

FY 10 Year End Financial Report

Interim Joint Committee on Appropriations and Revenue

July 22, 2010

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

Overview

- FY 10 General Fund Report
 - Summary of actual revenues
 - Summary of expenditures
 - Necessary Government Expenses
 - Lapses
 - FY 10 Road Fund Report
 - Update on Debt Restructuring
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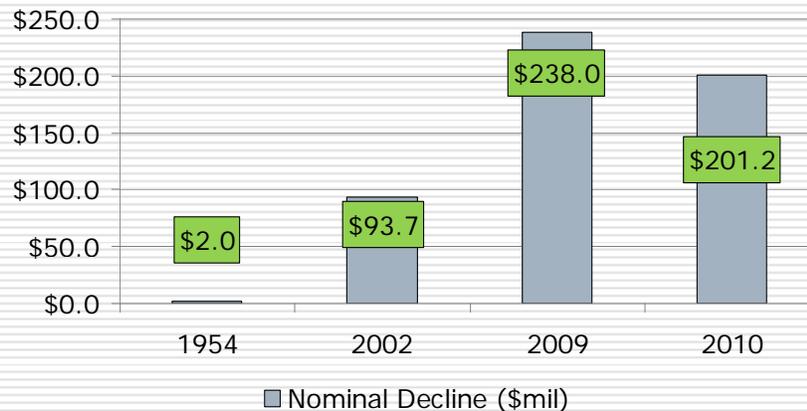
General Fund Declined 2.4% in FY 10

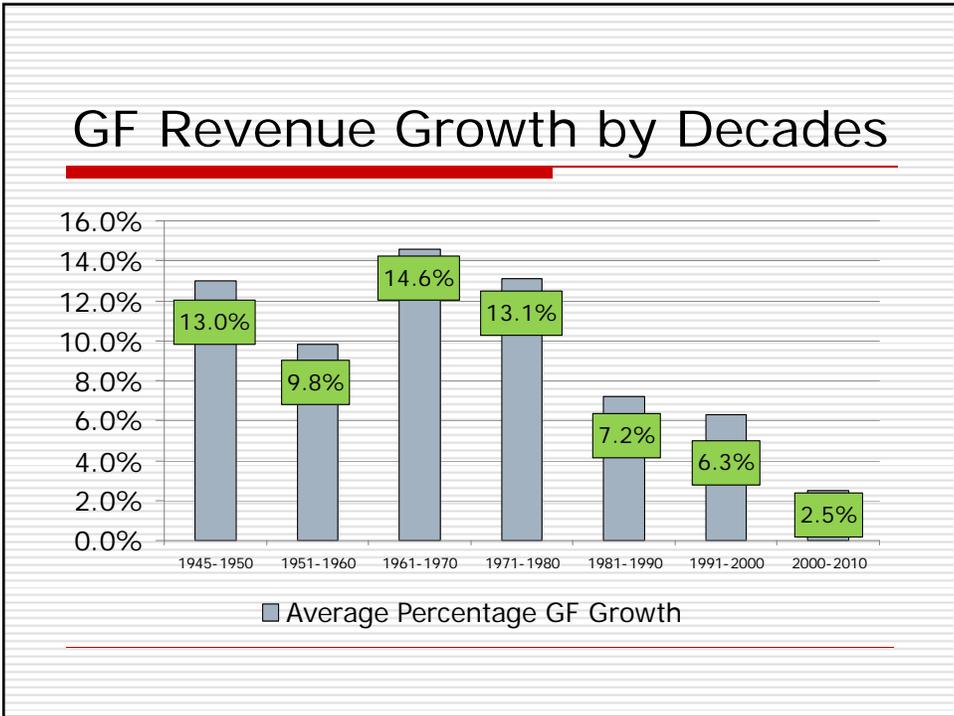
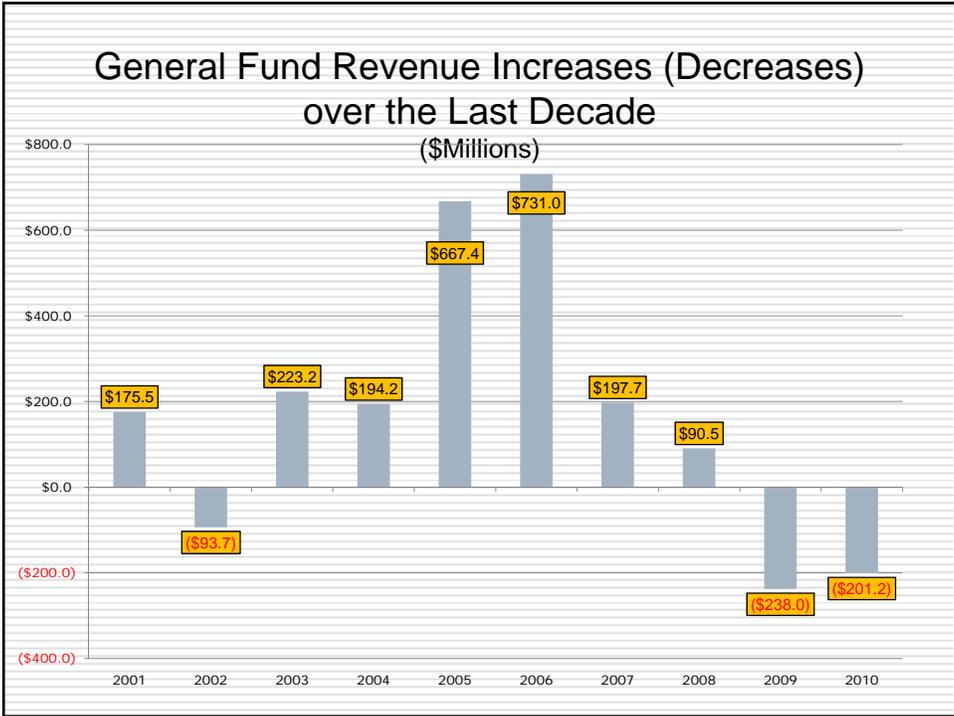
(First time receipts declined in 2 consecutive years since WW II)

