



**ISSUE BRIEF**

**State General Fund Budget Situation**  
December 2009

*The latest budget forecast for the state's general fund, released by the Department of Finance on December 2, 2009, projects a \$1.203 billion negative balance for the current biennium. This forecast also projects a \$5.5426 billion negative balance for the FY 2012-13 biennium.*

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

The ending balance for FY 2009 was \$91 million. This was \$136 million lower than the amount projected at the end of the 2009 legislative session. This amount carries forward into FY 2010 and is available in the current biennium. In addition, \$45 million in appropriations are carried forward from FY 2009 into FY 2010. The \$45 million increases revenue in the FY 2010-11 biennium but also increases projected spending by the same amount.

**The Current Biennium – FY 2010-11**

At the end of the 2009 legislative session and after the July Governor's unallotments, the state was projected to end the FY 2010-11 biennium on June 30, 2011 with a general fund balance of \$0. Determination of this amount was based on revenues and expenditures from the February 2009 forecast with modifications for 2009 legislative enactments and unallotments. At the end of the regular session the budget reserve was projected to have a balance of \$0 and the cash flow account a balance of \$350 million.

The November 2009 budget forecast projects a negative balance of \$1.203 billion for the general fund for the FY 2010-11 biennium. The following chart illustrates budget changes since the end of the 2009 session and the July 2009 unallotment.

<u>FY 2010-11 General Fund Changes from July 2009</u>	
Change (Decrease) in Revenues from End of Session	-\$1,155.9 million
Change (Decrease) in Expenditures from End of Session	<u>+44.2 million</u>
Subtotal – FY 2010-11 Changes	-\$1,111.7 million
FY 2008-09 Balance Carried Forward into FY 2010-11	-136.0 million
FY 2008-09 Appropriations Carried Forward into FY 2010-11	<u>+44.8 million</u>
Net Adjusted Balance	\$1,202.7 million

The major change in revenues is an \$827 million decrease in (-5.5 percent) expected individual income tax revenues compared to the amount projected in the February forecast and adjusted for 2009 session changes and unallotment. Sales tax revenues are down \$34 million (-0.4 percent). Corporate tax revenues are projected to be \$54 million higher (+4.4 percent) than the previous estimate. In other revenues a \$48 million transfer from the health care access fund to the general fund was eliminated due to a projected deficit in the health care access fund. Dedicated revenues are down \$104 million but that does

not reflect a reduction in revenue but rather moving that revenue out of the general fund. General fund spending is reduced by a similar amount consistent with this move.

Total spending is \$44.2 million lower than July 2009 projections. Components of that change include a reduction of \$123 million in debt service costs, a \$109 million increase in health and human services and a reduction of \$96 million in dedicated expenditures. The reduction in dedicated expenditures is not a reduction in spending but rather the result of these expenditures being moved out of the general fund.

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

Beginning Balance Forward	\$ 96.9 million
Revenues and other Resources	29,986.5 million
Expenditures	<u>31,286.1 million</u>
Balance	- \$ 1,202.7 million

### Next Biennium – FY 2012-13

As of July 2009 after unallotment, a negative balance of \$4,431 million was projected for the end of the FY 2012-13biennium. Now the projected balance for FY 2012-13 is a negative \$5,426 billion. Expenditures for FY 2012-13 include no adjustment for inflation unless such an adjustment is specified in law for the particular program.

<u>FY 2012-13 General Fund Changes From End of Session</u>	
Change (Decrease) in Revenues from July 2009	-\$1,087 million
Change (Increase) in Expenditures from July 2009	<u>92 million</u>
Net Change	-\$ 995 million

Major revenue changes from the July 2009 estimates include individual income tax revenue being \$733 million lower and corporate taxes being \$142 million higher.

On the spending K-12 education spending is projected to be \$84 million lower and debt service costs are projected to be \$45 million lower. Health and human service spending is projected to be \$77 million higher and tax aids and credits are projected to be \$48 million higher.

The spending change from FY 2010-11 of \$31,286 million to \$38,644 million in FY 2012-13, a change of \$7,358 million or 23.5 percent appears very substantial. There are several one-time items that explain portions of that change. Those include:

- In FY 2010-11\$2,078 million of general fund spending is replaced by federal stimulus funds.
- Projected FY 2012-13 spending includes repayment of \$1,156 billion in education shifts.
- Unallotment of appropriations in FY 2010-11 of \$2,460 billion is one-time and not carried into FY 2012-13.

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

Revenues	\$33,218 million
Expenditures	<u>38,644 million</u>
Balance	- \$ 5,426 million

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