

Interim Joint Committee on Appropriations and Revenue

November 29, 2011

FY 12 Budget Balancing Measures

Mary Lassiter, State Budget Director
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Director

FY 12 Budget Updates

- Agencies have been planning for reductions
 - additional 2% reductions
- Improved revenue outlook continues in the current year
- Necessary Government Expenses are covered by FY 11 surplus expenditure plan
- Kentucky still faring better than many states
- No furloughs of state employees planned this year
- FY 13 & 14 will be very challenging
- Impact of pending federal budget cuts

FY 12 Revenue Outlook Continues to Exceed Budget Levels

	(\$millions)
CFG Estimated Revenues in Excess of Budget	\$ 137.7
Dedicated Revenues for Severance Programs	\$ (31.0)
Net Estimated Excess Revenues	<u>\$ 106.7</u>

Draft Plan to Balance FY 12 Budget Gap

(\$millions)

Problem:

Budget Gap between Appropriations and Resources	\$	168.9
Additional Spending Reductions	\$	21.0
Total	\$	<u>189.9</u>

Solution:

Spending Reductions	\$	114.4
Partial Use of Current Year Estimated Excess Revenues	\$	75.5
Total	\$	<u>189.9</u>

FY 12 Budget Balancing Plans

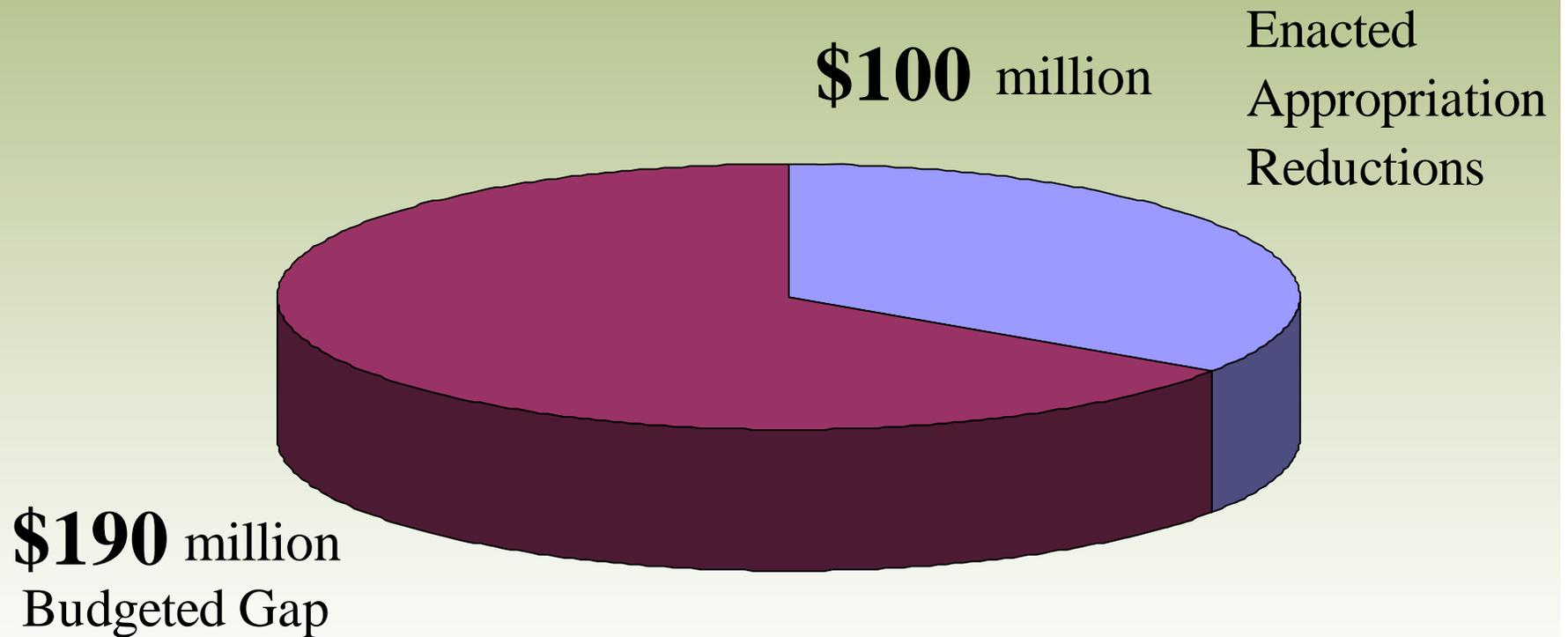
FY 12 Additional Spending Reductions

	(\$millions)
Recurring FY 2011 1.5% and Non-merit Reductions	\$ 27.5
Debt Service Lapse Estimate	\$ 57.9
Additional 2% Budget Reductions	\$ 29.0
	<hr/> \$ 114.4

Exemptions from Additional 2% Reductions – Same as FY 11

- Debt Service
- SEEK
- School District Health Insurance
- Medicaid
- Community Based Services
- Behavioral Health
- Corrections
- Teachers' Retirement System
- Universities and Student Financial Aid
- Severance Tax
- Dedicated Funds
- Parks
- Prosecutors
- Public Advocacy
- Juvenile Justice
- Executive Branch Ethics Commission
- Kentucky Horse Park Commission
- Board of Elections – State Share of Elections
- Necessary Government Expense Areas

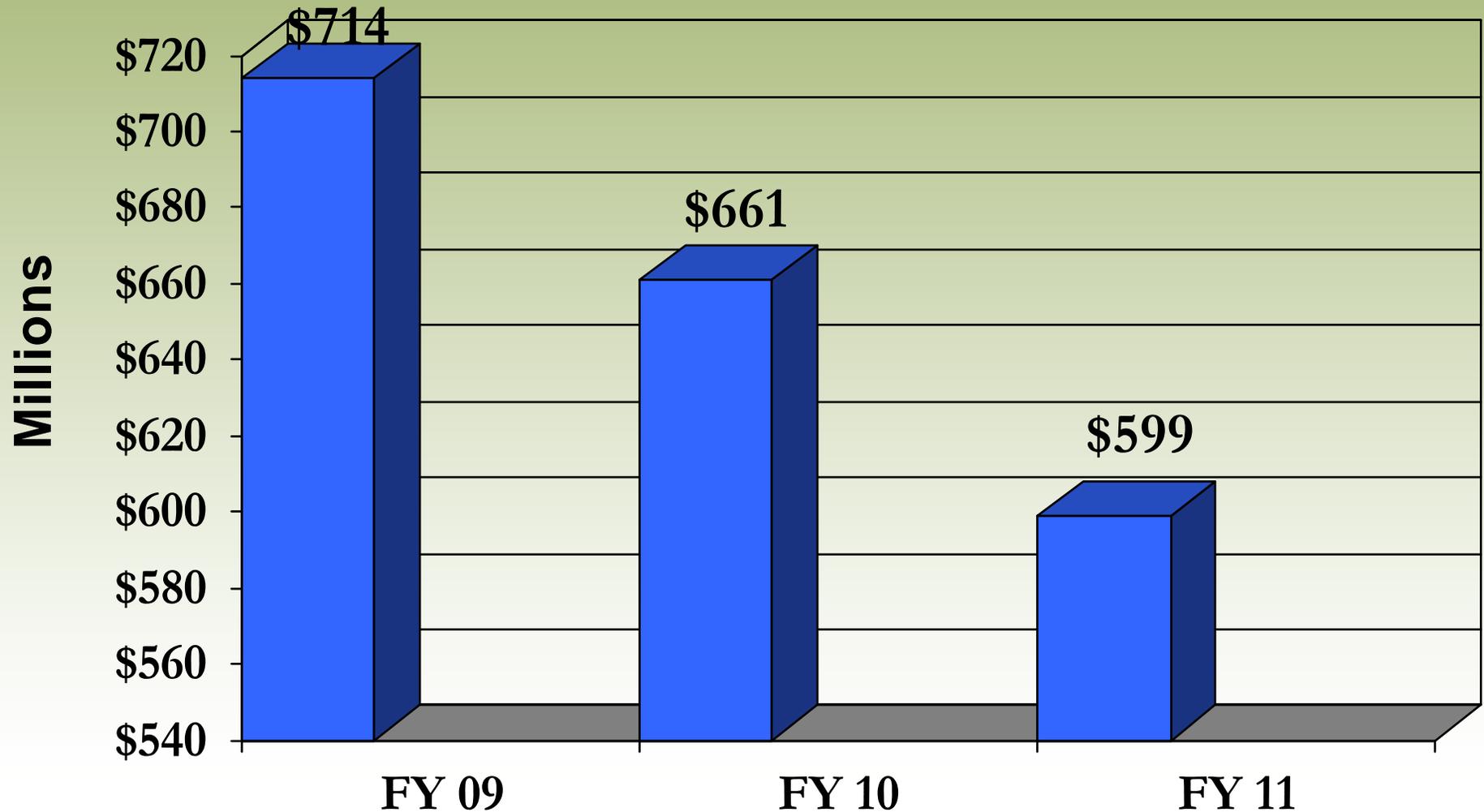
Nearly \$300 million in FY 12 Required Budget Balancing Measures



