget deficit to the extent that funds are available.

Delaware

Budget Reserve Account (Constitutional)

Method for deposit: Automatic deposit from previous year's unencumbered funds; fund capped at 5 percent of estimated GF revenues.

Method for withdrawal: By appropriation to cover budget deficit or to compensate for revenue reductions; requires 3/5 vote.

Florida

Working Capital Fund (Statutory)

Method for deposit: Year-end surplus until fund reaches minimum level of 5 percent of net GF revenue for the previous fiscal year; fund capped at 10 percent.

Method for withdrawal: By appropriation when governor declares an emergency.

Budget Stabilization Fund (Statutory)

Method for deposit: Automatic deposit beginning in FY 1995 equal to 1 percent of previous year's GF revenue collections, increasing each year until the reserve reaches minimum level of 5 percent (in FY 1999); principal fund balance capped at 10 percent .

Method for withdrawal: By executive transfer when revenue collections in the general revenue fund will be insufficient to meet general revenue fund appropriations.

Georgia

Revenue Shortfall Reserve (Statutory)

Method for deposit: Year-end surplus; fund capped at 3 percent of net revenue collections.

Method for withdrawal: By appropriation.

Idaho

Budget Reserve Account (Statutory)

Method for deposit: By appropriation.

Method for withdrawal: By appropriation.

Indiana

Counter-Cyclical Revenue and Economic Stabilization Fund (Statutory)

Method for deposit: Statutory formula triggered when the annual growth rate in adjusted personal income exceeds 2 percent; fund capped at 7 percent of state GF revenue.

Method for withdrawal: Statutory formula triggered when the annual growth rate in adjusted personal income is less than a negative 2 percent.

Iowa*Cash Reserve Fund (Statutory)*

Method for deposit: By appropriation when there is a year-end GF surplus; fund capped at 5 percent of the adjusted GF revenue estimate for the current fiscal year.

Method for withdrawal: By appropriation for non-recurring emergency expenditures; requires 3/5 vote if the fund's balance drops to less than 3 percent of the adjusted revenue estimate for the year in which the appropriation is made.

Economic Emergency Fund (Statutory)

Method for deposit: By appropriation when there is a year-end GF surplus; fund capped at 5 percent of the adjusted revenue estimate for the current fiscal year.

Method for withdrawal: By appropriation for emergency expenditures.

Kansas*Budget Stabilization Fund (Statutory)*

Method for deposit: Funded by a one-time federal dispro-portionate share windfall; fund expected to be depleted by the end of FY 1996.

Method for withdrawal: By appropriation.

Kentucky*Budget Reserve Trust Fund (Statutory)*

Method for deposit: By appropriation; fund capped according to provisions in the biennial budget act.

Method for withdrawal: Allotted by governor to meet a revenue shortfall; 2 governor must notify legislature. (Conditions governing the use of the fund are attached to its appropriation every two years. At the end of the biennium, the fund lapses and has to be recreated. The state also has created in the general fund the Surplus Fund Account. No expenditures may be made from the account unless appropriated by the legislature, or unless required by the budget reduction provisions of the budget bill.)

Louisiana*Revenue Stabilization - Mineral Trust Fund (Constitutional)*

Method for deposit: Automatic deposit of revenues exceeding \$750M from taxes on the production of, or exploration for, minerals. With some limitations, the \$750M base may be increased every 10 years, beginning in the year 2000, by a law enacted by a 2/3 vote.

Method for withdrawal: By appropriation, not to exceed one-third of the fund and requiring a 2/3 vote when: 1) the official forecast for a fiscal year is less than revenues received by the state in the preceding fiscal year; 2) if a deficit for the current fiscal year is projected due to a decrease in the official forecast.

Maine*Rainy Day Fund (Statutory)*

Method for deposit: Transfer from the GF unappropriated surplus; fund capped at 4 percent of total GF revenues received in the immediately preceding fiscal year.

Method for withdrawal: Subject to annual legislative deliberations. (According to statute, appropriations may be made by a 2/3 vote of the legislature upon recommendation of the governor, but only for prepayment of outstanding GF bonds or for major construction. In practice, however, the legislature has enacted exceptions to the statute to use the funds as needed for emergencies, disasters, or other expenditures deemed necessary.)

Maryland*Revenue Stabilization Account (Statutory)*

Method for deposit: By appropriation. Beginning in FY 1995, the governor shall include in the budget bill an appropriation equal to at least the lesser of \$50M or the amount necessary for the fund balance to exceed 5 percent of estimated GF revenues for the fiscal year.

