

# FY 08 Financial Report Planning for FY 09

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Interim Joint Committee on  
Appropriations and Revenue

Mary Lassiter – State Budget Director  
John Hicks – Deputy State Budget Director  
Greg Harkenrider – Deputy Exec. Director, GOEA

August 28, 2008

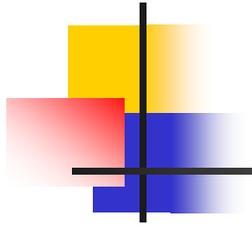


# Overview

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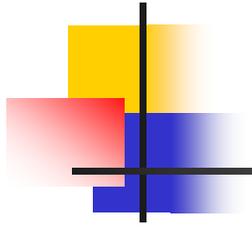
- General Fund
  - FY 08 Receipts
  - Budgetary View of FY 08 Year-End
  - Current View of FY 09 Receipts
- Road Fund
  - FY 08 Receipts
  - Budgetary View of FY 08 Year-End
  - Current View of FY 09 Receipts
- Budgetary Planning for FY 09

# General Fund Grew 1.1% in FY 08



	Million	Growth Rate (%)		
	FY08	FY08	FY07	FY06
Sales and Use	\$ 2,877.8	2.1	2.5	6.0
Individual Income	\$ 3,483.1	14.5	4.2	-3.9
Corp. Inc.	\$ 435.2	-56.0	-1.4	109.3
LLET	\$ 98.4	--	--	--
Coal Severance	\$ 233.0	5.0	-1.1	21.7
Tobacco Taxes	\$ 178.4	0.6	-3.7	446.5
Property	\$ 500.6	1.7	-2.0	6.3
Lottery	\$ 187.5	0.4	-1.8	17.8
Other	\$ 670.2	3.4	7.1	10.1
<b>TOTAL</b>	<b>\$ 8,664.3</b>	<b>1.1</b>	<b>2.4</b>	<b>9.6</b>

# FY 08 Revenues Above Revised Estimate



		Actual FY 08	
	(millions)	Revenues	Difference
	(millions)	(millions)	(millions)
<b>FY 08 Budgeted Revenues - 2006 Session</b>	<b>\$ 8,765.1</b>	<b>\$ 8,664.3</b>	<b>\$ (100.8)</b>
<b>FY 08 Revised Revenue Estimate - January 2008</b>	<b>\$ 8,636.3</b>	<b>\$ 8,664.3</b>	<b>\$ 28.0</b>

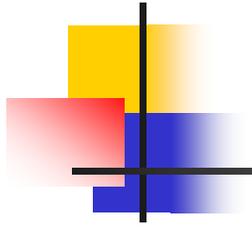
# FY08 General Fund Receipts Compared to Jan 2008 CFG Forecast\*

(millions)

	<u>Actual</u>	<u>Estimate</u>	<u>Difference</u>	
<b>Sales &amp; Use</b>	\$ 2,877.8	\$ 2,897.6	\$ (19.8)	-0.7%
<b>Individual Income</b>	\$ 3,483.1	\$ 3,370.0	\$ 113.1	3.4%
<b>Corp. Inc &amp; LLET</b>	\$ 533.6	\$ 644.5	\$(110.9)	-17.2%
<b>Coal Severance</b>	\$ 233.0	\$ 223.7	\$ 9.3	4.1%
<b>Cigarette &amp; OTP</b>	\$ 178.4	\$ 179.7	\$ (1.3)	-0.7%
<b>Property</b>	\$ 500.6	\$ 497.0	\$ 3.6	0.7%
<b>Lottery</b>	\$ 187.5	\$ 187.5	\$ (0.0)	0.0%
<b>Other</b>	\$ 670.2	\$ 636.3	\$ 33.9	5.3%
<b>Total General Fund</b>	\$ 8,664.3	\$ 8,636.3	\$ 28.0	0.3%

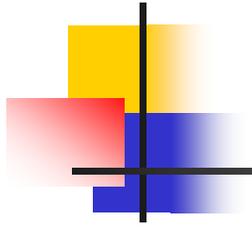
\*CFG forecast adjusted for legislative action during the 2008 Regular Session.

# FY 08 General Fund Budgetary View



<b>Reason:</b>	<b><u>(millions)</u></b>
Revenues Greater Than Budgeted	\$ 28.0
Fund Transfers Less Than Budgeted	\$ (2.9)
Dedicated Revenue Greater Than Budgeted	\$ (1.9)
Unbudgeted Expenditures (Necessary Government Expenses)	\$ (8.3)
Unbudgeted Appropriation Lapses (unexpended budgets)	\$ 7.8
<b>General Fund Surplus</b>	<b>\$ 22.7</b>

By statute, 50% of the Surplus is Deposited to the Budget Reserve Trust Fund and 50% remains in the General Fund Surplus Account.



