SAVINGS RESERVE COMMITTEE OPTIONS FOR BILL

A) Deposits

1) Revenue Growth

(1) Virginia sets aside 50% of above-trend growth of "tax revenues" based on 6-year average

(2) Tennessee sets aside 10% of year-over-year revenue growth

(3) Idaho has a revenue growth trigger of 4%. When overall revenue growth exceeds 4%, up to 1% of total general fund revenue is transferred.

2) Timing of Deposit/Consideration in Budget

i) Direct Governor to set aside in Governor's Budget Proposal?

ii) Direct NCGA to set aside prior to budget considerations?

B) Target Amount

1) Percentage of operating budget?

i) 8% = $1,575,212,272 (for FY 2015-16)

ii) 10% = $2,106,855,015

iii) 15% = $3,160,282,523

2) Require OSBM/FRD to study appropriate level and use such a report for the number? (Minnesota model on reverse side)

C) Withdrawal Rules/Use of Funds

1) Potential Use of Funds

i) Year-over-year Revenue Decline

ii) Budget Deficit: Any time base budget exceeds projected revenue estimate

iii) Settlements and other Legal Actions

iv) Retroactive Tax Refunds

v) Disasters as defined in G.S. 166A

2) Cap on Withdraws

i) 50% of the Reserve balance?

ii) Percentage of operating budget?

iii) Additional amount if certain vote threshold?

3) Set up **different vote requirements** depending on use? For example, require simple majority if used for purposes described/agreed to under 3a above; require super majority for any other purpose.

D) Constitutional Amendment or Statute

Minnesota Model for Target Amount

Pew ran the Minnesota model using North Carolina data and came back with the following numbers:

	Savings Needed (as a Percent of Revenues) Displayed by Level of Coverage		
State (Volatility)	5 out of 10 downturn scenarios	8 out of 10 downturn scenarios	9 out of 10 downturn scenarios
North Carolina (5.2)	**$1,142.9 (5.4%)**	**$2,151.3 (10.1%)**	**$2,773.1 (13.0%)**
Note: All values assume full coverage for two years. Dollar figures report $ millions. Percentages are of annual revenues.			

The way to read this table is: "If North Carolina wants to save enough money to have two years of funding for 5 out of 10 downturn scenarios, the State needs to put 5.4% of annual revenues into the Savings Reserve. For 9 out of 10 downturn scenarios, the State needs to put 13.0% of annual revenues into the Savings Reserve."

Minnesota Study Language

(a) The commissioner of management and budget shall develop and annually review a methodology for evaluating the adequacy of the budget reserve based on the volatility of Minnesota's general fund tax structure. The review must take into consideration relevant statistical and economic literature. After completing the review, the commissioner may revise the methodology if necessary. The commissioner must use the methodology to annually estimate the percentage of the current biennium's general fund nondedicated revenues recommended as a budget reserve.

(b) By September 30 of each year, the commissioner shall report the percentage of the current biennium's general fund nondedicated revenue that is recommended as a budget reserve to the chairs and ranking minority members of the senate Committee on Finance, the house of representatives Committee on Ways and Means, and the senate and house of representatives Committees on Taxes. The report must also specify:

(1) whether the commissioner revised the recommendation as a result of significant changes in the mix of general fund taxes or the base of one or more general fund taxes;

(2) whether the commissioner revised the recommendation as a result of a revision to the methodology; and

(3) any additional appropriate information.