Method for withdrawal: Transferred by governor if authorized by an act of the General Assembly or specifically authorized in the state budget bill as enacted; amount of transfer is reduced by amount of general fund budget reductions made by legislature.

Massachusetts*Commonwealth Stabilization Fund (Statutory)*

Method for deposit: After the year-end GF consolidated net surplus is determined, a portion can be used as general revenue in the current fiscal year. Of the remaining surplus, 60 percent is transferred to the stabilization fund; fund capped at 5 percent of current fiscal year revenues.

Method for withdrawal: By appropriation: 1) to make up any difference between actual state revenues and allowable state revenues when actual revenues fall below the allowable amount; 2) to replace the state and local loss of federal funds; 3) for any event that threatens the health, safety or welfare of the people or the fiscal stability of the state.

Michigan*Countercyclical Budget & Economic Stabilization Fund (Statutory)*

Method for deposit: Statute requires appropriation of an amount equal to (annual growth rate in real personal income in excess of 2 percent) X (total GF revenues for the fiscal year ending in the current calendar year).

Method for withdrawal: If annual growth rate in real personal income is negative, withdrawal equals deficiency multiplied by the total GF revenues for the fiscal year ending in the current calendar year, but no more than needed to balance the budget.

Minnesota*Budget & Economic Stabilization Fund (Statutory)*

Method for deposit: By surplus until the total amount in the account equals 5 percent of total GF appropriations for the current biennium. Restoration of the reserve should occur when objective measures, such as increased growth in total wages, reflect upturns in the state's economy. (Beginning July 1, 1993, forecast unrestricted budgetary GF balances were first appropriated to restore the budget reserve and cash flow account to \$500M. As of July 1, 1995, \$180M of the account was dedicated to elementary and secondary education.)

Method for withdrawal: By transfer authorized by the commissioner of finance, with approval of the governor and in consultation with the Legislative Advisory Commission, when: 1) a negative budgetary balance is projected and when objective measures (such as reduced growth in total wages) reflect downturns in the state's economy; 2) probable receipts for the GF will be less than anticipated and the amount available for the rest of the biennium will be insufficient.

Mississippi*Working Cash Stabilization Reserve Fund (Statutory)*

Method for deposit: Year-end surplus until the fund reaches \$40M; thereafter, 50 percent of the unencumbered GF cash balance until the fund reaches 7.5 percent of GF appropriations.

Method for withdrawal: Transfer by the executive director of the Department of Finance & Administration: 1) to meet cash-flow needs (borrowed funds must be repaid within the same fiscal year); 2) to cover deficits (up to \$50M in any one fiscal year); 3) to provide funds for disaster assistance.

Missouri

Budget Stabilization Fund (Statutory)

Method for deposit: By appropriation; fund is not to exceed 5 percent of the receipts into the GF for the proceeding fiscal year.

Method for withdrawal: By appropriation to the governor to meet budget shortfalls. (The General Assembly may appropriate to the governor any portion of the existing balance to cover budget shortfalls. Also, in any year in which the governor finds it necessary to withhold appropriated funds, the governor may order the commissioner of administration to make transfers from the fund to fulfill expenditures authorized by appropriation. The governor must notify the General Assembly of his intent to make such an authorization; and, if not disapproved by concurrent resolution within 30 days of the receipt of such notice by the General Assembly, the authorization is considered valid. Further, the General Assembly shall not appropriate money from the fund without authorization from the governor.)

Nebraska

Cash Reserve Fund (Statutory)

Method for deposit: Transfer by state treasurer when actual GF net receipts for the preceding 3 months exceed estimated receipts for the 3-month period.

Method for withdrawal: Transfer is made to the GF when the cash balance in the GF is inadequate to meet current obligations.

Nevada

Fund to Stabilize Operation of State Government (Statutory)

Method for deposit: Transfer by controller of 40 percent of revenues in excess of required fund balance, which is 10 percent of GF appropriations; fund capped at \$100M.

Method for withdrawal: By appropriation only if: 1) the total actual revenue of the state falls short by 5 percent or more of the total anticipated revenue for the biennium in which the appropriation is made; 2) the legislature and governor declare a fiscal emergency.

New Hampshire

Revenue Stabilization Reserve Account (Statutory)

Method for deposit: With some limitations, transfer by comptroller of any surplus at the end of each biennium; fund capped at 5 percent of actual GF unrestricted revenues for the most recently completed fiscal year.