FY 12 Budget Balancing Plans

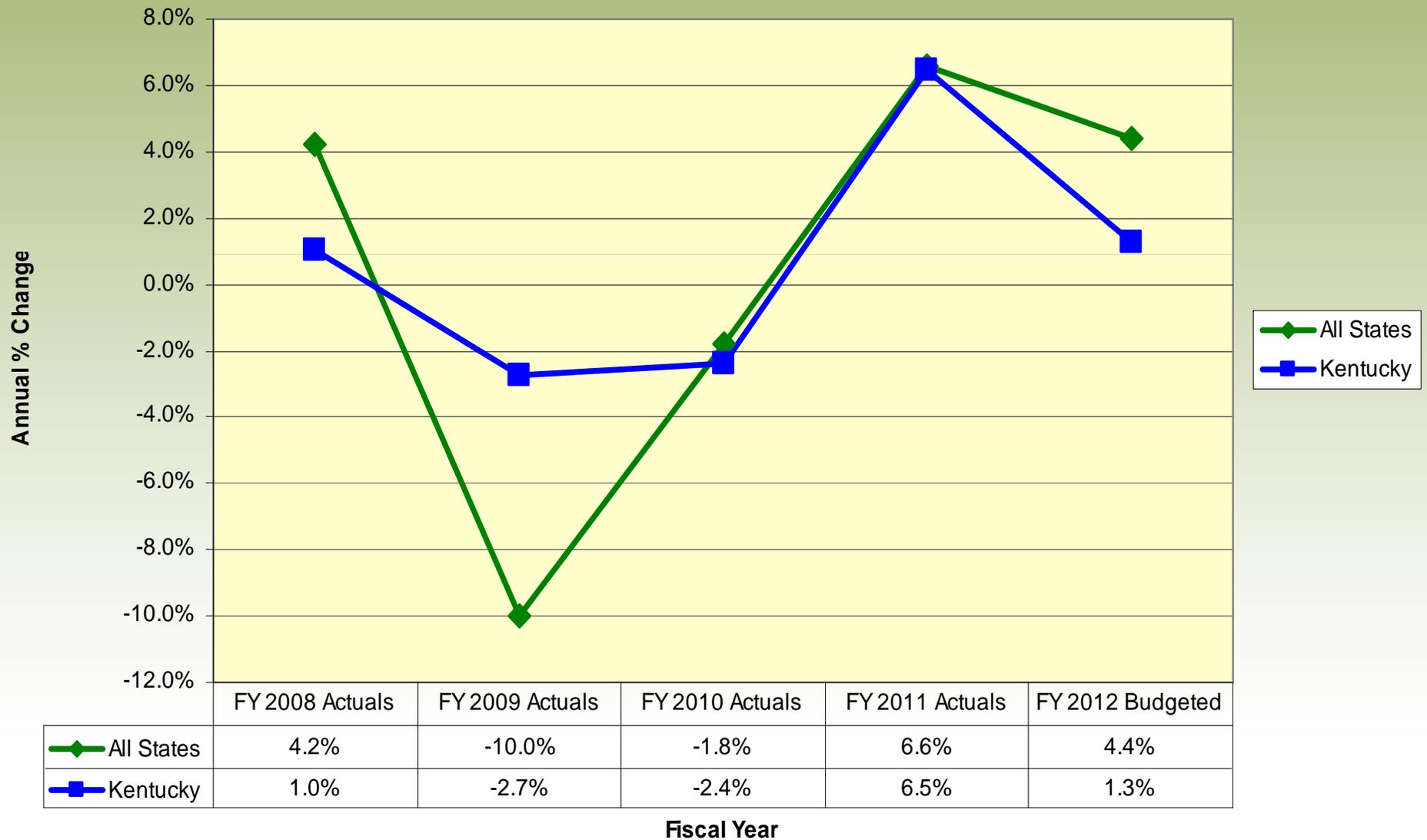
- **Most Agencies have 8.0% reductions from FY 10 appropriation levels**
 - 4.5% enacted reductions for FY 12
 - 1.5% additional reductions in FY 11 as part of budget balancing actions
 - 2.0% additional reductions for FY 12