# Budget Reserve Trust Fund

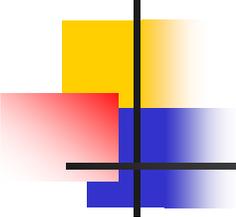
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	<u>(millions)</u>
FY 08 Ending Balance	\$ 214.8
Half of FY 08 Surplus	<u>\$ 11.3</u>
Current Balance	\$ 226.1
FY 10 Appropriations	<u>\$ (191.1)</u>
Unobligated Balance	\$ 35.0

# Budgeted General Fund Revenue Growth

	<b>FY08 actual</b>	<b>FY09 estimate</b>	<b>FY10 estimate</b>
<b>Sales &amp; Use</b>	<b>2.1%</b>	<b>3.5%</b>	<b>3.0%</b>
<b>Individual Income</b>	<b>14.5%</b>	<b>-0.3%</b>	<b>4.5%</b>
<b>Corp. Inc &amp; LLET</b>	<b>-46.6%</b>	<b>16.6%</b>	<b>-0.5%</b>
<b>Coal Severance</b>	<b>5.0%</b>	<b>-4.0%</b>	<b>0.1%</b>
<b>Cigarette &amp; OTP</b>	<b>0.6%</b>	<b>0.1%</b>	<b>-0.6%</b>
<b>Property</b>	<b>1.7%</b>	<b>3.6%</b>	<b>4.5%</b>
<b>Lottery</b>	<b>0.4%</b>	<b>5.9%</b>	<b>1.8%</b>
<b>Other</b>	<b>3.4%</b>	<b>3.5%</b>	<b>-2.5%</b>
<b>Total General Fund</b>	<b>1.1%</b>	<b>2.6%</b>	<b>2.8%</b>

*CFG forecast adjusted for legislative action during the 2008 Regular Session.*

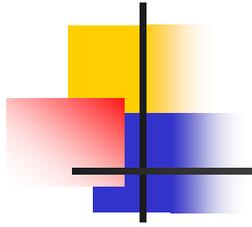


# Interim Forecast for FY 09

## General Fund Forecast: July 2008

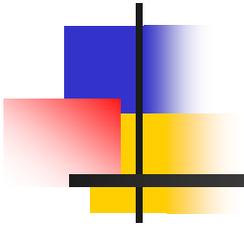
	FY08		FY09	
	Full Year		Quarters 1, 2 & 3	
	Actual	% Chg	Interim Estimate	% Chg
	(millions)		(millions)	
Sales & Use	\$2,877.8	2.1	\$2,161.9	0.2
Individual Income	\$3,483.1	14.5	\$2,347.2	1.1
Corp. Income & LLET	\$533.6	-46.0	\$353.4	-2.1
Coal Severance	\$233.0	5.0	\$189.6	13.7
Cigarette	\$178.4	0.6	\$129.0	-4.6
Property	\$500.6	1.7	\$462.2	4.1
Lottery	\$187.5	0.4	\$148.9	6.5
Other	\$670.2	3.4	\$504.1	2.8
<b>General Fund</b>	<b>\$8,664.3</b>	<b>1.1</b>	<b>\$6,296.2</b>	<b>1.3</b>

# General Fund Receipts Grew 1.9% in July

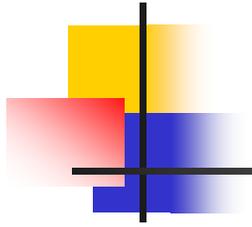


	<u>July 2008</u> <u>(millions)</u>	<u>July 2007</u> <u>(millions)</u>	<u>Difference</u>
<b>Sales &amp; Use</b>	\$ 266.1	\$ 251.0	6.0%
<b>Individual Income</b>	\$ 262.2	\$ 249.2	5.2%
<b>Corp. Income &amp; LLET</b>	\$ 6.2	\$ 29.3	-78.7%
<b>Coal Severance</b>	\$ 22.6	\$ 17.6	28.6%
<b>Cigarette &amp; OTP</b>	\$ 15.1	\$ 14.9	1.9%
<b>Property</b>	\$ 17.8	\$ 18.6	-4.3%
<b>Lottery</b>	\$ 13.5	\$ 13.5	0.0%
<b>Other</b>	\$ 43.0	\$ 40.2	6.7%
<b>General Fund</b>	\$ 646.6	\$ 634.2	1.9%