	Million \$			Growth Rate (%)		
	FY10	FY09	FY08	FY10	FY09	FY08
Sales and Use	2,794.1	2,857.7	2,877.8	-2.2	-0.7	2.1
Individual Income	3,154.5	3,315.4	3,483.1	-4.9	-4.8	14.5
Combined Corporate	383.8	389.6	533.6	-1.5	-27.0	-56.0
Coal Severance	271.9	292.6	233.0	-7.1	25.6	5.0
Cigarette Tax	278.4	203.0	169.5	37.1	19.8	0.5
Property	516.2	513.1	500.6	0.6	2.5	1.7
Lottery	200.0	193.5	187.5	3.4	3.2	0.4
Other	626.2	661.4	679.1	-5.3	-2.6	3.4
TOTAL	8,225.1	8,426.4	8,664.3	-2.4	-2.7	1.1

GF Revenue Declines

Since 1945, General Fund Revenues have declined only 4 times





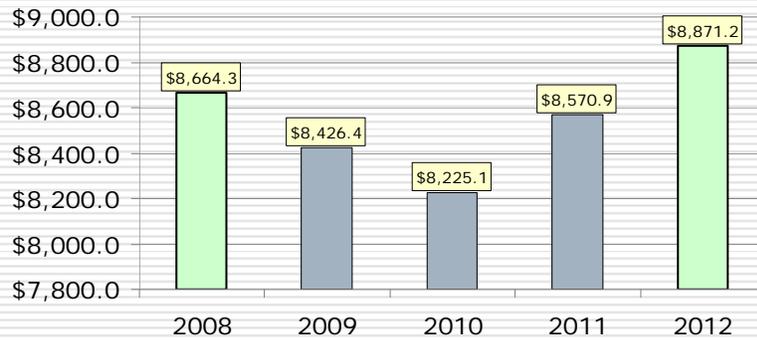
FY10 General Fund Actual vs. Estimated Receipts

