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June 5, 2001 Joint Committee on Finance Paper #241

Treatment of Budget Surpluses and Deficits (Budget Management and Compensation Reserves)

[LFB 2001-03 Budget Summary: Page 154, # 4 (part)]

CURRENT LAW

There is a budget stabilization fund which has a current estimated balance of approximately $36. Aside from donations to the fund, revenues to the fund come from any direct appropriation by the Legislature of monies into the fund. Expenditures of monies from the fund also occur only as a result of direct appropriation from the fund. The provisions establishing the fund specify that monies in the fund are reserved to provide for state revenue stability during periods of below-normal economic activity when actual state general fund revenues are lower than the level of revenues that were estimated to be received when the budget was enacted.

GOVERNOR

Establish an automatic procedure for the transfer of certain revenue amounts to the budget stabilization fund. Require that the Secretary of DOA annually calculate the difference between the amount of taxes estimated in the biennial budget act for a given fiscal year and the amount of taxes actually collected. Provide that if the amount of taxes actually collected exceeded the amounts estimated, the Secretary shall transfer (subject to certain conditions) 50% of the additional revenues to the budget stabilization fund and (subject to certain conditions) 50% to a new tax relief fund that would be created under the bill. Repeal the current limitation that transfers from the budget stabilization fund be made only when there is a decline in state revenues from the levels projected in the adopted budget. Instead, modify the current law provision which requires that, in the event of a revenue shortfall after the enactment of budget that is greater than 0.5% of gross GPR appropriations the Governor submit recommendations to the Legislature for dealing with the shortfall, to include the requirement that such recommendations shall include a recommendation as to whether monies should be transferred from the budget stabilization fund to the general fund. [Note: Provisions regarding the expenditure of monies from the proposed new tax relief fund are summarized and reviewed in a separate issue paper entitled "Tax Relief Fund Tax Credit" (Issue Paper #242).]

DISCUSSION POINTS

1. The budget stabilization fund was created by 1985 Wisconsin Act 120 (the 1986 budget adjustment bill). The creation of the fund occurred after the state (and much of the nation) had endured a difficult economic downturn during the early 1980's that necessitated budget reductions in a number of this state's programs and agencies. This was the case in many states at the time and a number of these states created "rainy day" or budget stabilization funds for the purpose of setting aside funds for a time period when state revenues might grow much more slowly than earlier estimated or actually decrease from prior levels. In addition to creating the budget stabilization fund, Act 120 also required that the Secretary of Administration recommend an amount of GPR monies that should be transferred into the fund in the succeeding (1987-89) budget. However, no such recommendation was ever provided.

2. Since the creation of the fund by Act 120, the fund and funding structure have remained in the statutes but no appropriation of monies into the fund has ever been made. Until 1998, the balance in the fund remained at zero. In that year, Representative Doris Hanson and Mr. Nathan Henry donated $10 and $2 respectively to the fund. Then, in April of this year, an additional $21.50 was donated to the fund by co-workers of departing State Budget Director Rick Chandler. Today, with estimated interest, the balance in the fund is projected to be about $36.

3. The most recent comprehensive survey data available from the National Conference of State Legislatures (NCSL) indicates that some 44 states have established a general "rainy day" or budget stabilization fund of some kind. Three of those states have more than one such fund. While the mechanisms governing how revenues to the funds are provided, the amount of fund balance permitted, and the specific procedure for transfer of monies from the funds vary considerably among the states, the provisions in the states are much more similar when it comes to the question of conditions under which transfer of monies from the budget stabilization fund to the general fund is permitted. Generally, if there are conditions established on the withdrawal of monies from these funds, they focus on the occurrence of revenue downturns or the development of projected deficit conditions in the states' general funds.

4. Arguably, since Wisconsin has had a budget stabilization fund for some 15 years, a decision to eliminate that fund is not necessarily at issue. At the same time, however, proponents of having such a fund might argue that if there is not a meaningful mechanism to get revenues into that fund so that monies are there when fiscal exigencies develop, perhaps the fund should be repealed. At an overall level, options for the Committee, in addition to approving the Governor's recommendation, would be to delete the provisions relating to a tax relief fund, to not approve the Governor's recommendations by maintaining current law, and to repeal the existing budget stabilization fund.