# Road Fund Receipts and Outlook

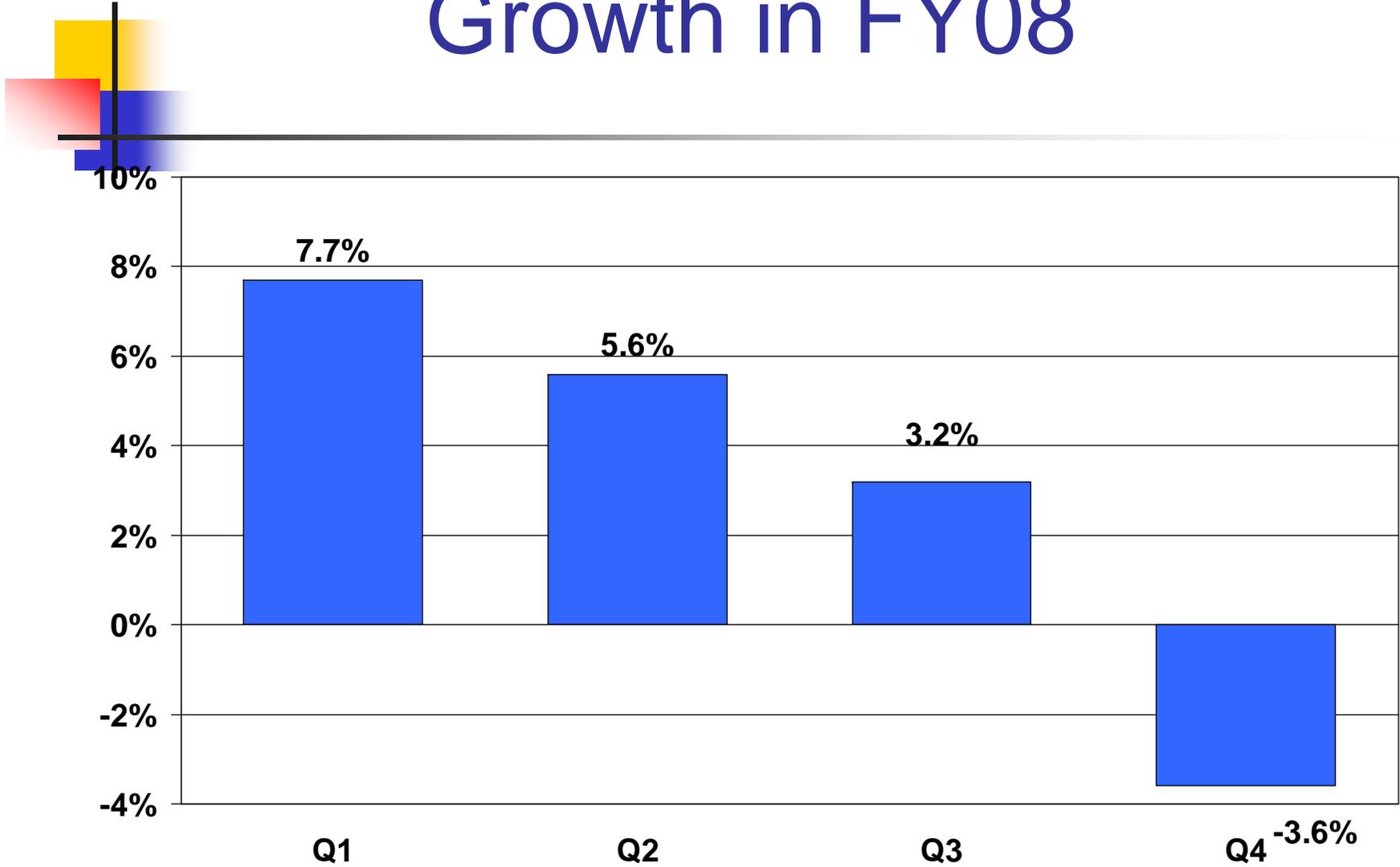


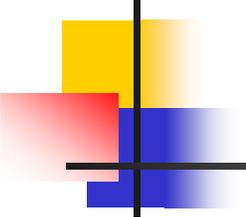
# Road Fund Grew 3.0% in FY 08



	<b>Millions</b>	<b>Growth Rate (%)</b>		
	<b>FY08</b>	<b>FY08</b>	<b>FY07</b>	<b>FY06</b>
Motor Fuels	\$ 608.8	8.0	6.6	7.6
Motor Vehicle Usage	\$ 405.8	-1.3	4.0	-2.9
Motor Vehicle License	\$ 93.5	-8.0	8.3	2.2
Motor Vehicle Operators	\$ 15.4	-2.8	8.2	146.7
Weight Distance	\$ 84.4	-1.3	0.1	2.6
Investment Income	\$ 19.5	20.9	151.6	15.4
Other	\$ 35.5	10.3	-22.0	-1.4
<b>TOTAL</b>	<b>\$ 1,262.8</b>	<b>3.0</b>	<b>5.2</b>	<b>3.4</b>

