



ISSUE BRIEF

State General Fund Budget Situation
November 2005

The latest budget forecast for the state's general fund, released by the Department of Finance on November 30, 2005, projects a \$689 million positive change for the current biennium. That change plus a \$12 million balance from the end of session results in \$701 million being available for education shift reductions. This forecast also projects a \$595 million positive change for the FY 2008-09 biennium.

The Previous Biennium – FY 2004-05

The ending balance for FY 2005 was \$337 million, an increase above the \$0 projected in the February 2005 forecast (the balance initially projected in that forecast was used to reduce education aid payment shifts). \$20 million of this amount is transferred to the general fund in FY 2006. The remaining \$317 million is transferred to the tax relief account and will remain in that account until accessed by future legislative action.

The Current Biennium – FY 2006-07

At the end of the 2005 legislative session, the state was projected to end the FY 2006-07 biennium on June 30, 2007 with a general fund balance of \$12 million. Determination of this amount was based on revenues and expenditures from the February 2005 forecast with modifications for 2005 legislative enactments. Also, at the end of session the budget reserve was projected to have a balance of \$653 million and the cash flow account a balance of \$350 million.

The November 2005 budget forecast projects a net positive change of \$689 million for the general fund for the FY 2006-07 biennium. The following chart illustrates budget changes since the end of the 2005 session.

<u>FY 2006-07 General Fund Changes from End of 2005 Session</u>	
End of Session Balance	+\$ 12 million
Change (Increase) in Balance Forward from FY 2005	+\$ 73 million
Change (Increase) in Revenues from End of Session	+\$694 million
Change (Increase) in Expenditures from End of Session	-\$ 78 million
Change (Increase) in Spending for Education*	<u>-\$701 million</u>
Net Adjusted Balance	\$ 0 million

* Under current law any projected balance shown in a forecast is appropriated to reduce the education aid payment shift and property tax revenue recognition shift.

Four major revenue sources have increased significantly from the February forecast and end of the 2005 session estimates. Corporate taxes are up \$165 million or 10.9 percent, this is after factoring in a projected \$232 million loss from a court ruling. Sales tax revenues are projected to be \$173 million or 1.9 percent higher and individual income taxes are projected to be \$188 million or 1.4% higher than in the February forecast. Other revenues are up \$176 million or 2.9 percent. Much of this amount (\$117 million) is due to an increase in estate tax revenue - a one-time occurrence.

Projected general fund expenditures in the health and human services area are \$48 million lower than the end of session estimates. This reduction in state spending is due to several changes including lower caseloads in Medical Assistance Families and Children Basic Care and Medical Assistance Long-Term Care Waivers. It also factors in an increase in General Assistance Medical Care enrollment. Projected K-12 Education expenditures are \$18 million higher than the end of session estimates due to higher than projected enrollments.

Spending is up \$53 million across a variety of areas because of spending authorizations from the previous biennium that were allowed to be carried forward into FY 2006. This means an amount that was appropriated for FY 2004 or 2005 was not spent in those years and is likely to be spent in FY 2006 or 2007.

The following chart illustrates the general fund budget situation for FY 2006-07.

Beginning Balance Forward	\$ 73 million
Revenues and other Resources	31,280 million
Expenditures	<u>31,353 million</u>
Balance	\$ 0 million

Next Biennium – FY 2008-09

At the end of the 2005 Legislative sessions, a balance of \$639 million was projected for the end of the FY 2008-09 biennium. Expenditures for FY 2008-09 include no adjustment for inflation unless such an adjustment is specified in law for the particular program.

<u>FY 2008-09 General Fund Changes From End of Session</u>	
Change (Increase) in Revenues from End of Session	\$551 million
Change (Decrease) in Expenditures from End of Session	<u>\$ 44 million</u>
Net Change	\$595 million

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

Revenues	\$33,456 million
Expenditures	<u>\$32,221 million</u>
Balance	\$ 1,235 million

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