Business Cycle Management

Low and Moderate Risk Tools
16 States Faced Budget Deficits
Reasons for Deficits

- Failure to recognize one-time revenue windfalls
- Tax cuts that assumed peak revenue
- Severance and other tax volatility
- Federal fund dependency
- Ongoing commitments for health care rising faster than ongoing revenue
- Unfunded pension obligations
- Past budget gimmicks
It takes a tool kit.

Value at Risk

Severity/Volatility

- Budgetary Reserves
- Revenue Enhancement
- Operating Reserves
- Working Rainy Day Funds
- Spending Reductions
- Cashflow Management
- Structural Balance
- Revenue Enhancement
- Operating Reserves
- Working Rainy Day Funds
- Spending Reductions
- Cashflow Management
- Structural Balance
- Budgetary Reserves

Office of the Legislative Fiscal Analyst, 5/13/2015
Today’s Focus

- Budgetary Reserves
- Revenue Enhancement
- Operating Reserves
- Working Rainy Day Funds
- Spending Reductions
- Cashflow Management
- Structural Balance
- Value at Risk

Severity/Volatility vs. Value at Risk
Today’s Focus

Value at Risk

Severity/Volatility

Structural Balance
Structural Balance

One time

On-going
Today’s Focus

Value at Risk

Severity/Volatility

Cashflow Management
Structural Balance

Office of the Legislative Fiscal Analyst, 5/13/2015
Cash Flow Management

Table 11 - Comparison of Sources and Uses, FY 2015 - FY 2016
(General, Education, & Uniform School Funds, in Thousands of Dollars)

<table>
<thead>
<tr>
<th>Revenue and Other Sources</th>
<th>FY 2015 Revised</th>
<th>FY 2016 Appropriated</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved from Prev. Year - General Fund</td>
<td>110,473</td>
<td>189,854</td>
<td>71.9%</td>
</tr>
<tr>
<td>Reserved from Prev. Year - Uniform School Fund</td>
<td>18,505</td>
<td>11,896</td>
<td>-35.7%</td>
</tr>
<tr>
<td>Reserved from Prev. Year - Education Fund</td>
<td>90,926</td>
<td>196,428</td>
<td>116.0%</td>
</tr>
<tr>
<td>Subtotal, Reserved from Previous Fiscal Year</td>
<td>219,904</td>
<td>398,177</td>
<td>81.1%</td>
</tr>
<tr>
<td>Previous Year Budget Surplus</td>
<td>112,767</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Estimates (from Table 7)</td>
<td>5,706,047</td>
<td>5,880,787</td>
<td>3.1%</td>
</tr>
<tr>
<td>Transfers and Other (from Table 9)</td>
<td>133,446</td>
<td>22,527</td>
<td>-83.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,172,164</strong></td>
<td><strong>$6,301,491</strong></td>
<td><strong>2.1%</strong></td>
</tr>
</tbody>
</table>
Today’s Focus

Value at Risk

Severity/Volatility

- Working Rainy Day Funds
- Spending Reductions
- Cashflow Management
- Structural Balance
- Value at Risk

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Working Rainy Day Fund
Working Rainy Day Fund

Net General Obligation Debt per Capita

- 2004: $644
- 2006: $550
- 2008: $434
- 2010: $868
- 2012: $1,283
- 2014: $1,109
Working Rainy Day Fund

GF/EF Business Cycle

GF/EF Actual and Trend

GF/EF Cycle

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13