# Quarterly Road Fund Growth in FY08

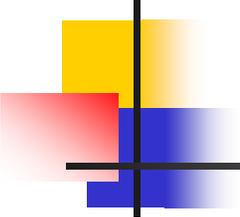




# FY 08 Road Fund Receipts Below Revised Estimate

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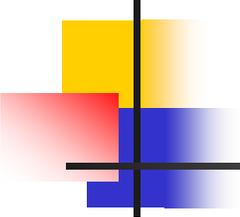
		Actual FY 08	
	(millions)	Revenues	Difference
		(millions)	(millions)
FY 08 Budgeted Revenues - 2006 Session	\$ 1,261.9	\$ 1,262.8	\$ 0.9
FY 08 Revised Revenue Estimate - January 2008	\$ 1,282.8	\$ 1,262.8	\$ (20.0)



# FY08 Road Fund Receipts Compared to Jan 2008 CFG Forecast

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	<b>Actual (millions)</b>	<b>Estimate (millions)</b>	<b>Difference (millions) (percent)</b>	
<b>Motor Fuels</b>	\$ 608.8	\$ 611.7	\$ (2.9)	-0.5%
<b>Motor Vehicle Usage</b>	\$ 405.8	\$ 411.7	\$ (5.9)	-1.4%
<b>Motor Vehicle License</b>	\$ 93.5	\$ 108.6	\$ (15.1)	-13.9%
<b>Motor Vehicle Operators</b>	\$ 15.4	\$ 15.4	\$ (0.0)	-0.2%
<b>Weight Distance</b>	\$ 84.4	\$ 85.5	\$ (1.1)	-1.3%
<b>Investment</b>	\$ 19.5	\$ 15.8	\$ 3.7	23.2%
<b>Other</b>	\$ 35.5	\$ 34.1	\$ 1.4	4.1%
<b>Total Road Fund</b>	\$ 1,262.8	\$ 1,282.8	\$ (20.0)	-1.6%



# FY 08 Road Fund Budgetary View

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	<u>(millions)</u>
Revenues Less than Budgeted	\$ (20.0)
Expenditures Less than Budgeted	<u>\$ 47.2</u>
Ending Balance	\$ 27.2

Per HB 406, Undesignated fund balance will be deposited to the Road Fund Surplus Account

# Road Fund

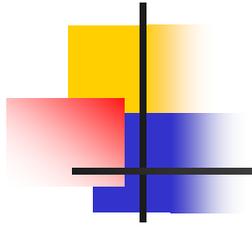
## Budgeted Revenue Growth

	<b>FY08</b> actual	<b>FY09</b> estimate	<b>FY10</b> estimate
<b>Motor Fuels</b>	<b>8.0%</b>	<b>8.6%</b>	<b>9.5%</b>
<b>Motor Vehicle Usage</b>	<b>-1.3%</b>	<b>1.5%</b>	<b>3.3%</b>
<b>Motor Vehicle License</b>	<b>-8.0%</b>	<b>17.1%</b>	<b>2.7%</b>
<b>Motor Vehicle Operators</b>	<b>-2.8%</b>	<b>0.8%</b>	<b>5.2%</b>
<b>Weight Distance</b>	<b>-1.3%</b>	<b>1.8%</b>	<b>2.1%</b>
<b>Investment</b>	<b>20.9%</b>	<b>-70.2%</b>	<b>-36.2%</b>
<b>Other</b>	<b>10.3%</b>	<b>-2.0%</b>	<b>1.1%</b>
<b>Total Road Fund</b>	<b>3.0%</b>	<b>4.9%</b>	<b>6.1%</b>