5. The Committee could delete the proposed changes to the budget stabilization fund and/or and the proposed creation of a tax relief fund. Instead, the Committee could add a provision to current law to require that a Governor's biennial budget recommendations include a statement with regard to the Governor's recommendation for appropriating to the budget stabilization fund any of the unreserved, undesignated general fund balance as of June 30 of the odd-numbered year preceding that biennial budget.

6. In reviewing this overall issue, if the Committee believes that Wisconsin should continue to have such a fund, then consideration of the details of the Governor's proposal could be focused on three areas: (a) should some mechanism be established by which monies are automatically transferred to the fund, such as under the Governor's recommendation, or should the current mechanism be retained as it is, where the Governor and the Legislature must act to place monies in the fund? (b) should there be a maximum on the amount that can be accumulated in such a fund and if so, how should that amount be established? and (c) what provisions, if any, should exist with respect to when monies can be withdrawn from the fund?

Automatic Appropriation of Revenues to the Budget Stabilization Fund

7. *Governor's Provision.* Under current law, funds are transferred to the budget stabilization fund only when the Governor and the Legislature agree to make an appropriation from the general fund into the budget stabilization fund. Under the bill, there would be an automatic transfer each year via a sum sufficient appropriation, if certain conditions obtain. The bill provides that the Secretary of Administration shall annually transfer to the budget stabilization fund 50% of the amount of difference, if any, between the total taxes actually collected in a given fiscal year and the amount of taxes that were estimated to be collected under the biennial budget act. However, this transfer would not occur if the balance in the fund on June 30th of that fiscal year equaled at least 5% of estimated general fund expenditures for that fiscal year. Further, the amount of any transfer that would otherwise occur would have to be reduced by the amount by which such transfer would result in the ending balance for that year being lower than the required statutory balance for that year. Finally, the bill provides that the remainder of any taxes actually collected in a given fiscal year that are in excess of the amount of taxes that were estimated to be collected for that fiscal year under the under the biennial budget act and not transferred to the budget stabilization fund would be transferred to a new tax relief fund that would also be created under the bill.

8. Just as with other statutory provisions, a statutory requirement for transfer of monies to the budget stabilization fund could be subsequently modified or repealed by another legislative act. For example, a subsequent bill could contain a provision to circumvent or supercede this statutory requirement for the automatic transfer of monies to the budget stabilization fund.

9. If the Committee believes that overall the Governor's proposal represents a desirable change towards ensuring that revenues will flow to the fund on a somewhat regular basis, then it could approve the Governor's recommendations.

10. However, the Committee could consider the following technical modifications to the

provision. The first concern is that, under the bill, the calculation of how much actual tax collections exceeded, if any, estimated tax collections establishes as the reference point for what estimated taxes were the biennial budget act. There are at least three situations under which that will not reflect the final legislative estimate of tax collections for a given fiscal year. The first situation involves legislative sessions in which a budget adjustment or other type of fiscal modification bill is enacted as an update or general modification to the biennial budget bill. Typically, during consideration of such a bill, the Legislature will be apprised of any updates in projected revenues to be received in the fiscal biennium and adopt those revised revenue estimates in acting on a budget adjustment bill. The second situation is that, following the enactment of the biennial budget bill, the Legislature may enact separate tax legislation which affects the previously estimated level of tax collections for the budget biennium. The third situation is that under current law, following the conclusion the last regular floor period of the Legislature, the Department of Administration must submit to the Joint Committee of Finance for its approval a final compilation of the authorized appropriations for the fiscal biennium including the general fund condition statement, which contains the final estimate of taxes to be collected in each fiscal year based on update estimates that are prepared in January of the even-numbered calendar year. Unless the expectation is that no fiscal changes are to be made to the budget once the biennial budget is passed, it could be argued that the final budgeted level of taxes would be the better reference point for the Secretary of Administration to use in calculating what revenues, if any, are available to transfer to the budget stabilization fund since tax and spending decisions in a biennial legislative session do not end simply with enactment of the biennial budget.

