



**ISSUE BRIEF**

**State General Fund Budget Situation**  
February 2005

*The latest state budget forecast for the state's general fund released by the Department of Finance on February 28, 2005 projects an additional \$175 million balance for the current biennium and a \$466 million deficit for the FY 2006-07 biennium. The FY 2006-07 deficit is \$234 million less than projected in November.*

**The Current Biennium – FY 2004-05**

The November 2004 budget forecast projected a general fund balance of \$495 million for the current biennium ending June 30, 2005. Under current law provisions, that \$495 million was allocated to the cash flow account, budget reserve and to reduce the shift in state aid payments to school districts. This forecast projects additional FY 2004-05 revenue of \$175 million. Under current law, the first \$25 million of that amount is allocated to the budget reserve to replace money appropriated in 2005 Laws, Chapter 2 for various deficiency purposes. The remaining \$150 million is allocated for an additional reduction in the shift of state aid payments to school districts. Those payments are changed from 81.9 percent current year/ 18.1 percent next year to 84.3 percent current year/15.7 percent next year.

Since the November 2004 forecast, legislation (2005 Laws, Chapter 2) has been enacted spending \$31 million and anticipating \$6 million in revenues. Amounts from that bill are included in the February forecast.

The following chart illustrates budget changes since the November 2004 forecast.

<u>FY 2004-05 General Fund Changes from November 2004</u>	
Change (Increase) in Revenues	\$150 million
Change (Decrease) in Expenditures	<u>-25 million</u>
Net Change	\$175 million

Under current law, the balance shown in the February forecast is allocated as follows;

Budget Reserve	\$ 25 million
Education Payment Shift from 81.9%/18.1% to 84.3%/15.7%	150 million

The following chart illustrates the general fund budget situation for FY 2004-05 after the February forecast and after the allocation of balances under current law.

Beginning Balance	\$ 369 million
Revenues and other Resources	28,829 million
Expenditures	28,195 million
Reserves	<u>1,003 million</u>
Balance	\$ 0 million

### Next Biennium – FY 2006-07

The 2005 legislature will be adopting a budget for the biennium beginning July 1, 2005 and ending June 30, 2007. In the November 2004 forecast, projected expenditures for the FY 2006-07 biennium exceeded projected revenues by \$700 million. Expenditures for FY 2006 and 2007 are set at essentially the same level as in FY 2005 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect that amounts needed to fund the formula or entitlement in law. Appropriations in FY 2005 that were considered one time are not continued.

The following chart illustrates the changes since the November forecast. The general fund situation for FY 2006-07 is \$234 million better than projected in November. The February forecast builds in the base level changes in expenditures resulting from passage of Chapter 2, the deficiency bill.

<u>FY 2006-07 General Fund Changes from November 2004</u>	
Change (Increase) in Revenues	\$ 234 million
Change in Expenditures	<u>0 million</u>
Net Change	\$234 million

The projected budget deficit for the FY 2006-07 biennium is \$466 million. The following chart illustrates the general fund budget situation for FY 2006-07.

Revenues	\$ 29,711 million
Expenditures	<u>30,177 million</u>
Balance	-\$ 466 million

Expenditures for FY 2006-07 include no adjustment for inflation unless such an adjustment is specified in law. Applying inflation to state appropriations for FY 2006-07 would increase expenditures by another approximately \$700 million.

**The Following Biennium – FY 2008-09**

When budget decisions are being made for the FY 2006-07 biennium, the implications of those decisions on revenues and expenditures for the FY 2008-09 biennium will be tracked. In this forecast, projections for FY 2008-09 show revenues exceeding expenditures by \$704 million for that biennium.

FY 2008-09 Revenues	\$32,093 million
FY 2008-09 Expenditures	<u>\$31,389 million</u>
Difference	\$ 704 million

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