General Fund Contract Spending Has Decreased \$115 Million Since FY 09



*Excludes Passport and Disaster expenses

General Fund Revenue Changes - Kentucky and All 50 States FY 2008 to FY 2012



How have we weathered the Recession?

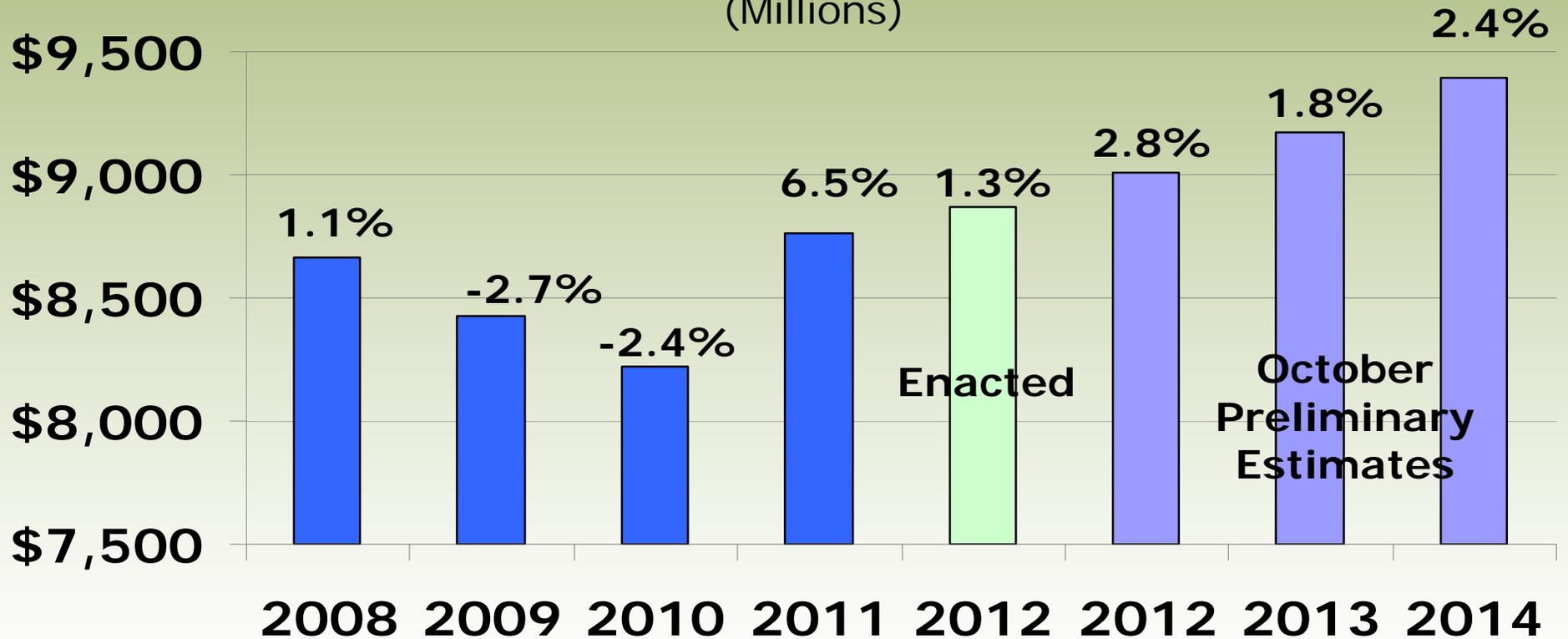
	FY 2007	FY 2012		
	Actual	Revised	\$ Diff.	% Diff.
Executive Branch	\$ 8,384.4	\$ 8,967.6	\$ 583.2	7.0%
Judicial Branch	\$ 244.3	\$ 316.3	\$ 72.0	29.5%
Legislative Branch	\$ 45.8	\$ 53.8	\$ 8.0	17.5%
Total	\$ 8,674.5	\$ 9,337.7	\$ 663.2	7.6%
Executive Branch:				
Medicaid *	\$ 1,039.1	\$ 1,372.8	\$ 333.7	32.1%
SEEK	\$ 2,670.3	\$ 2,900.1	\$ 229.8	8.6%
School District Health Insurance	\$ 461.9	\$ 614.8	\$ 152.9	33.1%
Teachers' Retirement System	\$ 169.3	\$ 238.6	\$ 69.3	40.9%
State Agency Pension Contributions	\$ 80.0	\$ 140.0	\$ 60.0	75.0%
Debt Service	\$ 394.1	\$ 451.1	\$ 57.0	14.5%
Corrections *	\$ 335.0	\$ 378.4	\$ 43.4	13.0%
Student Financial Aid	\$ 166.3	\$ 190.5	\$ 24.2	14.6%
Dedicated Severance Taxes	\$ 114.7	\$ 136.0	\$ 21.3	18.6%
State Agency Health Insurance	\$ 99.4	\$ 113.9	\$ 14.5	14.6%
Prosecutors *	\$ 50.9	\$ 52.5	\$ 1.5	3.0%
Universities and KCTCS	\$ 1,028.6	\$ 979.4	\$ (49.2)	-4.8%
Rest of Executive Branch	\$ 1,774.8	\$ 1,399.5	\$ (375.3)	-21.1%
Total-Executive Branch	\$ 8,384.4	\$ 8,967.6	\$ 583.2	7.0%

* Figures exclude pension and health insurance.

The Next Biennium Will Be Very Challenging