11. A second concern is that under the bill there is no date specified for when the Secretary has to make any transfer, although it could be presumed that the transfer would have to occur after the close of the fiscal year so that amount of actual tax collections for the fiscal year would be known. The common information point for actual tax collections, actual expenditures and the ending general fund balance is the state annual fiscal report. This report has to be issued by the October 15th following the June 30th close of a given fiscal year. Since the transfer cannot take place before the final tax collections for the fiscal year are known, the Committee could add a provision to specify that the annual transfer, if any, by the Secretary of Administration would have to occur no later than the October 15th following the close of a fiscal year, but specify that the transaction would be charged to that fiscal year for which the tax collections are compared.

12. A third concern is that under the bill, any proposed transfer amount that might be calculated by the Secretary must be reduced by any amount by which such transfer would result in the actual ending general fund balance for the fiscal year being less than the required statutory reserve. The proposed language refers to the minimum general fund balance required under the statute. It is unclear what the term "minimum" balance means. The statutory reference is to a citation headed "required general fund balance." And that is the same balance figure that is indicated in the general fund condition as the "required statutory balance." To ensure clarity, the Committee could substitute the statutory title "required general fund balance" for the term "minimum general fund balance."

13. The Committee could also consider the following substantive modifications to the

Governor's proposed transfer mechanism.

14. From information in the NCSL survey, of the 49 funding mechanisms identified (some states had more than one fund or more than one funding mechanism) there were 22 reported uses of the required transfer of some or all of year-end general fund balances to the budget stabilization funds. The second most predominant method was by specific appropriation (10 uses) and the third most frequently used method (eight instances) involved transferring amounts based on actual revenues received in excess of budgeted revenue levels or above certain levels of state personal income growth. There were four uses of some type of automatic appropriation based on a formula calculation (for example, percentage of total general fund revenues collected) and five miscellaneous types of uses.

15. The Committee could provide that, instead of the Governor's language, there be a requirement that the Governor and the Legislature appropriate a specific amount per year to the budget stabilization fund, beginning in 2003-04. The requirement could be established at $59 million or $118 million per year which would represent about 0.5% or 1%, respectively, of gross GPR appropriations for 2002-03 under the bill.

16. Alternatively, a requirement could be established that, beginning in fiscal year 2001-02, either 25%, 50% or 100% of the unrestricted, unreserved general fund balance at the end of a fiscal biennium be transferred to the budget stabilization fund. The use of surpluses or unrestricted general fund balances would differ from the Governor's proposal in that increases or decreases in revenues and increases or decreases in expenditures from the budgeted (planned) levels would all be taken into account when considering amounts available for transfer and only the net available monies at the end of a fiscal biennium would be transferred. Under the Governor's proposal, any expenditures that are below the "estimated expenditures" would not be subject to transfer and conversely, if actual expenditures were above estimated expenditures, under the bill any extra revenues would transfer to the budget stabilization fund even if expenditures were greater than expected, so long as the required statutory balance would not be reduced as a result of the transfer. The unrestricted, unreserved balance for the end of each of the last five fiscal biennia.

TABLE 2

Unreserved, Undesignated Ending General Fund Balances
($ in Millions)

Fiscal Year	Balance
1998-99	701.3
1996-97	327.1
1994-95	400.9
1992-93	153.5
1990-91	113.6

Automatic Appropriation of Revenues to the Tax Relief Fund

17. Under current law, there is no tax relief fund. Under the bill, a tax relief fund is created to accumulate monies to be used to provide a non-refundable individual income tax credit to state taxpayers when the balance in the fund exceeds $25 million. The issue of how this tax credit provision would operate is discussed in a separate issue paper (Issue Paper #242). The discussion here is limited to how revenues to the tax relief fund would be generated and the interplay of that revenue provision with the provision of revenues to the budget stabilization fund.

18. *Governor's Provision.* Under the bill, 50% of any increase in actual tax collections in a given fiscal year above the level of taxes that were estimated in the biennial budget act to be collected for that year would be transferred to the budget stabilization fund, subject to certain conditions. Of the total difference between increased actual tax collections over estimated taxes, any amounts available that were not transferred to the budget stabilization fund would then be transferred to the new tax relief fund. For example, if there were available revenues of $100 million to transfer under this provision and exactly $50 million were transferred to the budget stabilization, then the remaining $50 million would be transferred to the tax relief fund. However, if the budget stabilization fund was at its capped maximum fund balance (discussed below), then the entire $100 million in this example would be transferred to the tax relief fund. Similarly, because of the prohibition on any transfer of revenues to the budget stabilization fund that would result in a reduction in the required statutory reserve, if only $40 million could be transferred to the budget stabilization fund, then the remaining $60 million would be transferred to the tax relief fund.

