

FY 11 Year-End Financial Report

Interim Joint Committee on Appropriations and Revenue

July 28, 2011

Mary Lassiter, State Budget Director
John Hicks, Deputy State Budget Director
Kevin Cardwell, Deputy State Budget Director
Greg Harkenrider, Deputy Exec. Director, Governor's
Office of Economic Analysis

Overview

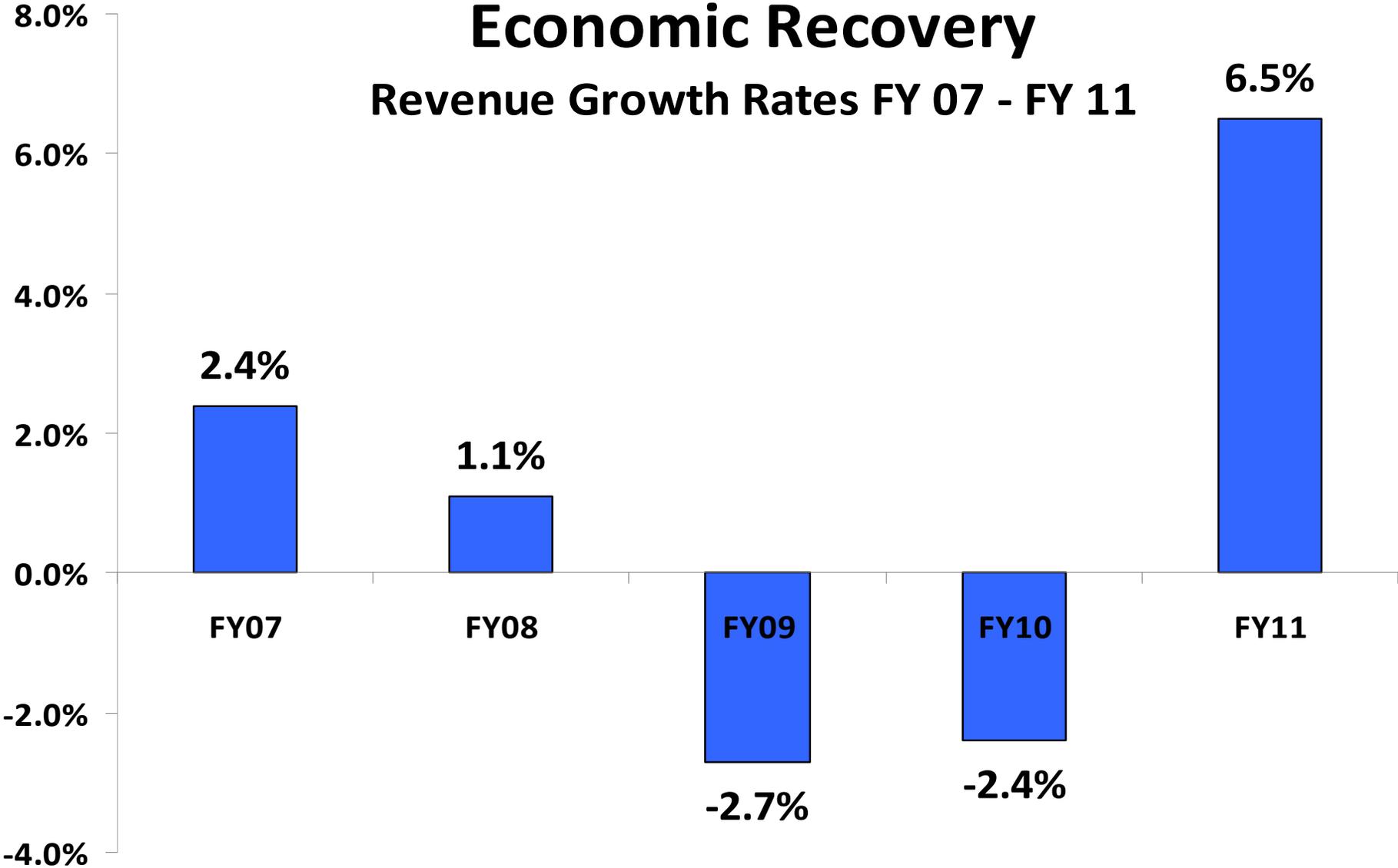
- FY 11 General Fund Report
 - FY 11 Road Fund Report
 - FY 11 Update on Tobacco Settlement Funds
 - Update on ARRA Expenditures
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General Fund Revenues Increased 6.5% in FY 11

	\$ Million		Difference	
	FY11	FY10	(\$ mil.)	(%)
Sales and Use	2,896.3	2,794.1	102.2	3.7
Individual Income	3,417.8	3,154.5	263.3	8.3
Corporation Income	300.8	237.9	62.9	26.4
LLET	215.7	145.9	69.8	47.8
Coal Severance	295.8	271.9	23.9	8.8
Cigarette Tax	262.2	278.4	-16.2	-5.8
Property	514.8	516.2	-1.4	-0.3
Lottery	200.5	200.0	0.5	0.2
Other	655.5	626.2	29.3	4.7
TOTAL	8,759.4	8,225.1	534.3	6.5

