Paradox

• Citizens expect markets will be volatile.
• Citizens expect governments will be stable.
Business Cycle (US GDP, $B)

It takes a tool kit.
Making Good Progress

- Raised limits on Rainy Day Funds
  - 9% GF/11% EF Approps
  - Deposited $59 million to Education Rainy Day Fund
- Funded 1.1% Capital Improvements Ongoing ($111 million)
  - Increase of $65 m ongoing
- Paid-off $331 m in GO Debt
- Increased Working Rainy Day Fund
  - $49 m more cash for buildings
  - $26 m more cash for roads
- Deposited $9 m to Medicaid Restricted Account

Still Some Headwinds

- $470 million in new GO Bond Authorization
- Informal Reserves Declined
  - $15 m less in Nonlapsing Balances
  - $31 m less in GF Restricted Account Balances
- Several Reserves are Stagnant
  - General Rainy Day ($8 m since FY 12)
  - Disaster Recovery ($4 m since FY 12)
  - Medicaid Rainy Day (last year was first dep.)
Now and Then – Reserves & Obligations

Reserves (% GF/EF)

- Student Pop
- Prog Bals
- Cash Infra
- Disaster
- Med RDF
- Ed RDF
- Gen RDF

Obligations (% GF/EF)

- GF Borrow
- Fund of Funds
- EDTIF
- Sick Leave
- OPEB
- Pension
- Rev Bonds
- GO Bonds

*2016 General Fund Restricted Balances = $187 million. A similar amount for FY 2008 is not available.

1st Question:
Can We Sustain Current Budget?

One Answer:
Stress Testing
Stress Testing ($ in M)

Stress Testing

- Add Spending Side to Revenue Volatility
  - Medicaid
  - Higher Education, etc.
- Apply Federal Reserve Economic Scenarios
- Measure Exposure
- Compare to Coverage
How Much New Can We Afford?

Revenue & Expenditure Risks

- General Fund Revenue
- Education Fund Revenue
- Higher Education
- Medicaid
- Public Education

Sources

- Very difficult to access
- Difficult to access
- Somewhat difficult to access
- Moderately accessible
- Easiest to access

Makeup of the Sources

<table>
<thead>
<tr>
<th>Source of the Sources</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>1. Easiest to access</td>
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<td>$343,866,332</td>
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<td>2. Very difficult to access</td>
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<td>6. Easiest to access</td>
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<td>$343,866,332</td>
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</tbody>
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Note: The table lists various sources of revenue and expenditure, categorized by accessibility and their corresponding amounts.
2nd Question:
How Much of A New Ongoing Commitment Can We Sustain?

One Answer:
Trend Analysis