Method for withdrawal: Transfer by comptroller with the approval of fiscal committee and governor when: 1) GF operating deficit occurred for most recently completed fiscal year; and 2) unrestricted GF revenues in the most recently completed fiscal year were less than budget forecast. Fund cannot be used for any other purpose without a 2/3 vote and governor's approval.

New Jersey

Surplus Revenue Fund (Statutory)

Method for deposit: 50 percent of actual revenue collections in excess of governor's certification of revenues; fund capped at 5 percent of anticipated revenues.

Method for withdrawal: By appropriation only: 1) upon certification by the governor that anticipated GF revenues are estimated to be less than those certified upon approval of appropriations act; 2) upon findings by the legislature that to offset anticipated GF revenue declines, an appropriation from the fund is more prudent than a tax increase; 3) when the governor declares an emergency and notifies the Joint Legislative Budget Oversight Committee.

New Mexico

Operating Reserve Fund (Statutory)

Method for deposit: Transfer from GF.

Method for withdrawal: By specific authorization of the legislature only in the event that GF revenues and balances are insufficient to meet authorized levels of appropriations.

New York

Tax Stabilization Reserve Fund (Statutory)

Method for deposit: Year-end surplus up to 0.2 percent of aggregate GF disbursements; reserve fund cannot exceed 2 percent of GF disbursements for the fiscal year.

Method for withdrawal: By transfer at the end of a fiscal year when GF receipts fall below the aggregate amount disbursed from the GF. (Once borrowed, fund must be paid back within six years in three equal installments. Repayments to the Tax Stabilization Reserve Fund shall be stipulated in annual budget bills.) The fund also can be temporarily loaned to the GF to assist with cash flow.

North Carolina

Savings Reserve Account (Statutory)

Method for deposit: Transfer of one-fourth of any unreserved credit balance at the end of the fiscal year; fund capped at 5 percent of previous year's GF appropriations.

Method for withdrawal: The fund cannot be tapped unless approved by an act of the General Assembly.

North Dakota

Budget Stabilization Fund (Statutory)

Method for deposit: Transfer of GF surplus in excess of \$70M at the end of the biennium.

Method for withdrawal: Governor may transfer for revenue shortfall in excess of 2-1/2 percent of the estimate made by the most recently adjourned Assembly.

Ohio

Budget Stabilization Fund (Statutory)

Method for deposit: Transfer from GF by the director of Budget & Management; a written report on the transfer must be submitted to the Controlling Board; fund capped at 4 percent of GF revenues for the preceding fiscal year.

Method for withdrawal: By appropriation.

Oklahoma

Constitutional Reserve Fund (Constitutional)

Method for deposit: Transfer by the state treasurer of surplus GF revenue; fund is capped at 10 percent of GF revenue for the preceding fiscal year.

Method for withdrawal: Up to 1/2 of the balance may be appropriated if: 1) forthcoming fiscal year GF revenue is certified to be less than that of current fiscal year certification; or 2) emergency declaration by governor with concurrence by Legislature with a 2/3 vote, 3) joint emergency declaration by speaker and president pro tempore with concurrence by Legislature with a 3/4 vote.

Pennsylvania*Tax Stabilization Reserve Fund (Statutory)*

Method for deposit: By appropriation; fund capped at 3 percent of GF revenue estimates.

Method for withdrawal: By appropriation with 2/3 vote when governor declares an emergency or to counterbalance downturns in the economy that will result in significant unanticipated revenue shortfalls.

Puerto Rico*Budgetary Fund (Statutory)*

Method for deposit: Not less than 1/3 percent of the Budget Joint Resolution (the governor or director of OMB may order depositing a larger amount); fund capped at 6 percent of the appropriated funds of the Budget Joint Resolution in any year.

Method for withdrawal: OMB director may transfer funds to cover appropriations when resources are insufficient, to provide for payment of public debt service, to address any unexpected situation in the public service, or to honor obligations of programs funded with contributions or grants from the U.S. government that have not been received.

Rhode Island*Budget Reserve and Cash Stabilization Account (Statutory)*

Method for deposit: By transfer; fund capped at 3 percent of total fiscal year resource

Method for withdrawal: By appropriation when the budget officer declares that actual GF revenue will not equal the original estimates upon which appropriations were based, (State statutes call for the fund to be repaid in the second fiscal year following the fiscal year in which a transfer was made from the fund and, when necessary, in subsequent fiscal years.)

South Carolina*Capital Reserve Fund (Statutory)*

Method for deposit: By appropriation an amount equal to 2 percent of GF revenue of the latest completed fiscal year.

