A bill for an act
relating to the budget reserve; modifying priorities for additional revenues in general fund forecasts; requiring a report; appropriating money; amending Minnesota Statutes 2008, sections 4A.01; 16A.103, subdivisions 1a, 1b, by adding a subdivision; 16A.11, subdivision 1, by adding a subdivision; 16A.152, subdivision 2, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 4A.01, is amended to read:

4A.01 OFFICE OF STRATEGIC AND LONG-RANGE PLANNING.

Subdivision 1. **Creation; duties.** The Office of Strategic and Long-Range Planning is created as an independent agency of state government, with a director appointed by the governor. The director is the state planning officer and is responsible for the coordination, development, assessment, and communication of information, performance measures, planning, and policy concerning the state's future. The director may not hold another state office. The director may contract with another agency for the provision of administrative services.

Subd. 2. **Long-range plan.** By September 15, 2010, and every five years thereafter, the ~~Office of Strategic and Long-Range Planning~~ director must develop an integrated long-range plan for the state based upon the plans and strategies of state agencies, public advice about the future, and other information developed under this chapter. The ~~office~~ director must coordinate activities among all levels of government and must stimulate public interest and participation in the future of the state.

The ~~office~~ director must act in coordination with the commissioner of finance, affected state agencies, and the legislature in the planning and financing of major public programs.

Sec. 2. Minnesota Statutes 2008, section 16A.103, subdivision 1a, is amended to read:

Subd. 1a. **Forecast parameters.** The forecast must assume the continuation of current laws and reasonable estimates of projected growth in the national and state economies and affected populations. Revenue must be estimated for all sources provided for in current law. Expenditures must be estimated for all obligations imposed by law and those projected to occur as a result of inflation and other variables outside the control of the legislature. ~~Expenditure estimates must not include an allowance for inflation.~~

Sec. 3. Minnesota Statutes 2008, section 16A.103, subdivision 1b, is amended to read:

Subd. 1b. **Forecast variable.** In determining the rate of inflation, the application of inflation, the amount of state bonding as it affects debt service, the calculation of investment income, and the other variables to be included in the expenditure part of the forecast, the commissioner must consult with the chairs and lead minority members of the senate ~~State Government~~ Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff. This consultation must occur at least three weeks before the forecast is to be released. No later than two weeks prior to the release of the forecast, the commissioner must inform the chairs and lead minority members of the senate ~~State Government~~ Finance Committee and the house of representatives Ways and Means Committee, and legislative fiscal staff of any changes in these variables from the previous forecast.

Sec. 4. Minnesota Statutes 2008, section 16A.103, is amended by adding a subdivision to read:

Subd. 1h. **Demographic trends analysis.** Each November forecast must include an analysis of projected state demographic changes and the implications of those demographic trends for state revenues and expenditures for ten and 20 years beyond the forecast period under subdivision 1g.

EFFECTIVE DATE. This section is effective beginning with the November 2010 state budget forecast.

Sec. 5. Minnesota Statutes 2008, section 16A.11, subdivision 1, is amended to read:

Subdivision 1. **When.** The governor shall submit a three-part budget to the legislature. Parts one and two, the budget message and detailed operating budget, must be submitted by the fourth Tuesday in January in each odd-numbered year. However, in a year following the election of a governor who had not been governor the previous year, parts one and two must be submitted by the third Tuesday in February. Part three, the detailed recommendations as to capital expenditure, must be submitted as follows: agency capital budget requests by July 15 of each odd-numbered year, and governor's recommendations by January 15 of each even-numbered year. Detailed recommendations as to information technology expenditure must be submitted as part of the detailed operating budget. Information technology recommendations must include projects to be funded during the next biennium and planning estimates for an additional two bienniums. Information technology recommendations must specify purposes of the funding such as infrastructure, hardware, software, or training. Within two weeks following the February forecast of odd-numbered years, the governor must submit revisions to the proposed budget to address any changes in the forecast.