# Road Fund Interim Forecast for FY 09 is Negative

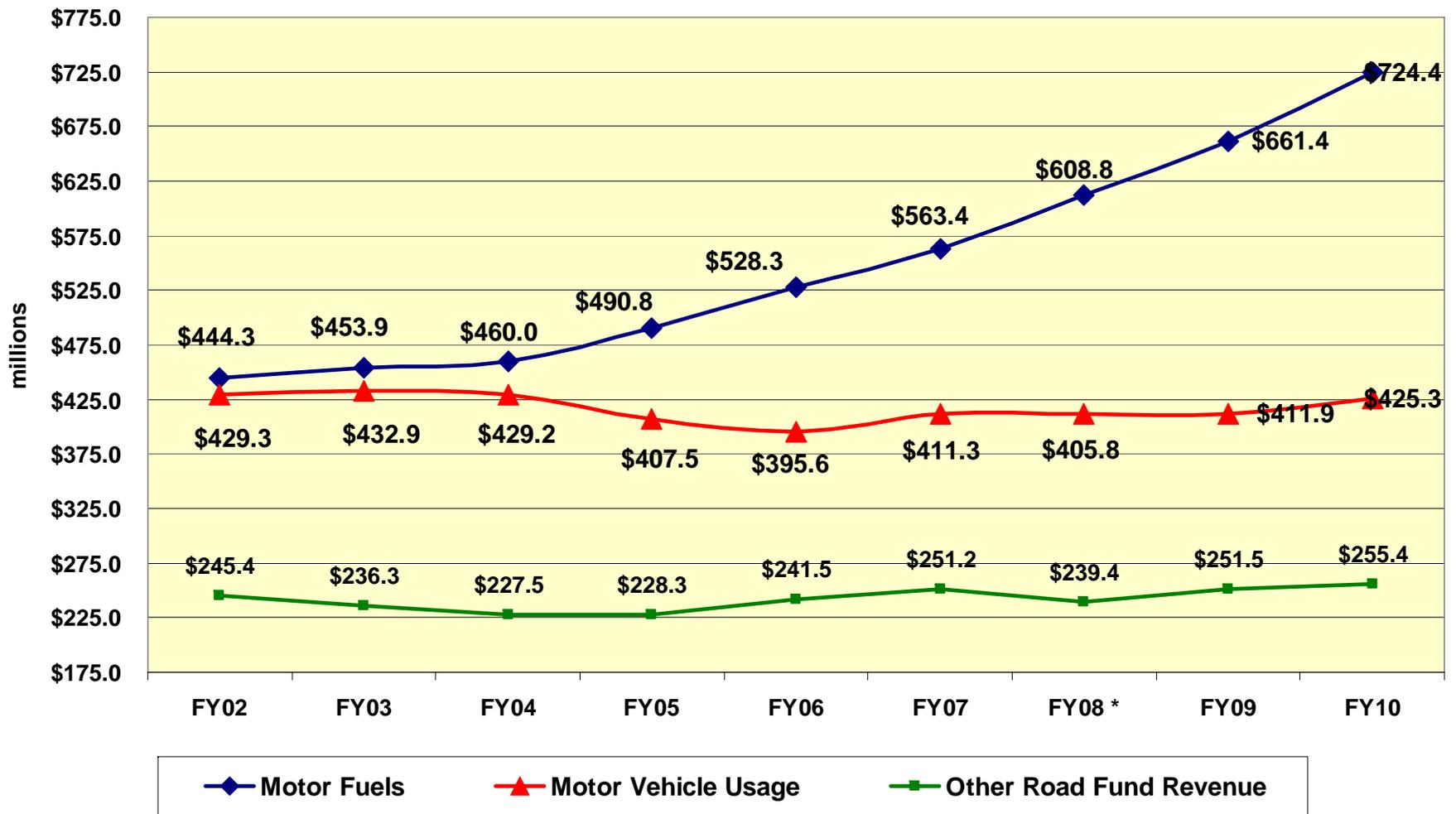
	<b>FY08 Full Year</b>		<b>FY09 Quarters 1, 2 &amp; 3</b>	
	<b>Actual (millions)</b>	<b>% Chg</b>	<b>Interim Estimate (millions)</b>	<b>% Chg</b>
<b>Motor Fuels</b>	<b>\$608.8</b>	<b>8.0</b>	<b>\$480.1</b>	<b>5.1</b>
<b>Motor Vehicle Usage</b>	<b>\$405.8</b>	<b>-1.3</b>	<b>\$272.9</b>	<b>-10.3</b>
<b>Motor Vehicle License</b>	<b>\$93.5</b>	<b>-8.0</b>	<b>\$63.9</b>	<b>-1.0</b>
<b>Motor Vehicle Operator</b>	<b>\$15.4</b>	<b>-2.8</b>	<b>\$11.9</b>	<b>3.6</b>
<b>Weight Distance</b>	<b>\$84.4</b>	<b>-1.3</b>	<b>\$63.0</b>	<b>-1.6</b>
<b>Investment</b>	<b>\$19.5</b>	<b>20.9</b>	<b>\$4.8</b>	<b>-65.0</b>
<b>Other</b>	<b>\$35.5</b>	<b>10.3</b>	<b>\$26.1</b>	<b>5.8</b>
<b>Road Fund</b>	<b>\$1,262.8</b>	<b>3.0</b>	<b>\$922.7</b>	<b>-1.8</b>