General Fund Revenues

(Millions)



Impact of Federal Sequestration

- **The Budget Control Act of 2011:**
 - Set caps on discretionary spending for 2012 to 2021
 - Established the “Supercommittee”
 - Put in place automatic procedures called Sequestration to reduce spending by \$1.2 trillion through 2021 if Congress doesn’t enact at least \$1.2 trillion in deficit reduction by January 15, 2012

Impact of Federal Sequestration

- Sequestration is the automatic, across-the-board cancellation of budgetary resources
- The across-the-board cuts take effect January, 2013: 50% from defense, 50% from non-defense
- **Exempt from sequestration:**
 - Medicaid, KCHIP, TANF, Supplemental Nutrition Assistance Program, Child (School) Nutrition, Child Care, Foster Care, Adoption Assistance, Child Support Enforcement, Pell grants, Federal-Aid Highway Obligations, Airport grants, Highway Traffic Safety, Motor Carrier Safety.

Impact of Federal Sequestration

- **Largest areas not exempt:**
 - Education, Women, Infants and Children (WIC), Workforce Investment, Head Start, Vocational Rehabilitation, CDBG, National Guard, Substance Abuse, Clean & Drinking Water Revolving Funds, Transit grants, Vocational-technical, Aging programs, Adult Education, Community Services block grant, Homeland Security, Employment Services, LIHEAP
- One estimate is a -8.8% cut.

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