Method for withdrawal: By appropriation when revenues at the end of the fiscal year are projected to be less than expenditures authorized by appropriation for that year. If the fund is not tapped for that reason, it can be used for other purposes with 2/3 vote of members present and voting, but not less than 3/5 vote of total membership. (If the Capital Reserve Fund is not tapped to address a budget deficit, the Legislature--with a 2/3 vote of members present and voting, but not less than 3/5 of the total membership--can appropriate money from the fund: 1) to finance in cash previously authorized capital improvement bond projects; 2) to retire interest or principal on bonds previously issued; or 3) for capital improvements or other non-recurring purposes.

General Reserve Fund (Constitutional)

Method for deposit: Transfer of GF revenues in excess of annual operating expenditures; fund is capped at 3 percent of GF revenue of the latest completed fiscal year. (Funds withdrawn from the General Reserve Fund must be restored annually at a rate of not less than 1 percent of the general fund revenue of the latest completed fiscal year until the fund is restored to 3 percent.)

Carnell-Felder Set-Aside Account (Statutory)

Method for deposit: By appropriation for non-recurring purposes.

Method for withdrawal: By appropriation to prevent a year-end deficit. (The Carnell-Felder Set-Aside Account was authorized beginning in FY 1995 to cushion the state's budget against unforeseen revenue shortfalls stemming from inaccurate revenue estimates.)

South Dakota*Budget Reserve Fund (Statutory)*

Method for deposit: Transfer of prior year unobligated cash balance; fund capped at 5 percent of GF appropriations for the prior fiscal year.

Method for withdrawal: By appropriation.

Tennessee*Reserve for Revenue Fluctuations (Statutory)*

Method for deposit: By appropriation.

Method for withdrawal: By transfer by the commissioner of Finance and Administration to offset revenue shortfalls, with notification to the chairs of the Finance, Ways & Means Committees of the Senate and House. (The statute declares legislative intent to be that, to the extent possible, revenue shortfalls will be offset by reductions in expenditures before using amounts in the reserve fund.)

Texas*Economic Stabilization Fund (Constitutional)*

Method for deposit: Transfer of 1/2 of any unencumbered general revenue fund balance at end of each biennium plus portions of oil and natural gas production tax collections. The Legislature also may appropriate additional funds; fund capped at 10 percent of general revenue fund deposits (excluding interest and investment income) during the preceding biennium. (The constitutional amendment creating the fund mandates the following revenue transfers to it: 1) one-half of any unencumbered general revenue fund balance at the end of each fiscal biennium; 2) an amount of general revenue equal to 75 percent of the amount by which oil production tax collections in any future fiscal year exceed oil production tax collections in fiscal year 1987; 3) an amount of general revenue equal to 75 percent of the amount by which natural gas production tax collections in any future fiscal year exceed oil production tax collections in the fiscal year 1987. For purposes of calculating the transfer, natural gas tax collections would be adjusted to reflect 12 months of collections in each fiscal year.)

Method for withdrawal: By appropriation with a 3/5 vote of members present if: 1) the comptroller certifies that appropriations from general revenue made by the preceding legislature for the current biennium exceed available general revenues for the remainder of the biennium; 2) an estimate of anticipated revenues for a succeeding biennium is less than the revenues estimated to be available for the current biennium; 3) for any purpose with 2/3 vote of members present.

Utah

Budget Reserve Account (Statutory)

Method for deposit: 25 percent of GF surplus; fund capped at 8 percent of the GF appropriation for the fiscal year in which the surplus occurred. **Method for withdrawal:** By appropriation to cover operating deficits or retroactive tax refunds.

Vermont

Budget Stabilization Trust Fund (Statutory)

Method for deposit: Undesignated GF surplus; fund is capped at 5 percent of GF appropriations for the prior fiscal year; also any additional amounts as may be authorized by the General Assembly.

Method for withdrawal: Transfer by the commissioner of Finance and Management to the extent necessary to offset a GF deficit.

Virginia

Revenue Stabilization Fund (Constitutional)

Method for deposit: By formula as specified in the state's constitution; fund capped at 10 percent of the average annual tax revenues for the three fiscal years immediately preceding.

Method for withdrawal: By appropriation (up to 1/2 of the fund's balance) with specific provisions. (The General Assembly may appropriate an amount for transfer from the fund to compensate for no more than one-half of the difference between the total general fund revenues appropriated and a revised general fund revenue forecast presented to the General Assembly prior to or during a subsequent regular or special legislative session. However, no transfer shall be made unless the general fund revenues appropriated exceed such revised general fund revenue forecast by more than 2 percent of certified tax revenues collected in the most recently ended fiscal year.)