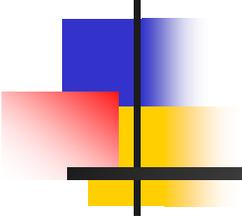
# Road Fund Receipts Declined 1.9% in July



	<u>July 2008</u>	<u>July 2007</u>	<u>Difference</u>
Motor Fuels	\$ 51.3	\$ 51.1	0.3%
Motor Vehicle Usage	\$ 35.5	\$ 37.0	-4.0%
Motor Vehicle License	\$ 4.5	\$ 4.9	-7.2%
Motor Vehicle Operators	\$ 1.4	\$ 1.2	8.9%
Weight Distance	\$ 3.3	\$ 3.1	6.2%
Investment Income	\$ 0.5	\$ 0.5	8.8%
Other	\$ 2.1	\$ 2.7	-22.2%
<b>Total Road Fund</b>	<b>\$ 98.5</b>	<b>\$ 100.5</b>	<b>-1.9%</b>

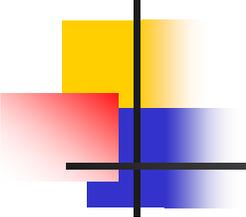
# Growth in the Road Fund Due to Motor Fuels Taxes





# Budget Planning for FY 09

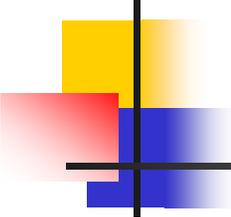
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# Agencies Managing with Reduced Appropriations

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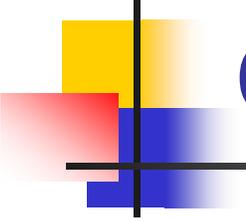
- Focus is on core mission of the agencies
- Personnel reductions, mostly through attrition
- Evaluating how services are delivered
- Reducing operating costs
  - Travel
  - Office supplies
  - Contracts
  - Office Space
  - State cars



# Efficiency Efforts Underway

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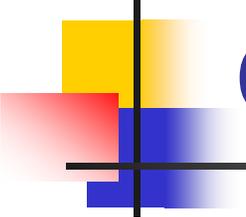
- Finance and Administration Cabinet's "Spend Analysis"
  - Comprehensive review of how state government purchases goods and services
- Transportation Cabinet's "Practical Solutions" Initiative
- Agencies Changing Operating Practices
  - State Police - fuel saving measures
  - Public Health – distance learning for training



# HB 406 Requires \$179.9 Million General Fund Expenditure Reductions

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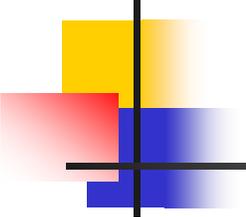
- Assumed Measures Include:
  - Reduction in Personnel Costs Through Attrition and Retirements
  - Excess Debt Service
  - Efficiencies and Cost-Saving Measures
  - Debt Restructuring



# HB 406 Requires \$179.9 Million General Fund Expenditure Reductions

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- Begin the Fiscal Year with a Plan
- Governor's Objectives
  - Preserve budget priorities
  - Minimize impact on delivery of services
  - Minimize loss of federal funds
  - Minimize layoffs
- Must also plan for Unbudgeted  
Necessary Government Expenses

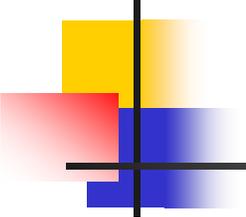


# Preliminary Plans to Balance FY 09

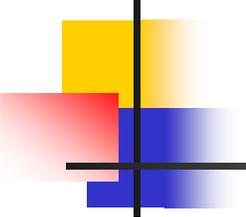
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	<u>(millions)</u>
<b>Problem:</b>	
Mandated General Fund Expenditure Reductions	\$ 179.9
Unbudgeted Necessary Government Expenses	\$ 25.0
Total Funds to be Identified	<u>\$ 204.9</u>
 <b>Solutions:</b>	
Debt Restructuring	\$ 50.0
Debt Service Savings and Cash Management Initiatives	\$ 106.0
Agency General Fund Expenditure Reductions	\$ 48.9
Total Targeted Savings	<u>\$ 204.9</u>