19. An overall question for the Committee to consider with regard to the tax relief fund is whether it wants to create such a fund. If it does, the Committee could approve the Governor's recommendations. If it does not, the Committee could simply delete those provisions from the bill and consider the remaining issues related to the budget stabilization fund. If the Committee takes that action, it would not need to consider Issue Paper #242.

20. Alternatively, the Committee may believe that the creation of such a fund has merit but that full funding of the budget stabilization fund should have first priority. Under that approach, the Committee could modify the provisions in the bill to provide that no monies would be transferred to tax relief fund until such time as the maximum balance (under the Governor's recommendation) in the fund had been reached and further to specify that whenever the maximum balance in the budget stabilization fund might be subsequently reduced, then restoring the balance in the budget stabilization fund would take priority over any transfers to the tax relief fund.

21. If the Committee were to adopt a fixed dollar or percent of ending surplus transfer provision in lieu of the Governor's recommendation, as reviewed under discussion points #15 and #16 above, it would be possible to consider a similar funding appropriation for the tax relief fund also. However, since the intent here is presumably to return to taxpayers in effect some of any surplus, the direct appropriations method does not seem a logical approach for this item. The

Committee could, however, substitute the transfer of half of any one of the surplus transfers outlined in discussion point #16 as the amount to be transferred to the tax relief fund. For example, if the Committee decided that a total of 50% of any surplus at the end of a biennium should be transferred, it could provide that half of that surplus to be transferred (25% of the total available surplus) be transferred to the budget stabilization fund and half (25% of the total available surplus) be transferred to the tax relief fund.

22. If the Committee wishes to retain the general framework of the provisions in the bill relating to funding of the budget stabilization and tax relief funds, it could consider one technical modification. Under the bill, any transfer to the budget stabilization that would be required under the transfer calculations would have to be reduced by the amount that such transfer would cause the ending general fund balance to be less than the required statutory balance. However, under the bill, no such limitation applies to any calculated transfer to the tax relief fund. The Committee could add such a limitation to that transfer provision.

Maximum Balance of the Budget Stabilization Fund

23. *Governor's Provision.* Under current law, there is no maximum on the amount of monies that may be accumulated in the budget stabilization fund. Under the bill, if the balance of the budget stabilization fund on June 30 of any fiscal year totals at least 5% of the estimated general fund expenditures for that year, no transfer of monies to the budget stabilization fund would occur and any monies available for transfer would instead all be transferred to the new tax relief fund. There is no item called "estimated expenditures" under the general fund condition statement. Assuming however that the intended reference is to "total expenditures" in the condition statement, then under the bill, that 5% limit would be about $576 million for 2001-02 and $593 million for 2002-03.

24. From information in the NCSL survey, there were 12 cases of funds with no established cap amount and 36 cases of funds with an established cap amount (some states have more than one fund). Of the 36 funds with a reported cap on the maximum permitted balance in the fund, the vast majority (24 funds) had a cap based on a percentage of state revenues and the percentage level ranged from a low of 2% to a high of 10% (although one state, Michigan, has a reported 25% cap on its Countercyclical Budget and Economic Stabilization Fund). Another nine funds had caps that were based on a percentage of general fund appropriations (one fund uses expenditures) and these percentage levels ranged from a low of 2% to a high of 8%. The remaining three funds had caps that were some fixed dollar amount.

25. Setting a cap on the budget stabilization fund in the manner proposed by the Governor would allow the cap to grow as the size of the state general fund budget grows as opposed to being a set dollar amount. In one sense, setting a cap on such a fund can be seen as establishing an expectation of what amount of reserve is seen as adequate for the purposes for which the fund is designed. If the budget stabilization fund is seen primarily in the context of a contingency reserve for potential deficit situations during a fiscal biennium after the enactment of a biennial budget (due to actual revenues being less than projected or actual expenditures being more than projected), then

a lower level of maximum fund balance might be envisioned than if the purpose of the fund is intended to also provide reserves to be available for use in a future biennium when no growth or negative growth in state taxes might be projected due to economic conditions. Most states' budget stabilization funds address only deficit situations within a given adopted budget, as has been the intent with Wisconsin's budget stabilization fund.