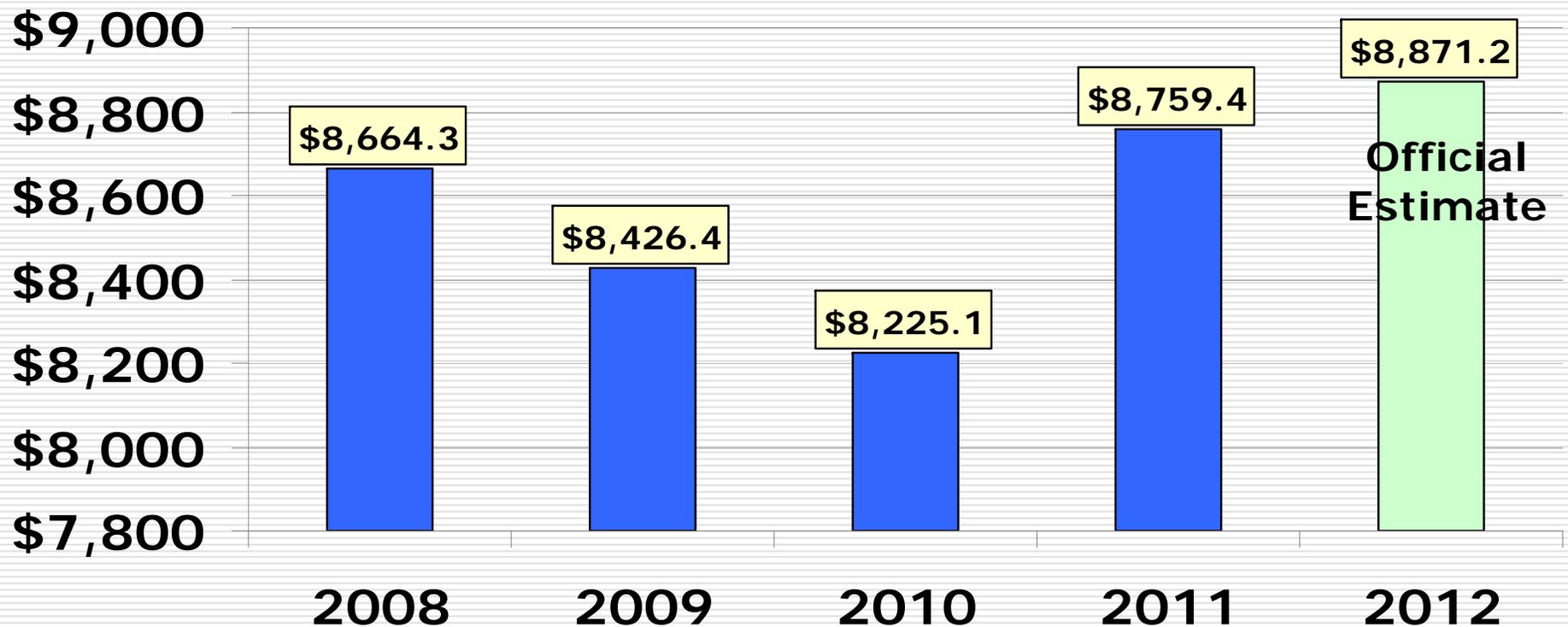
General Fund Revenues Reflect Economic Recovery

Revenue Growth Rates FY 07 - FY 11



FY 11 GF Revenues Surpassed FY 08 GF Revenue Levels

(Millions)



FY11 General Fund Receipts Exceed Official Estimate by \$166.1 million

	(\$ million)			
	<u>Actual</u>	<u>Estimate</u>	<u>Diff.</u>	<u>Diff. (%)</u>
Sales and Use	2,896.3	2,939.4	-43.1	-1.5%
Individual Income	3,417.8	3,334.6	83.2	2.5%
Corporation Income	300.8	258.8	42.0	16.2%
LLET	215.7	145.1	70.6	48.7%
Coal Severance	295.8	230.4	65.4	28.4%
Cigarette Tax	262.2	280.9	-18.7	-6.7%
Property	514.8	540.2	-25.3	-4.7%
Lottery	200.5	205.4	-4.9	-2.4%
Other	655.5	658.6	-3.1	-0.5%
TOTAL	8,759.4	8,593.3	166.1	1.9%

FY 11 General Fund Year-End Balance

	<u>Millions</u>
FY 11 General Fund Ending Balance	\$289.9
Budgeted Carryforward	(\$133.1)
General Fund Surplus	\$156.8

Actual vs. Budgeted

	<u>Millions</u>
Revenues in Excess of Enacted Budget	\$166.1
Dedicated Severance Tax Appropriations Greater than Budgeted	(\$31.1)
Unbudgeted Lapses/Other	\$21.8
General Fund Surplus	\$156.8