# 86.5% of General Fund Budget Exempt from Further Targeted Expenditure Reductions

- 
- SEEK
  - Medicaid\*
  - Postsecondary Institutions
  - Corrections
  - Student Financial Aid Programs
  - Adult Education
  - Career and Technical Education
  - LGEAF / LGEDF
  - Environmental Protection
  - Mine Safety & Licensing; Reclamation & Enforcement
  - Commission on Children with Special Health Care Needs
  - Human Support Services
  - Property Valuation Administrators
  - County and Commonwealth Attorneys
  - Public Advocacy
  - Revenue
  - Vocational Rehabilitation
  - Office for the Blind
  - Housing, Buildings, and Construction

\*Cabinet plan adjustment

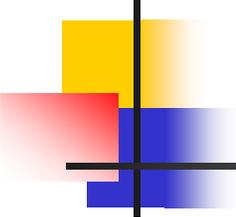


# Update on Retirements

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## Number of KERS Nonhazardous Retirements from Executive Branch Agencies

April 1, 2008	59
May 1, 2008	73
June 1, 2008	464
July 1, 2008	24
August 1, 2008	645
<b>Total April - August, 2008</b>	<b>1,265</b>
Average Salary at Retirement	\$55,303
FY 2009 Salary and Fringe Benefits Values - All Funds	\$84,567,000
Estimated General Fund Value	\$35,588,000



# Who's Retiring?

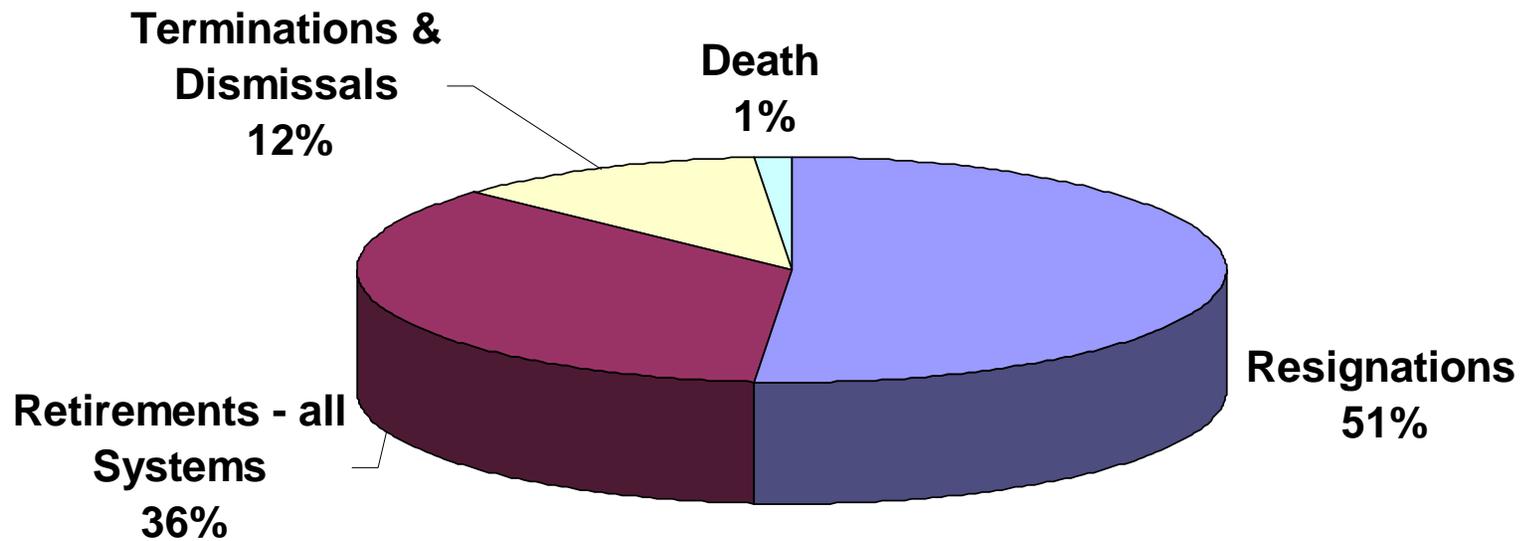
## KERS Nonhazardous Retirements from Executive Branch Agencies April 1 - August 1, 2008

### Top 10 Agencies:

	<u>Retirees</u>	<u>% of Total</u>
Highways	266	21%
Community Based Services	170	13%
Revenue	50	4%
Health and Family Services-General Administration	39	3%
State Police	38	3%
Education-Employment and Training	36	3%
Environmental Protection	36	3%
Juvenile Justice	35	3%
Mental Health and Mental Retardation Services	34	3%
Commonwealth Office of Technology	33	3%
<b>Subtotal-Top 10</b>	<b>737</b>	<b>58%</b>