26. However, two states' funds are of interest in that these funds appear to also allow the use of the funds to address a decline in revenue growth anticipated in a future budget from the revenue levels of the current budget. Louisiana's Revenue Stabilization - Mineral Trust Fund (which is constitutionally established) allows the use of moneys from this fund (up to 1/3 of the balance) for situations when the official forecast for revenues for a fiscal year is less than the revenues actually received by the state in the preceding fiscal year. However, a two-thirds affirmative vote of the Legislature is required for such use. Funds from the Economic Stabilization Fund (constitutionally established) in Texas can be used for situations where the estimated revenues for a succeeding biennium are less than projected actual revenues for the current biennium. However, a three-fifths affirmative vote of the Legislature is required for such use. There is no reported cap on Louisiana's fund and there is a cap on Texas's fund of 10% of general fund deposits during the preceding biennium.

27. Some analysts of state fiscal affairs have suggested a rule of thumb for state contingency type reserves of 3 to 5% of the total budget. If the Committee believes a goal of having a maximum budget stabilization balance equal to 5% of the budget is desirable one, it could adopt the Governor's recommendation in this area. Alternatively, the Committee could choose to have a higher percentage cap amount such as 7% or 10%.

28. The Committee could consider two modifications to the calculation of the cap amount as proposed by the Governor. First, under the bill, the 5% cap is believed to apply to what is shown in the general fund condition statement as "total expenditures". Under the bill, this would include gross GPR appropriations, compensation reserves, transfers to the Tobacco Control Fund and the deductions for estimated overall lapses from appropriated levels. However, the existing law provision relating to the statutory required reserve in each fiscal year is calculated based on taking the specified percentage (1.2% for each year under the bill) times gross GPR appropriations plus compensation reserves. If this higher budget appropriation level were used (rather than including estimated lapses and transfers) for calculating the balance cap for the budget stabilization fund, the cap amount under the bill would be about $93 million higher for 2001-02 and about $91 million higher for 2002-03 (the estimated total cap amount for 2001-02 would be $669 million and for 2002-03 the estimated cap amount would be $684 million).

29. A second consideration, however, is that if the 5% figure were selected as the goal for the desirable amount of a contingency reserve, it could be argued that in dollar terms that should be determined by both the amount available in any given year under the statutory balance requirement (which is currently scheduled to increase in increments to a maximum of 2% beginning in 2005-06) and the maximum amount that could be available in the budget stabilization fund. Under this approach, this would mean that the cap amount should be changed so a specific

maximum percentage would be set in the statutes and that then the net percentage cap amount for the fund in any year would be that maximum less the statutory balance percentage requirement required in each budget. Thus, in 2005-06, for example, if the Governor's 5% cap level were the gross contingency reserve amount, then with a statutory reserve requirement of 2% for that year, the net cap on the balance in the budget stabilization fund would be 3%. Alternatively, under this approach, if the Committee believes that a prudent total contingency reserve (statutory reserve plus maximum budget stabilization fund balance) ought to be higher than a total of 5%, it could approve a higher gross percentage cap amount of 7% or 10%. This would mean then, for example, that in 2005-06, the gross percentage cap amount on the budget stabilization fund would be 7% (or 10%), but with the 2% statutory reserve percentage, the net percentage cap on the fund would be 5% (or 7%).

30. A technical concern with regard to this provision is that the cap amount refers to 5% of estimated expenditures. There is no such term in the general fund condition statement (referred to in the bill language as "summary"). If the change outlined in the discussion point above were made, this concern would not need to be addressed. If, however, the language of the bill in this area is retained, the reference to "estimated expenditures" should be replaced with "total expenditures" which would reference the total, under the condition statement, of all GPR appropriations, reserves and transfers less estimated lapses.

