Budgeting for FY 2012 and Beyond

January 11, 2011

Appropriations Subcommittee Meetings
State Budget Background

Sources of FY 2011 Revenue

- General Fund: 25%
- Education Fund: 23%
- Federal Funds: 22%
- Other: 17%
- Dedicated Credits: 7%
- Federal Funds - ARRA: 6%
- Transport Fund: 5%

- Federal Funds: 25%
- Education Fund: 23%
- Other: 22%
- Dedicated Credits: 17%
- Federal Funds - ARRA: 12%
- Transport Fund: 8%
State Budget Background

Categories of FY 2011 Expenditure

- Public Education: 28%
- Health & Human Service: 23%
- Transportation: 7%
- General Gov't: 21%
- Debt Service: 3%
- Capital Facilities: 2%
- Higher Education: 10%
- Law Enforcement: 6%
Challenges
Revenue History
Challenges
Current Commitments

Structural Deficit:
Ongoing commitments exceed ongoing revenue (like making a car payment out of a savings account).

We need $313 million to maintain CURRENT commitments starting July 1 (FY 2012).
Where Are We for FY11-FY12?

- **Revenue (in M):**
  - Base $4,387
  - FY11 Growth $6
  - FY12 Growth $216
  - Total $4,609

- **Approps (in M):**
  - Base $4,700
  - FY11 Growth $?
  - FY12 Growth $?
  - Total $4,700+/-

(Gov says $4.9 B and does not address $29 M in new FY 2012 Medicaid Growth)
Funding Pressure
Education

Total Fall Enrollment in Kindergarten - 12th Grade
Actual 2000-2009 - Projected 2010-2019

School Year - Beginning in Fall

Funding Pressure - Current Projections (Without Federal Health Care Reform)

Medicaid as % of All General and Education Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>FY 1999</td>
<td>6%</td>
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<td>FY 2000</td>
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<td>FY 2001</td>
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<td>FY 2002</td>
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<td>FY 2003</td>
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<td>FY 2019</td>
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<tr>
<td>FY 2020</td>
<td>13%</td>
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Funding Pressure - Projections With Federal Health Care Reform

Medicaid as % of All General and Education Funds

- FY 1999: 6%
- FY 2000: 6%
- FY 2001: 6%
- FY 2002: 6%
- FY 2003: 6%
- FY 2004: 6%
- FY 2005: 6%
- FY 2006: 6%
- FY 2007: 6%
- FY 2008: 6%
- FY 2009: 6%
- FY 2010: 6%
- FY 2011*: 9%
- FY 2012*: 9%
- FY 2013*: 9%
- FY 2014*: 9%
- FY 2015*: 9%
- FY 2016*: 9%
- FY 2017*: 9%
- FY 2018*: 9%
- FY 2019*: 9%
- FY 2020*: 16%
Funding Pressure - Projections If All Privately Insured Drop Coverage and go on Medicaid

Medicaid as % of All General and Education Funds

- 6%
- 9%
- 17%

1/13/2011
Funding Pressure

Retirement

15.85% increase in FY 12
The Hole Defined in Millions

**Spending**

- Structural Deficit = $313
- 2012 School Kids = $80
- 2011 School Kids = $70
- Medicaid/CHIP = $91
- Retirement = $41
- Health Insurance = $38
- Bond Coverage = $15
- Settlements = $5

**TOTAL** = $653

**Revenue**

- FY 2012 = $216

**Difference**

$437 m left to fill.
Reserves Not Enough
Rainy Day Fund Balances
Where do we go from here?

EAC motion, 12/14/10:

“Prepare and number a base budget bill equal to ongoing state funds in the current year, adjusted to a level that eliminates the structural deficit.”

$313M structural deficit = 7%
<table>
<thead>
<tr>
<th>JR4-5-201: Each legislator shall receive a copy of each base budget bill for the next fiscal year by calendared floor time on the first day of the annual general session.</th>
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<td>Action: As directed by EAC, staff will prepare a base budget bill (or bills) with 7% across-the-board reductions, ready by the first day of session. It will change.</td>
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Where do we go from here?  
**Timeline**

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<th>JR4-5-201:</th>
<th>Action:</th>
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<td>By noon on the tenth day, but not before the third day, the Legislature</td>
<td>Subcommittees discuss specific changes on Jan. 19, and 2 or 3 more</td>
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<td>shall either pass or defeat each base budget bill.</td>
<td>meetings during session. Bill substituted with surgical changes by the</td>
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<td>tenth day.</td>
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