



ISSUE BRIEF

State General Fund Budget Situation
November 2007

The latest budget forecast for the state's general fund, released by the Department of Finance on November 30, 2007, projects a \$373million negative balance for the current biennium. This forecast also projects a \$211 million negative balance for the FY 2010-11 biennium.

The Previous Biennium – FY 2006-07

The ending balance for FY 2007 was \$106.2 million higher than the amount projected at the end of the 2007 legislative session. Under 2007 legislation in 2007, this amount carries forward into FY 2008 and is available in the current biennium. In addition, \$32.6 million of appropriations carried forward from FY 2007 into FY 2008. The \$32.6 million increases revenue in the FY 2008-09 biennium but also increases projected spending by the same amount.

The Current Biennium – FY 2008-09

At the end of the 2007 regular legislative session, the state was projected to end the FY 2008-09 biennium on June 30, 2009 with a general fund balance of \$373 million. Determination of this amount was based on revenues and expenditures from the February 2005 forecast with modifications for 2007 legislative enactments. This balance, in large part, resulted from the veto of the 2007 Capital Expenditure Bill and 2007 Tax Bill. At the end of the regular session the budget reserve was projected to have a balance of \$653 million and the cash flow account a balance of \$350 million.

Expenditures for disaster relief during the 2007 Special Session resulted in the projected June 30, 2009 general fund balance being \$294 million, a reduction of \$79 million from the end of session estimates. There was no change in the reserves.

The November 2007 budget forecast projects a negative balance of \$373 million for the general fund for the FY 2008-09 biennium. This is a net change of \$667 million from the previous projected balance. The following chart illustrates budget changes since the end of the 2007 Special Session.

FY 2008-09 General Fund Changes from End of 2007 Special Session	
Change (Decrease) in Revenues from End of Session	-\$739.3 million
Change (Increase) in Expenditures from End of Session	+ 66.2 million
Subtotal – FY 2008-09 Changes	\$805.5 million
FY 2006-07 Balance Carried Forward into FY 2008-09	106.2 million
FY 2006-07 Appropriations Carried Forward into FY 2008-09	32.6 million
End of Special Session Balance	293.7 million
Net Adjusted Balance	\$373.0 million

Individual income tax receipts are up slightly - \$31 million from the end of session. This is largely due to projections for future years starting from a higher base in FY 2007. Sales tax receipts are projected to be \$309 million less than at the end of session. Corporate tax revenue is down \$318 million from the end of session estimate. Other significant changes in revenue include mortgage registration tax down \$49 million, deed transfer tax down \$58 million and insurance gross earnings down \$64 million. Investment income is up \$36 million and the statewide property tax revenue is up \$35 million.

Total spending is \$66 million higher than in the end of session projections. Major changes include property tax aids and credits spending up \$45 million and debt service down \$37 million.

The following chart illustrates the general fund budget situation for FY 2008-09.

Beginning Balance Forward	1,241.9 million
Revenues and other Resources	33,072.3 million
Expenditures	<u>34,687.2 million</u>
Balance	- \$ 372.9 million

Next Biennium – FY 2010-11

At the end of the 2007 Special Session, a balance of \$1,169 million was projected for the end of the FY 2010-11 biennium. Now the projected balance for FY 2010-11 is a negative \$211 million. Expenditures for FY 2010-11 include no adjustment for inflation unless such an adjustment is specified in law for the particular program.

<u>FY 2010-11 General Fund Changes From End of Session</u>	
Change (Decrease) in Revenues from End of Session	-\$1,130.0 million
Change (Increase) in Expenditures from End of Session	<u>217.7 million</u>
Net Change	\$1,347.7 million

Major revenue changes from the end of session estimates include a \$276 million reduction in income tax, a \$582 million reduction in sales tax and a \$185 million reduction in corporate taxes.

Education spending is up \$104 million in FY 2010-11 from previous estimates reflecting higher enrollments and the effect of lower property values on equalized aid programs. Spending for property tax aids and credits is up \$83 million.

The following chart illustrates the general fund budget situation for FY 2010-11.

Revenues	\$ 35,713 million
Expenditures	<u>35,924 million</u>
Balance	- \$ 211 million

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