Withdrawals From the Budget Stabilization Fund

31. *Governor's Provision.* Under current law, any withdrawal from the budget stabilization fund is by legislative appropriation from the fund. The current appropriation language contains no other specification regarding withdrawals. However, the statutory language establishing the fund contains the purpose statement that monies in the fund are reserved to provide state revenue stability during periods of below-normal economic activity when actual state revenues are lower than the level of revenues estimated in the general fund condition statement. This condition statement is initially established in the biennial budget act, but is subsequently revised to reflect all actions of the Legislature before being published in the biennial edition of the statutes. Under the bill, the language creating the fund, including the above provisions, is repealed. The new language reestablishing the fund simply specifies that the fund consists of monies transferred to the fund under the new transfer provisions created elsewhere in the bill. Thus, no purpose statement would remain.

32. However, the bill would add a provision to current law relating to the one possible use of monies in the fund. Under current law, if the Secretary of Administration determines at any time after enactment of the biennial budget for a biennium that authorized expenditures for either fiscal year will exceed revenues by more than a specified amount, the Secretary must notify the Governor and Legislature of this fact and the Governor is required to submit recommendations to the Legislature for correcting the imbalance. Under the bill, a provision would be added to this section to require that the Governor's recommendations to the Legislature under this provision include an explicit recommendation as to whether monies should be transferred to the general fund from the budget stabilization fund as a part of steps to correct the imbalance.

33. The State Budget Office indicates that the intent of this change is to tie the use of the fund to only those type of revenue shortfall situations specified under s. 16.50 (7). That section of the statutes specifies that if, after enactment of the biennial budget, the Secretary of Administration determines that authorized expenditures in a fiscal year will exceed expected revenues by more than 0.5% of estimated general fund revenues and the Governor is thereby obligated under current law to submit to the Legislature his or her recommendations to address the shortfall. Arguably then, under the bill, if such a situation arises and the Governor chooses not to recommend the use of monies in the budget stabilization fund, such monies cannot be used by the Legislature to address that problem. Further, the intent is that this would be the sole situation where use of the monies in the fund would be statutorily authorized.

34. However, the Legislature could choose to appropriate monies from the budget stabilization fund for other purposes or without a Governor's recommendation to deal with a revenue shortfall. If a given Legislature did so, it is reasonable to assume that the State Supreme Court would likely not hold that appropriation act to have been enacted illegally. The State Supreme Court has held on several occasions that the remedy for noncompliance with this type of procedural provision lies exclusively with the legislative branch.

35. That having been said, the question may still be raised whether the Committee agrees with the proposed elimination of the current purpose statement regarding the use of any available monies in the budget stabilization fund. The language proposed in the bill is intended to specify that the Legislature may use monies in the fund to deal with an imbalance between appropriated levels and available revenues only if the Governor recommends such use to solve such an imbalance situation. Under that view, if the proposed statute were to be followed, the Legislature would not be able to use such funds for this purpose if the Governor had not recommended such an action. As alternatives to these bill provisions, the Committee could: (a) retain the existing language regarding the purposes of the fund; (b) delete the language in the bill regarding use of monies in the bill and instead create a new paragraph under that section which would specify that any bill or amendment to a bill to address a budgetary imbalance problem may include a provision authorizing the use of any available balance in the budget stabilization fund for such purposes; or (c) remove any language regarding uses of monies in the fund.

ALTERNATIVES TO BILL

A. Overall Issue (Budget Stabilization Fund and Tax Relief Fund)

1. Approve the Governor's recommendation.

2. Approve the Governor's recommendation except delete provisions dealing with the creation of and provision of revenues to a tax relief fund.

3. Modify current law only to add a requirement that every recommended biennial budget submitted by a Governor must include a recommendation with regard to how much, if any, of the current fiscal biennium's estimated unreserved, undesignated general fund balance should be appropriated to the budget stabilization fund as it exists under current law.

4. Maintain current law.

5. Delete the Governor's recommendations and, in addition, repeal the current budget stabilization fund.

B. Automatic Appropriation of Revenues to the Budget Stabilization Fund

1. Approve the Governor's recommendation.

2. In addition to alternative B1, make the following technical modifications to the appropriation language: (a) as a reference point for the Secretary of Administration to calculate the amount of available revenues to transfer to the budget stabilization fund, provide that the estimated taxes amounts under the final Chapter 20 schedule approved by the Committee under s. 20.004(2) be the source to be used by the Secretary; (b) specify that the Secretary must make any annual transfer for a fiscal year by the October 15th following the end of a fiscal year but that the transfer would be charged to the fiscal year for which the estimate and actual tax collections are compared; and (c) provide that the exception to the full transfer of a calculated amount to the budget stabilization fund because of a resultant decrease in the required minimum balance be modified by substituting the term " required general fund balance" for the term "minimum general fund balance."