\$156.8 Million FY 11 General Fund Surplus

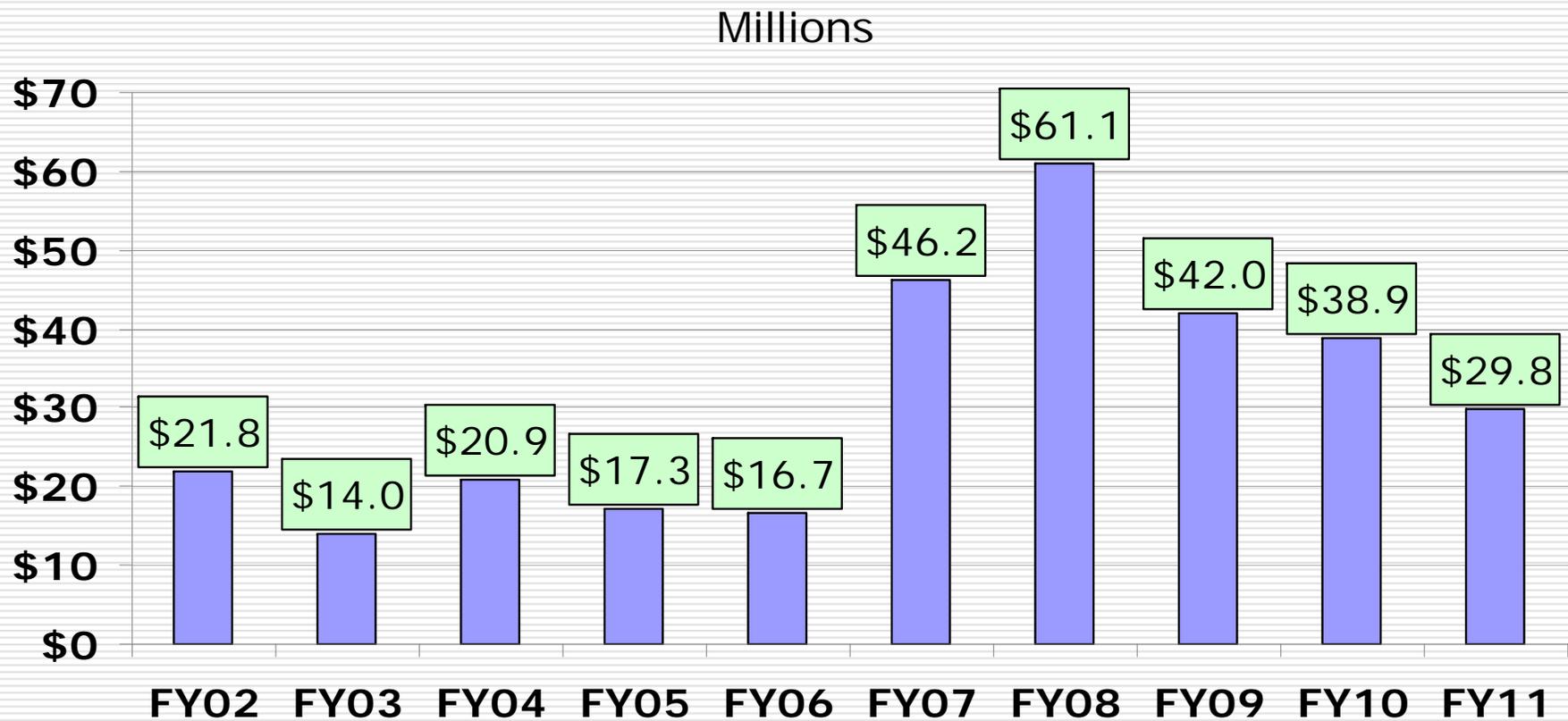
□ HB 1 Surplus Expenditure Plan

	<u>Millions</u>
FY 12 Necessary Government Expenses	\$35.0
Deposit to the Budget Reserve Trust Fund	\$121.8
Total General Fund Surplus	<u>\$156.8</u>

FY 11 NGE

	<u>Millions</u>
Description	
Military Affairs-Disaster Match and Calling Out the Guard	\$12.5
Natural Resources-Fire Suppression	\$3.9
Judgments	\$2.7
ANOC-Guardian Ad Litem	\$8.9
Other	\$1.9
Total	<u>\$29.8</u>
 FY 2010 General Fund Surplus	 \$29.7