Summary of FY10 General Fund Receipts Actual vs. Official Estimate				
	FY 10 Actual	FY 10 Estimate	Difference (mil. \$)	Difference (%)
Sales and Individual Combined	2,794.1	2,792.6	1.5	0.1
Coal	3,154.5	3,148.8	5.7	0.2
Cigarette	383.8	378.1	5.7	1.5
Property	271.9	244.7	27.2	11.1
Lottery	278.4	280.2	-1.8	-0.6
Other	516.2	518.7	-2.5	-0.5
	200.0	200.0	0	0
	626.2	634.8	-8.6	-1.4
TOTAL	8,225.1	8,197.9	27.2	0.3

Official GF Revenue Estimates

	FY11	FY12
Official Estimate	\$8,570.9	\$8,871.2
Growth over Prior Year	4.2%	3.5%
Control Weight	70%	70%
Optimistic Weight	30%	30%

FY08 GF Revenue Levels Will Not Return until FY12



FY 10 Year-End Balance

	<u>Millions</u>
FY 10 General Fund Ending Balance	\$80.1
Budgeted Carryforward	\$50.4
General Fund Surplus	\$29.7

	<u>Millions</u>
Actual vs. Budgeted	
Revenues in Excess of Enacted Estimate	\$27.2
Fund Transfers in Excess of Budgeted	\$4.3
Necessary Government Expenses Greater than Budgeted	(\$0.9)
Dedicated Severance Tax Appropriations Greater than Budgeted	(\$9.0)
Unachieved Budgeted Lapse	(\$7.1)
Other Lapses	\$15.2
General Fund Surplus	\$29.7

FY 10 General Fund Shortfalls

	(\$ millions)
Problem:	
Budget Reduction Order 10-01- September, 2009	1,110.5
Budget Reduction Order 10-02 - January, 2010	108.3
Total Problem	<u>1,218.8</u>
Solution:	
Appropriation Reductions & Budgeted Lapses	372.4
State Funds replaced with Federal Stimulus Funds	812.5
	<u>1,184.9</u>
Fund Transfers	33.9
Total Solution	<u>1,218.8</u>

HB 1 Surplus Expenditure Plan

- Necessary Government Expenses
 - Replenish the Budget Reserve Trust Fund
 - Current Balance - \$0
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What is a NGE?

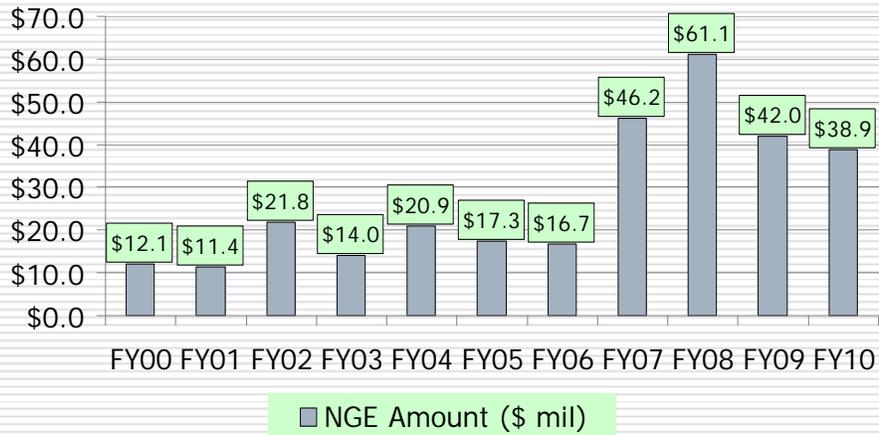
- Necessary Government Expense**
 - Authority to spend funds on certain expenses is provided in the budget; but no funds are appropriated
 - Funds come from the General Fund Surplus Account, the Budget Reserve Trust Fund, or other cuts must be made to accommodate the expenses
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FY 10 NGE

