

## Resource Changes for 2006-2008

HB/SB 29 includes a reduction of \$528.3 million in general fund resources available for appropriation in the 2006-08 biennium (below the amount assumed in Chapter 847, as adopted by the 2007 General Assembly). This amount includes: (1) a reduction in balances available of \$100.9 million, (2) a reduction in the general fund revenue forecast of \$345.1 million, and (3) a reduction in transfers of \$82.3 million. This reduction is partially offset by a proposed withdrawal from the Revenue Stabilization Fund (RDF) of \$261.1 million, leaving a net reduction in general fund resources of \$267.2 million. These changes, combined with the \$6.0 million unappropriated balance from last session, leave a resource shortfall of \$261.2 million to be addressed in the proposed budget.

HB/SB 29 proposes a net spending reduction of \$290.1 million, leaving a total of \$28.9 million to be carried forward into the next biennium, as a beginning balance in HB/SB 30.

<b>Reduction in General Fund Resources Available for Appropriation FY 2008</b> (\$ in millions)			
	<b>Original Amount</b>	<b>Revised Amount</b>	<b>Difference</b>
June 30, 2007 Balance	\$0.0	\$1,204.0	\$1,204.0
Adjustments to the Balance	<.1	(1,304.9)	(1,304.9)
Official Revenue Estimates	16,432.4	16,087.3	(345.1)
Transfers	<u>888.6</u>	<u>806.3</u>	<u>(82.3)</u>
<b>Additional GF Resources Available for Appropriation</b>	<b>\$17,321.0</b>	<b>\$16,792.7</b>	<b>(\$528.3)</b>
<b>Plus: Unobligated Balance (Ch. 847)</b>			\$6.0
<b>Plus: Proposed Withdrawal from Rainy Day Fund</b>			261.1
<b>Plus: HB 29 Net New Spending &amp; Budget Reductions</b>			(290.1)
<b>HB/SB 29 Carry Forward Balance</b>			<b>\$28.9</b>

### Changes in the Balance

HB/SB 29, as introduced, assumes a net reduction of \$100.9 million in the balance that is available to apply toward FY 2008 expenditures (Chapter 847 had assumed that \$326.3 million would be available at the end of FY 2007 for appropriation in FY 2008).

Balance adjustments reflect technical changes that are routinely required to restate the Comptroller's year-end report and the proposed disposition of FY 2007 unspent balances. The proposed reappropriation of unspent balances includes: \$854.6 million for active capital projects; \$113.0 million for mandatory carryforwards (Legislative, Judicial and certain Executive balances, i.e., \$20.2 million for economic contingency account and higher education student financial assistance); and \$50.3 million in discretionary balances. Operating balances proposed to be carried forward include \$65.3 million generated by agencies in FY 2007 for the purpose of cushioning the effect of required budget cuts. The proposed reappropriation of unspent balances also includes \$500.0 million earmarked for transportation; however, HB/SB 30 includes a proposal to withhold \$180.0 million of this amount in FY 2009 and reappropriate it in FY 2010. After accounting for all proposed reappropriations of unspent balances, a total of \$96.0 million in unspent balances would revert to help offset the FY 2007 revenue shortfall.

<b>Adjustments to Balance</b> (\$ in millions)	
Comptroller's GF Balance at 6/30/2007	\$1,530.3
Less: Balance Anticipated in Chapter 847	<u>326.3</u>
<b>FY 2007 Remaining Balance</b>	<b>\$1,204.0</b>
<b>Changes to balance:</b>	
Technical: Add FY 08 RDF	119.1
Technical: Add FY 08 payroll reserve	87.2
Technical: Move appropriation from 2nd year	8.7
Unanticipated 2007 Lottery profits	28.6
Natural Disaster match authorized	(30.3)
Reappropriation of capital balances	(854.6)
Reappropriation of operating balances	(163.3)
Reappropriation of GF's for transportation	(500.0)
Federal audit of Internal Svc Fund/cash mgt	<u>(.3)</u>
<b>Total</b>	<b>(\$100.9)</b>

### Changes in Revenue

FY 2007 ended with a general fund revenue shortfall of \$234.4 million. The largest components of the shortfall were an underestimation of the impact of tax policy changes, resulting in higher than anticipated use of the land preservation tax credit and the low income tax credit; and a miscalculation of general fund interest earnings. The ripple effect of this shortfall into FY 2008, along with the assumption that housing-related weakness in the economy will continue, produces a downward revision of \$345.1 million to the FY 2008 GF revenue forecast.

<b>Changes in GF Revenue</b> (\$ in millions )	
	<b><u>FY 2008</u></b>
Individual Income Tax	(\$ 94.2)
Corporate	(47.0)
Sales Tax	(119.1)
Recordation	(34.6)
Insurance Premiums	(7.7)
Other Revenue	(42.5)
<b>Total Changes</b>	<b>(\$345.1)</b>

The projected FY 2008 general fund growth rate is 3.3 percent (3.6 percent economic growth, if you exclude the effect of estate tax elimination). Actual performance through November is shown below.

<b>Estimate of General Fund Taxes By Source FY 2008</b> (\$ in millions)			
	<b>December Forecast</b>		<b>YTD thru Nov., 2007</b>
	<b><u>FY 08</u></b>	<b><u>% Growth</u></b>	<b><u>% Growth</u></b>
Net Individual	\$10,421.1	6.5%	6.8%
Corporate	747.9	(15.0)%	(26.7%)
Sales	3,136.0	2.8%	2.8%
Recordation	520.3	(10.7)%	(15.3%)
Insurance	403.4	4.8%	5.8%
All Other	<u>858.6</u>	(2.6)%	11.7%
<b>Total Revenues</b>	<b>\$16,087.3</b>	<b>3.3%</b>	<b>3.6%</b>
<i>*Note: Growth through November, 2007 would be 3.2 percent, if interest earnings for October and November that will be transferred in January are excluded from GF revenue.</i>			

### Changes in Transfers

HB/SB 29 assumes a lottery profit increase for FY 2008 of \$47.8 million and increased ABC profits of \$5.2 million, based on actual performance in FY 2007. The introduced bill also reflects the loss of a projected transfer to the general fund of \$120.4 million from the Revenue Stabilization Fund refund, as a refund of the amount deposited in excess of the Constitutional

cap. With the proposed withdrawal of \$261.1 million from the Fund, the cap will no longer be exceeded.

<b>Changes in Transfers</b> (\$ in millions )	
	<b><u>FY 2008</u></b>
Increased Lottery profits	\$ 47.8
Increased ABC profits	5.2
¼ percent Sales Tax to K-12	(6.3)
Cancel refund from RDF	(120.4)
Delay sale of ABC office	(15.0)
Eliminate VITA savings	(3.4)
Capture NGF balances (Oct. plan: State Pol/DJJ/DCJS)	4.3
IDEA Fund interest	1.4
Court debt collections	2.1
Inc. Vital Records Fee (Oct. plan)	.9
Miscellaneous other	<u>1.1</u>
<b>Total Changes</b>	<b>(\$82.3)</b>