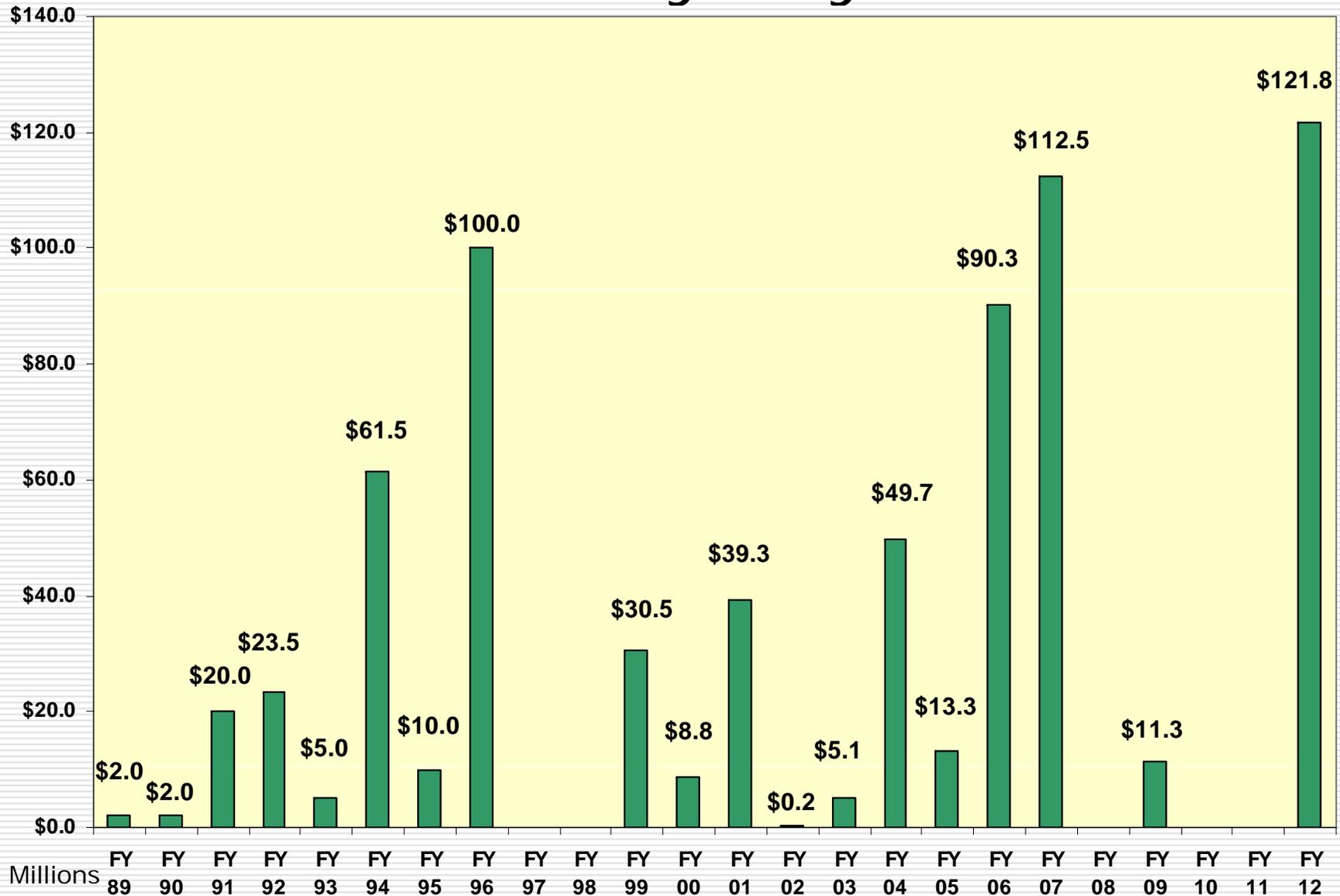
NGE Recent Historical Amounts



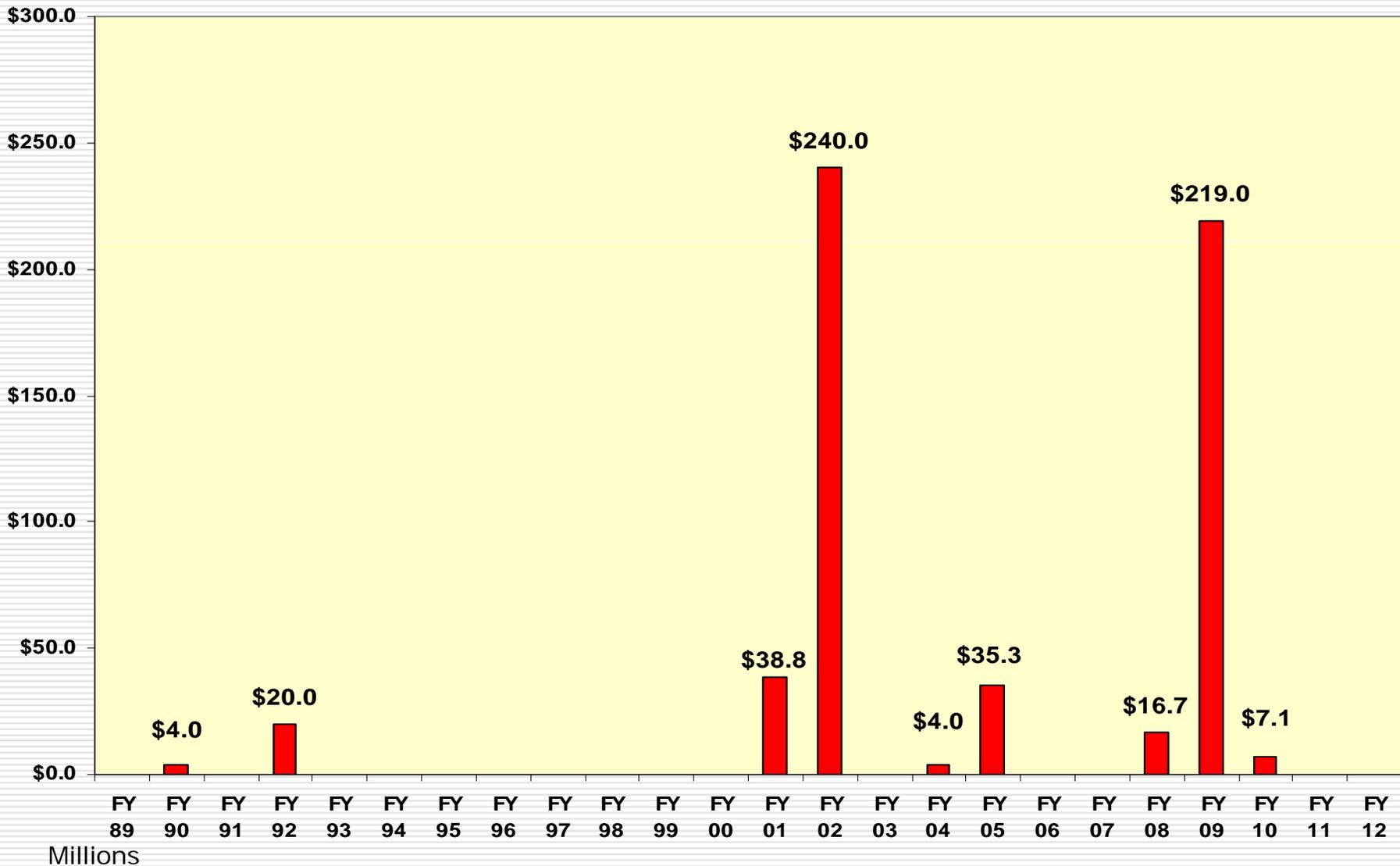
History of Budget Reserve Trust Fund

- ❑ Created in FY 1989
 - ❑ Most Deposits Made from Budget Surpluses
 - ❑ Used to Balance Budget Shortfalls, both in the interim and as part of budget enactment
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\$121.8 Million-Largest Deposit Ever Made to the Rainy Day Fund