# Most Attrition Comes from Resignations

5 Year Average Executive Branch Attrition  
(FY 04 - FY 08)

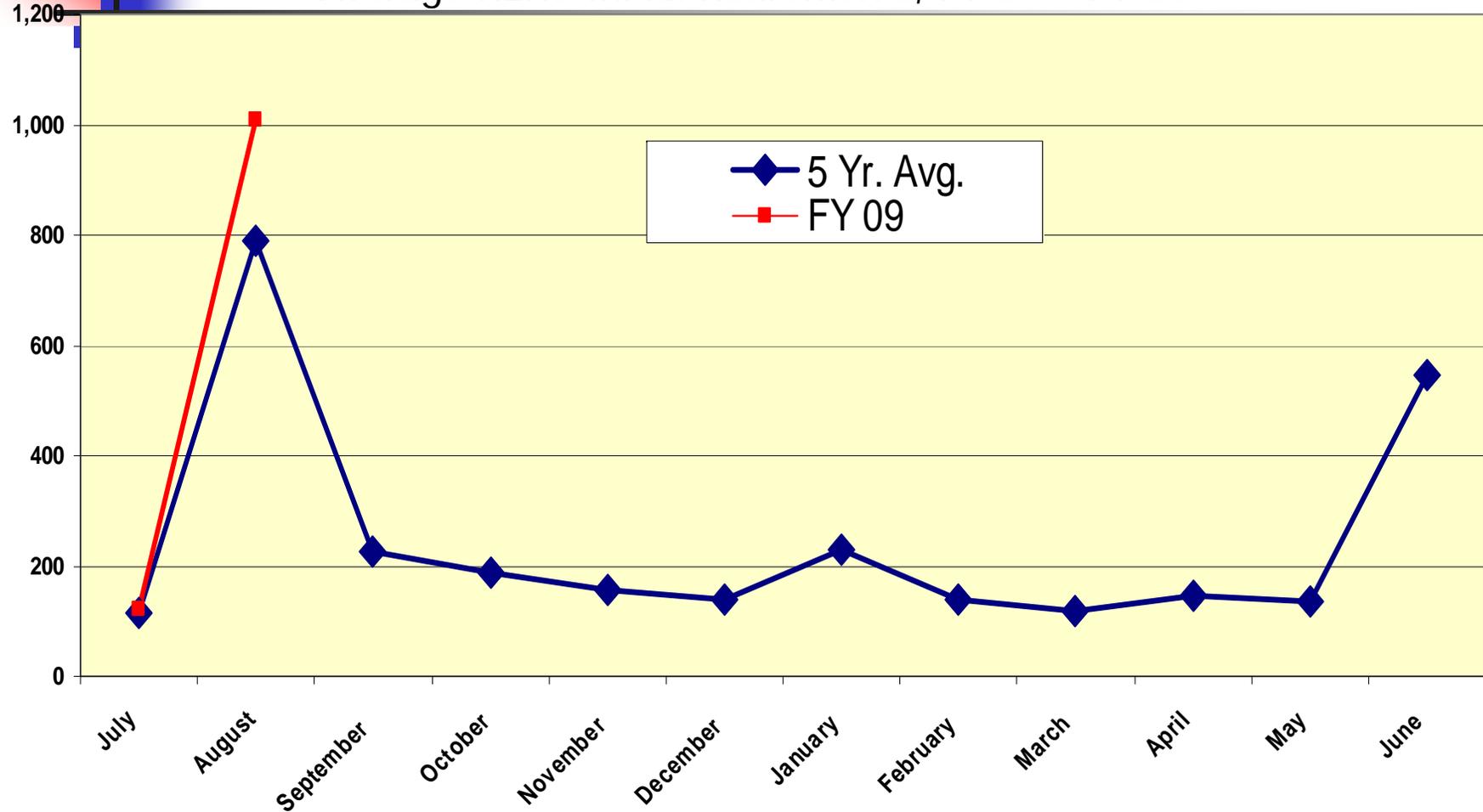


Average of 4,832 Separations per year over the last 5 years

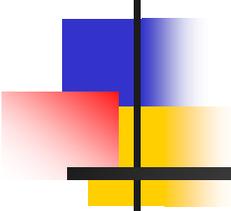
Average Attrition Rate of 14%

# June and August are the Biggest Retirement Months

Average KERS Initial Retirements, FY 04 – FY 08



All KERS: Hazardous and Nonhazardous



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