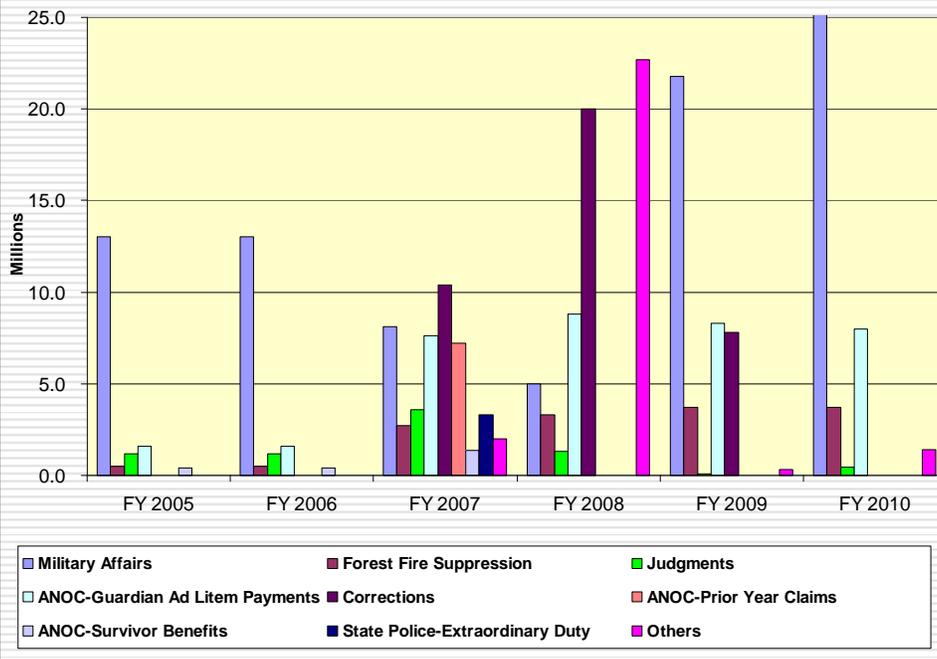
Description	(Millions)
Military Affairs-Disaster Match and Calling out the Guard	\$25.3
Natural Resources-Forest Fire Suppression	\$3.7
Judgments	\$0.5
ANOC-Guardian Ad Litem Payments	\$8.0
Others	\$1.4
Total	\$38.9

Military Affairs	
Ice Storm	\$17.2
Other Disasters and Emergencies	\$5.8
Other	\$2.3
Total	\$25.3

NGE Recent Historical Amounts



Natural Disasters are the Biggest Source of NGE



FY 10-12 Authorized NGE

- Veterans' Affairs - debt service for the state share in case the federal government funds the 4th State Veterans' nursing home capital project
- Military Affairs-Disaster Match and Calling out the Guard
- Board of Elections - state share of special elections, additional precincts, additional new registered voters
- Judgments
- Appropriations Not Otherwise Classified: Attorney General Expense, Board of Claims awards, Guardian Ad Litem, Prior Year Claims, Unredeemed Checks refunded, Survivor benefits for Police/Firefighter/National Guard and Reserve deaths in line of duty
- Forest Fire suppression

FY 10-12 Authorized NGE

- Gubernatorial transition
- Social Security contingent liability fund
- County Costs: Sheriff's Fees, Jury Fund, Access to Justice, Fugitives from Justice, Witnesses Fund, Sheriffs' Expense Allowance, DUI Service Fees, and others
- Rental payments to the Lexington-Fayette Urban County Government for occupancy of the new mental health facility to replace Eastern State Hospital.
- Kentucky State Police - call to extraordinary duty
- Payments to County Jails for state felons in excess of the amount budgeted
- Capital Construction and Equipment Purchase Contingency account - sufficient funds
- Emergency Repair, Maintenance, and Replacement account

FY 10 General Fund Lapses

Unbudgeted Lapses for FY 10 include:

	<u>Millions</u>
Finance Debt Service	\$4.5
School Facilities Const Commission Debt Service	\$4.2
Health Insurance-Local School Districts	\$4.2
Economic Development-Office of Secretary	\$1.1
Others	\$1.2
Total	<u>\$15.2</u>

Note: FY 10 Revised General Fund budget included \$322.6 million in planned spending lapses.