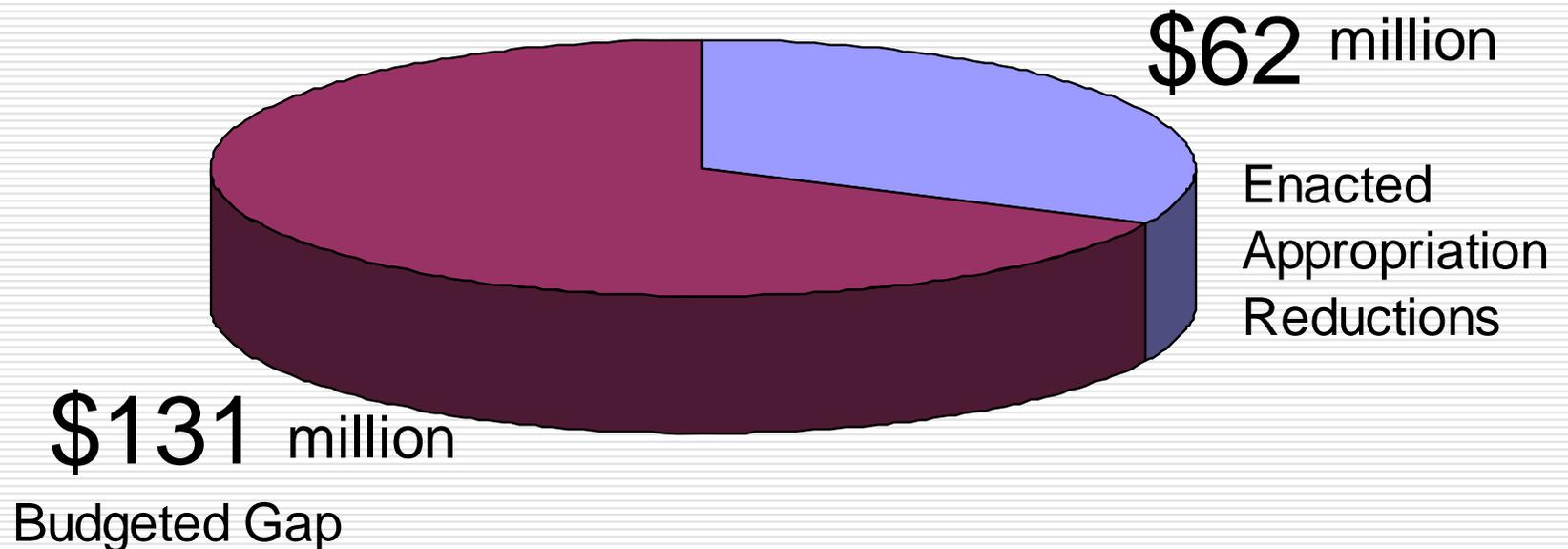


Rainy Day Fund Has Been Used to Buffer the Impact of Shortfalls



FY 11 Budget Balancing Measures

\$193 million in total Reduced Spending Required



FY 11 Additional Budget Balancing Measures

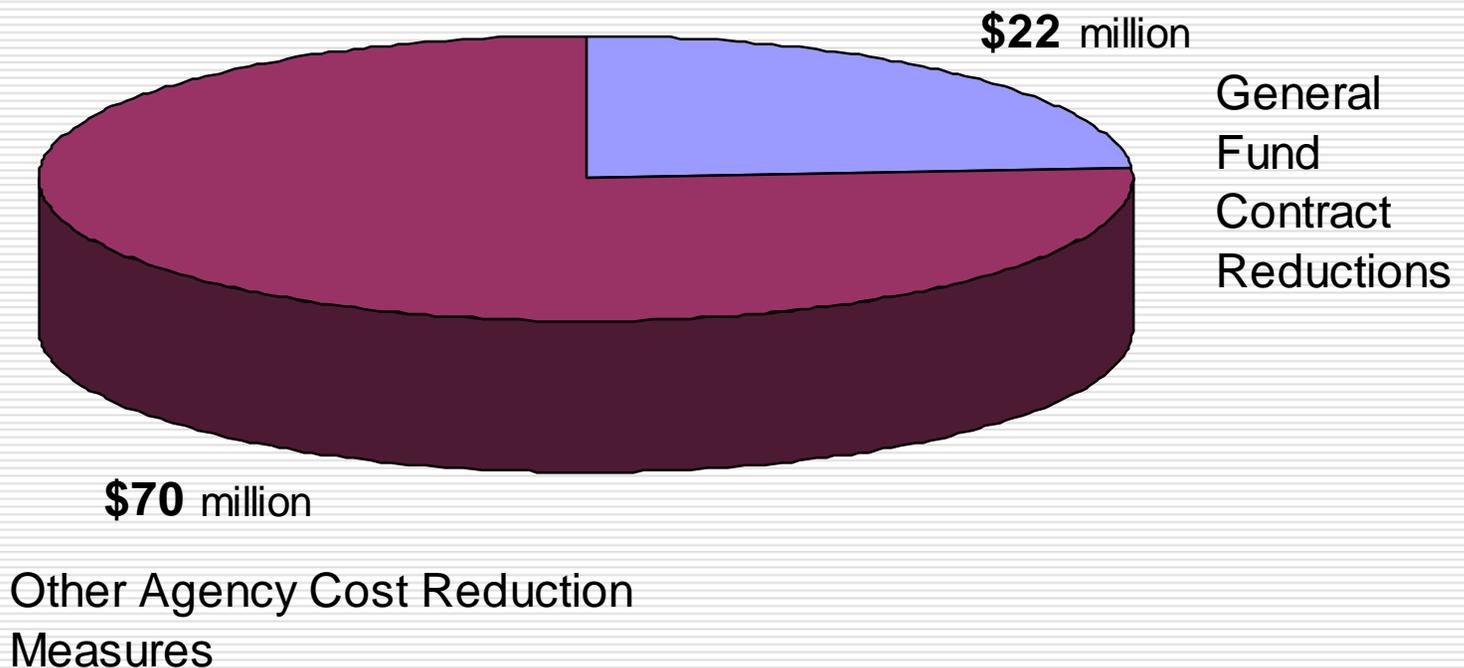
	(Millions)		
	General Fund	Restricted Funds	Total
Problem:			
Budgeted Gap			\$131.0
Solution:			
Debt Restructuring	\$67.0	\$0.0	\$67.0
Operational Cost Reductions	\$24.7	\$7.0	\$31.7
Furlough of State Employees	\$15.4	\$7.9	\$23.3
Non-Merit Personnel Reductions	\$3.4	\$1.6	\$5.0
Asset Sales & Rebates	\$4.0	\$0.0	\$4.0
Total Balancing Actions	\$114.5	\$16.5	\$131.0

Additional Budget Balancing Measures

- Reduced contract spending
 - Reduced Non-Merit Employee costs
 - Improved fleet management
 - Reduced state leases
 - Sold unneeded assets
 - Reduced phone and information technology costs
-

Contract Reductions total 24% of Agency Budget Cuts for FY 11

Agency Specific Budget Cutting Actions total \$92 million for FY 11



Top 10 General Fund Contract Spenders (FY 2010)

	(millions)
<input type="checkbox"/> Behavioral Health	\$142
<input type="checkbox"/> Corrections	107
<input type="checkbox"/> Dept. of Education	85
<input type="checkbox"/> FRYSC's	54
<input type="checkbox"/> Community Based Services	51
<input type="checkbox"/> Public Health	46
<input type="checkbox"/> Aging & Independent Living	38
<input type="checkbox"/> Council on Postsecondary Ed	38
<input type="checkbox"/> Medicaid Administration	21
<input type="checkbox"/> Economic Development	9

(90% of General Fund contract spending)