3. Require that, beginning in 2003-04, the Secretary of Administration annually transfer from the general fund to the budget stabilization fund an amount equal to: (a) $59 million GPR; or (b) $118 million GPR.

4. Require that, beginning in 2002-03, the Secretary of Administration transfer from the general fund to the budget stabilization fund at the end of each fiscal biennium, an amount equal to: (a) 25% of the unrestricted, unreserved general fund balance as reported in the state annual fiscal report; or (b) 50% of the unrestricted, unreserved general fund balance as reported in the state annual fiscal report; or (c) 100% of the unrestricted, unreserved general fund balance as reported in the state annual fiscal report.

5. In addition to Alternative 4a, 4b or 4c, add the provision that the required transfer shall be made by the Secretary of Administration by the October 15th following the end of a fiscal year but that the transfer would be charged to the fiscal year for which the surplus calculation was made.

6. Maintain the current law provision for direct appropriation into the budget stabilization fund.

C. Automatic Appropriation of Revenues to the Tax Relief Fund

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to provide that no monies may be transferred to the tax relief fund until such time as the balance in the budget stabilization fund has reached its statutory cap amount and to require that whenever the balance in the budget stabilization fund is below its statutory cap amount, all available monies at the next transfer occasion or occasions shall first be transferred to the budget stabilization fund until its statutory maximum if reached before any monies are transferred to the tax relief fund.

3. In addition to Alternative C1 or C2, add a provision that the amount of any transfer of revenues to the tax relief fund by the Secretary of Administration would have to be reduced by the amount that such transfer would cause the ending general fund balance for that fiscal year to be less than the required general fund balance (statutory reserve).

4. Require that, beginning in 2002-03, one-half of any monies that would be transferred to the budget stabilization fund under either Alternative B3a, B3b or B3c instead be transferred to the tax relief fund.

5. Maintain current law. *[Note: no funding mechanism would be provided for the proposed tax relief fund.]*

D. Maximum Balance of Budget Stabilization Fund

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to provide that the term "total expenditures" be substituted for "estimated expenditures" as the figure against which the cap is to be applied.

3. Modify the Governor's recommendation to provide that the cap amount be set at a fixed percent of "gross appropriations plus compensation reserves" rather than "estimated expenditures." *[Note: Alternatives 2 and 3 cannot both be adopted.]*

4. Modify the Governor's recommendation to provide that the cap percentage amount be either: (a) 7%; or (b) 10%.

5. Modify the Governor's recommendation to provide that the cap percentage amount indicated for the budget stabilization fund would be a gross percentage amount from

which the applicable required statutory reserve percentage would deducted to arrive at the net percentage cap amount for the budget stabilization fund for a given fiscal year. *[Note: This alternative can be adopted only if Alternative 3 is also adopted. However, Alternative D4a or D4b could also be adopted along with alternative. Under this alternative, if the gross percentage cap amount for the budget stabilization fund for a given fiscal year were 7.0% and the statutory balance percentage figure for that year were 1.4% then the net percentage cap amount for the fund for that fiscal year would be 5.6%, but if the statutory balance percentage figure for that fiscal year were 2.0%, then the net percentage cap amount for the fund for that fiscal year would be 5.0%]*

E. Withdrawals From the Budget Stabilization Fund

1. Approve the Governor's recommendation.

2. Delete the Governor's recommendation and instead insert new language specifying that any bill or amendment to a bill that is introduced to deal with a budget imbalance as identified under s. 16.50(7(a) may provide for the appropriation of monies from the budget stabilization fund.

3. Maintain current law with regard to the stated purposes of the budget stabilization fund.

4. Repeal the current law provisions regarding appropriation of monies from the budget stabilization. *[The effect of this alternative would be there would be no statutory definition regarding uses of monies in the fund; the Governor and Legislature would determine through the enactment of fiscal legislation their joint judgment (by passage of a bill by the Legislature and by the approval or veto of that legislation by the Governor) of the appropriate use of monies from the fund on a case by case basis.]*

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