FY 10 Road Fund Update

Revenues

Ending Balance

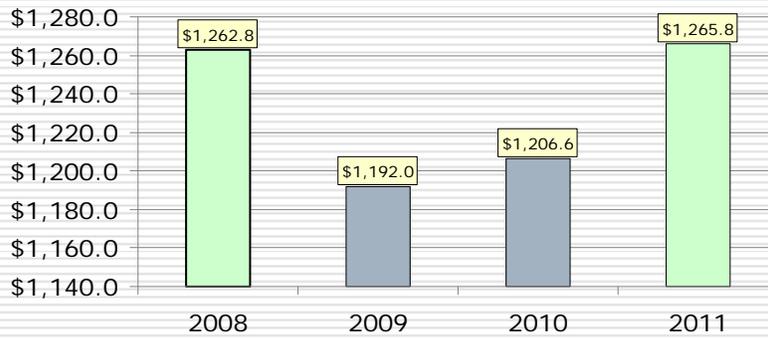
Road Fund Increased 1.2% in FY 10

FY10 Road Fund Revenues Compared to Previous Years						
	Million \$			Growth Rate (%)		
	FY10	FY09	FY08	FY10	FY09	FY08
Motor Fuels	655.8	622.5	608.8	5.3	2.3	8.0
Motor Vehicle Usage	332.8	336.3	405.8	-1.0	-17.1	-1.3
Motor Vehicle License	96.8	98.2	93.5	-1.4	5.0	-8.0
Motor Vehicle Operators	15.9	15.5	15.4	2.7	1.0	-2.8
Weight Distance	70.5	75.4	84.4	-6.6	-10.6	-1.3
Investment Income	3.6	10.7	19.5	-65.9	-45.2	20.9
Other	31.2	33.4	35.5	-6.6	-6.0	10.3
TOTAL	1,206.6	1,192.0	1,262.8	1.2	-5.6	3.0

FY10 Road Fund Actual vs. Estimate

Summary of FY10 Road Fund Receipts Actual vs. Official Estimate				
	FY 10 Actual	FY 10 Estimate	Difference (mil. \$)	Difference (%)
Motor Fuels	655.8	655.6	0.2	0.0
Motor Vehicle Usage	332.8	328.6	4.2	1.3
Motor Vehicle License	96.8	93.5	3.3	3.6
Motor Vehicle Oprs	15.9	15.3	0.6	4.2
Weight Distance	70.5	70.4	0.1	0.1
Investment Income	3.6	3.9	-0.3	-6.8
Other	31.2	31.8	-0.6	-2.0
TOTAL	1,206.6	1,199.1	7.5	0.6

Road Fund Projected to Return to FY 08 Levels by FY11



FY10 Road Fund Ending Balance

Actual vs. Budgeted	Millions
Revenues in Excess of Enacted Estimate	\$7.5
Debt Service Lapse	\$23.3
Other Lapses	\$11.1
Road Fund Surplus	\$41.9

HB 1 Road Fund Surplus Expenditure Plan

All surplus funds deposited into State Construction Account

Debt Restructuring

- Restructuring outstanding liabilities to realize debt service savings in the biennium
 - Principal amortized over remaining life of existing debt
 - Upfront savings used to keep from cutting priorities – long term increased costs
 - Utilized in both FY 08-10 and FY 10-12 biennia
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Rating Implications of Restructuring Debt

- Many states are utilizing this strategy to balance their budgets
 - Negatively viewed.. However...
 - Value of not making deeper cuts to education, healthcare and public safety is recognized
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Debt Restructuring

General Fund (millions)

■ FY 09	\$ 42.8 (actual)
■ FY 10	\$162.8 (actual)
■ FY 11	\$139.8 (actual)
■ FY 12	\$130.0 (budgeted)

Road Fund

■ FY 10	\$ 81.4 (actual)
■ FY 11	\$ 52.0 (budgeted)
■ FY 12	\$ 53.0 (budgeted)

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