Note: Does not include Medicaid Benefits

\$5 Million Non-Merit Employee Reductions

- Total of 105 Positions Reduced
 - 65 separations
 - 22 funded positions not filled
 - 18 positions filled at reduced salaries
- Gubernatorial Appointees Reduced

Jan. 2006 - Midterm Prior Admin.	800
Dec. 2007 - Beginning Beshear Admin.	761
Jan. 2010 - Midterm Beshear Admin.	826
June 2011	765

Additional Efficiency Measures Taken

Fleet management

- Take home cars – 8.8% reduction in the fleet since FY 2008
- Replacement schedules for older vehicles - \$5.1 million annual savings by cutting motor pool rates
- Maintenance costs – piloting use of Transportation maintenance garages for fleet maintenance

State Leases

- Target of 5% reduction - \$940,000 in annual savings
-

Additional Efficiency Measures Taken

Information Technology

- Enterprise view of efficiencies
- Review of wireless device utilization and plans
- Negotiated a discount for the state's data network and wireless services - \$1 million
- Auditing phone usage and charges
- Managed Print – RFP on the street

Sale of Assets

- Two under utilized aircraft - \$231,430
 - Surplus real property
 - Reimbursement for relocating bandwidth frequency - \$2.5 million
-

Additional Efficiency Measures Taken

- ❑ **Energy Management in State-Owned Buildings**
 - Implementing software to enable utility billings and utilization to be centrally compiled in a database for review and benchmarking
 - Identifying facilities in which to place energy control hardware that will improve the efficient utilization of energy to reduce costs
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FY 12 Budget Balancing Plans

- Most Agencies have 6.0% reductions from FY 10 appropriation levels
 - 4.5% enacted reductions
 - 1.5% additional reductions in FY 11 as part of budget balancing actions
 - Budgeted Gap for FY 12 is \$189.9 Million
 - \$168.9 million required balancing actions
 - \$21.0 million additional gap
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FY 12 Budget Balancing Plans

- Improving revenue outlook
 - Halted plans for furloughs in FY 12
 - Agencies taking actions to reduce spending
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FY 11 Road Fund Update

- Revenues
 - Ending Balance
 - Surplus Expenditure Plan
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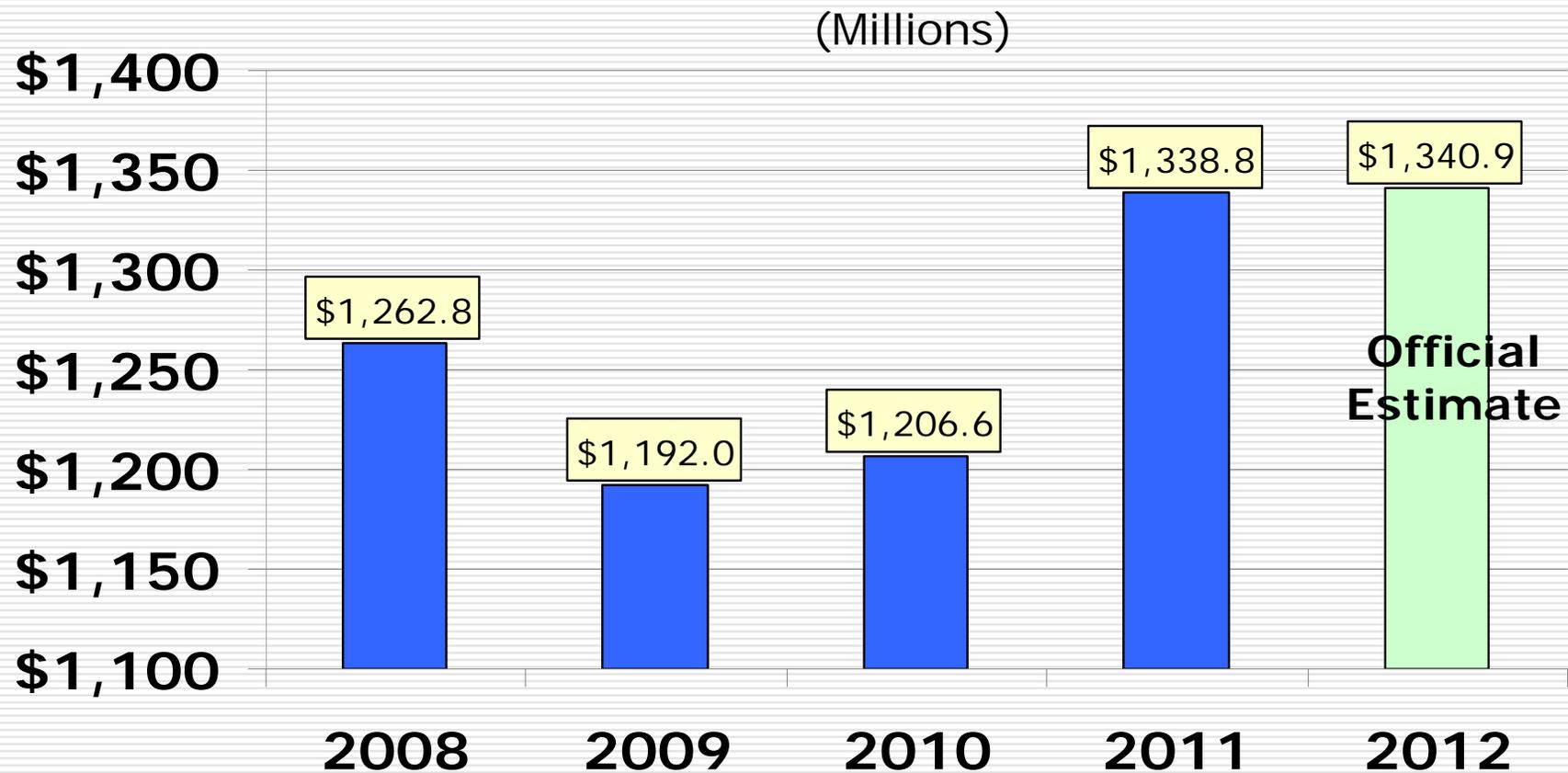
Road Fund Increased 11% in FY 11