Sec. 6. Minnesota Statutes 2008, section 16A.11, is amended by adding a subdivision to read:

Subd. 8. **Structurally balanced budget.** Biennial budget recommendations submitted by the governor must include recommendations for eliminating any shortfall between projected revenues and spending for the following biennium.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2008, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches $350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches ~~$653,000,000~~ an amount equal to two percent of general fund expenditures and transfers for the preceding biennium;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; ~~and~~

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, paragraph (b), ~~and Laws 2003, First Special Session chapter 9,~~

~~article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20,~~ by the same amount; and

(5) 25 percent to the budget reserve account established in subdivision 1a until that account reaches an amount equal to five percent of the general fund expenditures and transfers for the preceding biennium.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

~~(c) To the extent that a positive unrestricted budgetary general fund balance is projected, appropriations under this section must be made before section 16A.1522 takes effect.~~

~~(d)~~ (c) The commissioner of finance shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2008, section 16A.152, is amended by adding a subdivision to read:

Subd. 8. **Report on budget reserve percentage.** (a) The commissioner of finance must periodically review the formula developed as part of the Budget Trends Study Commission authorized by Laws 2007, chapter 148, article 2, section 81, to estimate the percentage of the preceding biennium's general fund expenditures and transfers recommended as a budget reserve.

(b) The commissioner must annually review the variables and coefficients in the formula used to model the base of the general fund taxes and the mix of taxes that provide revenues to the general fund. If the commissioner determines that the variables and coefficients have changed enough to result in a change in the percentage of the preceding biennium's general fund expenditures and transfers recommended as a budget reserve, the commissioner must update the variables and coefficients in the formula to reflect the current base and mix of general fund taxes.

(c) Every ten years, the commissioner must review the methodology underlying the formula, taking into consideration relevant economic literature from the past ten years, and determine if the formula remains adequate as a tool for estimating the percentage of the preceding biennium's general fund expenditures and transfers recommended as a budget reserve. If the commissioner determines that the methodology underlying the formula is outdated, the commissioner must revise the formula.

(d) By January 15 of each year, the commissioner must report to the chairs of the house of representatives Committee on Ways and Means and the senate Committee on Finance, in compliance with sections 3.195 and 3.197, on the percentage of the preceding biennium's general fund expenditures and transfers recommended as a budget reserve. The report must specify:

(1) if the commissioner updated the variables and coefficients in the formula to reflect significant changes to either the base of one or more general fund taxes or to the mix of taxes that provide revenues to the general fund as provided in paragraph (b);

(2) if the commissioner revised the formula after determining the methodology was outdated as provided in paragraph (c); and

(3) if the percentage of the preceding biennium's general fund expenditures and transfers recommended as a budget reserve has changed as a result of an update of or a revision to the formula.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. **CASH FLOW STUDY.**

By January 15, 2010, the commissioner of finance must submit to the chair of the Finance Committee in the senate and the chair of the Ways and Means Committee in the house of representatives, a report on the cash flow condition of the general fund for the fiscal year 2010-2011 biennium and the following biennium, including an assessment of the options for improving the long-term cash flow of the state through changes in the timing of general fund payment dates, revenue collections, or other changes. In addition, the report should identify all major provisions of law that result in state expenditures or revenues being recognized in budget documents in a fiscal year earlier or later than the fiscal year in which the obligation to pay state expenses was incurred or the liability to pay state taxes was incurred.

Sec. 10. **TRANSFER OF STAFF AND RESOURCES.**

The responsibilities, staff, and resources of the Office of Geographic and Demographic Analysis in state and community services are transferred under Minnesota Statutes, section 15.039, to the Office of Strategic and Long-Range Planning.

Sec. 11. **APPROPRIATIONS.**

$....... for the fiscal year ending June 30, 2010, and $....... for the fiscal year ending June 30, 2011, is appropriated from the general fund to the director of the Office of Strategic and Long-Range Planning for the purposes of Minnesota Statutes, sections 4A.01 to 4A.07.