Washington

Budget Stabilization Account (Statutory)

Method for deposit: By appropriation based on statutory formula.

Method for withdrawal: By appropriation, with 60 percent vote, to provide of continuation of agency programs when revenues fall below forecast, for labor force training, or for any purpose the Legislature determines would reduce unemployment caused by the state's economic cycle.

Emergency Reserve Fund (Statutory)

Method for deposit: Beginning in FY 1996, transfer by state treasurer of all state revenues in excess of the state expenditure limit for that fiscal year; fund capped at 5 percent of biennial GF state revenues.

Method for withdrawal: By appropriation, with 2/3 vote required, only if the appropriation does not cause total expenditures to exceed the state expenditure limit.

The Budget Stabilization Account was repealed effective July 1, 1995, by Laws 1994, ch.2, Sect. 9 (Initiative Measure No. 601, approved November 2, 1993). The Emergency Reserve Fund was created (via Initiative 601) effective July 1, 1995.

West Virginia

Revenue Shortfall Reserve Fund (Statutory)

Method for deposit: Beginning in FY 1995, transfer of the first 50 percent of all surplus revenues accrued during the fiscal year just ended; fund capped at 5

percent of GF appropriations for the fiscal year just ended.

Method for withdrawal: By appropriation to meet any anticipated revenue shortfall.

Wisconsin

Budget Stabilization Fund (Statutory)

Method for deposit: By appropriation.

Method for withdrawal: By appropriation.

Wyoming

Budget Reserve Account (Statutory)

Method for deposit: Year-end surplus plus appropriations.

Method for withdrawal: By appropriation.

The states of Arkansas, the District of Columbia, Hawaii, Illinois, Montana, and Oregon do not have budget reserve funds.

States Broaden the Scope of Rainy Day Funds

Posted August 1997; reviewed March 2004.

Email statebudget-info@ncsl.org for more information.

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POLICIES AND PROCEDURES APPLICABLE
TO THE TREASURY DIVISION,
DEPARTMENT OF REVENUE,
STATE OF ALASKA



APPENDIX V

Constitutional Provisions and Statutes Pertaining to
the Constitutional Budget Reserve Fund

*Constitutional
amendment adopted
in 1990 election.*

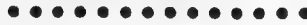
Article IX, Section 17. Budget Reserve Fund. (a) There is established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

(b) If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the budget reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.

(c) An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature.

(d) If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.

POLICIES AND PROCEDURES APPLICABLE
TO THE TREASURY DIVISION,
DEPARTMENT OF REVENUE,
STATE OF ALASKA



this subsection for a fiscal year that were enacted during the calendar year that ends on December 31 of that same fiscal year.

(b) If the amount appropriated from the budget reserve fund has not been repaid under art. IX, sec. 17(d), Constitution of the State of Alaska, the Department of Administration shall transfer to the budget reserve fund the amount of money comprising the unreserved, undesignated general fund balance to be carried forward as of June 30 of the fiscal year, or as much of it as is necessary to complete the repayment. The transfer shall be made on or before December 16 of the following fiscal year.

(c) In this section, "unrestricted revenue accruing to the general fund" or "unreserved, undesignated general fund balance carried forward" is money not restricted by law to a specific use that accrues to the general fund according to accepted principles of governmental or fund accounting adopted for the state accounting system established under AS 37.05.150 in effect on July 1, 1990.

(d) An appropriation under art. IX, sec. 17(b), Constitution of the State of Alaska, requires an affirmative vote of the majority of the members of each house of the legislature. An appropriation under art. IX, sec. 17(c) requires an affirmative vote of three-fourths of the members of each house of the legislature.

Commissioner may transfer some or all management to the AK Permanent Fund Corporation.

Department of Revenue must report annually on comparative performance of fund

Section 37.10.430. Management of the Budget Reserve Fund. (a) The Department of Revenue may transfer management responsibility over all or a portion of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Alaska Permanent Fund Corporation.

(b) By March 15 of each year, the Department of Revenue shall, after consulting with the Alaska Permanent Fund Corporation, prepare a report setting out the balance in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) on January 1 and on December 31 of the previous calendar year. The report shall state the nominal, real, and realized return on the budget reserve fund compared to the nominal, real, and realized return on the permanent fund and the general fund during the previous calendar year.