	(\$ Million)		Difference	
	FY11	FY10	(mil. \$)	(%)
Motor Fuels	732.8	655.8	77.1	11.8
Motor Vehicle Usage	381.8	332.8	49.0	14.7
Motor Vehicle License	97.8	96.8	1.0	1.0
Motor Vehicle Operators	15.7	15.9	-0.2	-1.3
Weight Distance	74.0	70.5	3.5	4.9
Investment Income	2.0	3.6	-1.6	-45.1
Other	34.7	31.2	3.5	11.3
TOTAL	1,338.8	1,206.6	132.2	11.0

FY11 Road Fund Receipts Exceeded Estimate by \$73 Million

	(\$ million)			
	Actual	Estimate	Diff.	Diff. (%)
Motor Fuels	732.8	680.8	52.0	7.6
Motor Vehicle Usage	381.8	362.9	18.9	5.2
Motor Vehicle License	97.8	94.6	3.2	3.4
Motor Vehicle Operators	15.7	15.4	0.3	2.2
Weight Distance	74.0	77.4	-3.4	-4.4
Investment Income	2.0	1.4	0.6	42.6
Other	34.7	33.3	1.4	4.2
TOTAL	1,338.8	1,265.8	73.0	5.8

Road Fund Surpassed FY 08 Levels in FY11



FY11 Road Fund Ending Balance

Actual vs. Budgeted	Millions
Revenues in Excess of Enacted Budget	\$73.0
Dedicated Motor Fuels Tax Appropriations Greater than Budgeted	(\$27.9)
Fund Transfers in Excess of Enacted Budget	\$2.2
Unbudgeted Lapses	\$20.2
Road Fund Surplus	\$67.5

HB 1 Road Fund Surplus Expenditure Plan

All surplus funds deposited into State Construction
Account

FY 11 Tobacco Settlement Funds Update

- ❑ Actual Receipts 10.3% less than budgeted
- ❑ Proportionate Reductions Made

	<u>Enacted</u> <u>Appropriations</u>	<u>Reductions</u>	<u>Revised</u> <u>Appropriations</u>	<u>Percentage</u> <u>Reduction</u>
Revenue	\$275,000	(\$28,383)	\$246,617	-10.3%
Rural Development Fund	\$55,517,500	(\$5,730,095)	\$49,787,405	-10.3%
Health Care Improvement	\$27,758,700	(\$2,864,997)	\$24,893,703	-10.3%
Early Childhood Development	\$27,758,800	(\$2,865,097)	\$24,893,703	-10.3%
Total	\$111,310,000	(\$11,488,573)	\$99,821,427	-10.3%



Update on ARRA Spending

- ❑ Kentucky was awarded \$3.5 billion.
 - ❑ The total is comprised of 2,645 individual grants, 47 loans, and 916 federal contracts.
 - ❑ Approximately \$3 billion of the total is channeled through state government by formula, match, or competitive award.
 - ❑ 92% of funds have been expended.
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Update on ARRA Spending

	<u>Millions</u>	<u>% Expended</u>
Stimulus Funds Used to Help Balance FY 10 and FY 11 Budgets		
Medicaid Enhanced Matching	\$1,247.9	100.0%
State Fiscal Stabilization Funds	\$651.3	100.0%
	\$1,899.2	100.0%
Formula ARRA Grant Spending		
Transportation	\$367.0	76.0%
K-12 Education	\$307.2	91.0%
Health and Human Services	\$157.1	78.5%
Employment Assistance/Job Training	\$75.5	97.0%
Water/Sewer Infrastructure	\$57.7	81.0%
Energy and Environment	\$49.7	67.0%
Justice	\$16.0	86.0%
Other	\$12.0	85.3%
	\$1,042.2	82.4%
Total-Formula ARRA Spending	\$2,941.4	93.5%
Competitive Awards (excluding Universities)	\$45.8	72.0%
Total ARRA Spending through Ky State Government	\$2,987.2	92.2%

As of June 30, 2011

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