

FY 09 Year End Financial Report

Interim Joint Committee on
Appropriations and Revenue

Mary Lassiter
August 27, 2009

Two Topics Today

- Final Report on FY 09
 - Summary of actual revenues
 - Summary of budget balancing actions
- Update on FY 10 General Fund balancing plan

General Fund Declined 2.7% in FY 09

	Million \$			Growth Rate (%)		
	FY09	FY08	FY07	FY09	FY08	FY07
Sales and Use	2,857.7	2,877.8	2,817.7	-0.7	2.1	2.5
Individual Income	3,315.4	3,483.1	3,041.5	-4.8	14.5	4.2
Corporation Income	268.0	435.2	988.1	-38.4	-56.0	-1.4
LLET	121.7	98.4	--	23.6	--	--
Coal Severance	292.6	233.0	222.0	25.6	5.0	-1.1
Cigarette Tax	203.0	169.5	168.8	19.8	0.5	1.8
Property	513.1	500.6	492.5	2.5	1.7	-2.0
Lottery	193.5	187.5	186.6	3.2	0.4	-1.8
Other	661.4	679.1	656.8	-2.6	3.4	5.4
TOTAL	8,426.4	8,664.3	8,573.8	-2.7	1.1	2.4

How the FY09 Budget was Balanced

- HB 143 – 2009 Regular Session
 - Amended the Budget Reduction Plan
 - HB 144 – 2009 Regular Session
 - Increases in taxes on Tobacco and Alcohol products
 - Budget Reduction Orders
 - March 27, 2009
 - July 17, 2009
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FY 09 Budget Reduction Plan – Round One

	(millions)
Rainy Day Fund	\$ 219.0
Spending Reductions	\$ 147.1
Fund Transfers	\$ 59.6
Revenue Increases	\$ 52.2
SEEK Lapse	<u>\$ 15.0</u>
Total *	<u>\$ 492.9</u>

*Note: Does not include Tobacco Funds

FY 09 Budget Reduction Plan – Round Two (at Year End)

	(millions)
Revenue Shortfall	\$ (55.8)
Increased Severance Tax Dedications	<u>\$ (3.7)</u>
Total General Fund Revenue Shortfall	\$ (59.5)
Additional NGE, Fund Transfers less than budgeted, and unbudgeted lapses	\$ (3.7)
Total Budget Shortfall	<u>\$ (63.2)</u>
Source to Balance	
Excess GF in Medicaid resulting from higher federal match rate from ARRA	\$ 63.2

Status of the Budget Reserve Trust Fund

<input type="checkbox"/> FY 2009 Beginning Balance	\$ 214.7 million
<input type="checkbox"/> FY 2008 Surplus Deposit	\$ 11.3 million
<input type="checkbox"/> FY 2009 Budgeted Uses	<u>(\$219.0 million)</u>
<input type="checkbox"/> FY 2009 Ending Balance	\$ 7.1 million
<input type="checkbox"/> FY 2010 NGE Uses	<u>(\$ 7.1 million)</u>
<input type="checkbox"/> Current Balance	\$ 0.0

Update on FY 10 Balancing Plan

- Governor's Proposal
 - General Assembly Actions
 - FY 09 Year-End
 - CFG August 12 planning forecast
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Governor's Plan to Balance FY 10

	<u>(millions)</u>
Solutions to the Shortfall:	
Stimulus Funding	\$741.7
Spending Reductions from Enacted FY 2010 Appropriations*	\$200.0
Debt Restructuring	\$113.0
Enhanced Tax Collection Efforts	\$18.5
Suspension of 3 to 5 Paid Holidays for State Employees	\$10.6
Total Solutions	\$1,083.8

* Agency reductions of 2.6% from FY 09 spending levels, for those not exempt from cuts

Special Session Actions

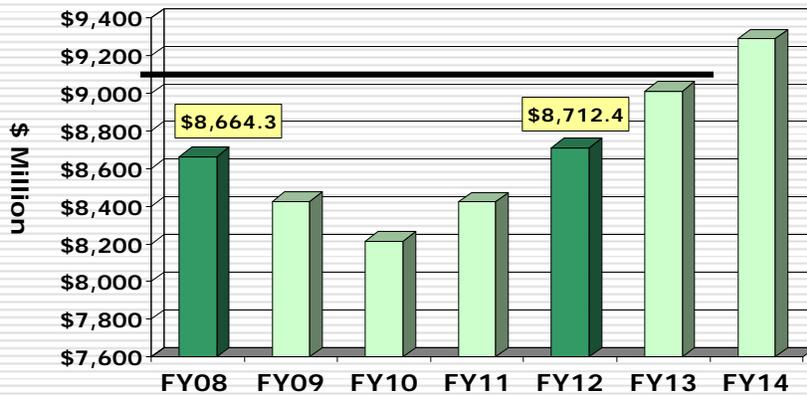
- Reduced cuts / increased spending in limited areas
 - No unpaid holidays
 - PVAs
 - Prosecutors
 - Public Advocacy
 - Legislative and Judicial Branches
 - Enacted tax expenditures with FY 10 impact
 - Active duty military pay tax exemption
 - Homebuyer tax credits
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FY 09 Year End – General Fund

- Revenues came in lower than forecasted
- Balanced with one-time funds from Medicaid due to higher federal match rate (ARRA)

General Fund Estimates for KRS 48.120 (1)									
Planning Forecast FY10 - FY14									
(Millions of Dollars)									
August 2009									
August 12 CFG Forecast	FY09		FY10		FY11		FY12		
	Actual	% Chg	Estimate	% Chg	Estimate	% Chg	Estimate	% Chg	
Sales & Use	2,857.7	(0.7)	2,785.3	(2.5)	2,868.3	3.0	2,979.3	3.9	
Individual Income	3,315.4	(4.8)	3,175.0	(4.2)	3,293.0	3.7	3,425.8	4.0	
Corporation Inc & LLET	389.7	(27.0)	402.9	3.4	407.1	1.0	409.2	0.5	
Coal Severance	292.6	25.6	222.6	(23.9)	209.9	(5.7)	219.7	4.7	
Tobacco	203.0	19.8	272.3	34.1	270.0	(0.8)	267.5	(0.9)	
Property	513.1	2.5	511.3	(0.4)	519.4	1.6	535.0	3.0	
Lottery	193.5	3.2	202.0	4.4	204.0	1.0	208.0	2.0	
Other	661.4	(2.6)	642.9	(2.8)	651.2	1.3	668.0	2.6	
Total General Fund	8,426.4	(2.7)	8,214.1	(2.5)	8,422.7	2.5	8,712.4	3.4	

FY08 Revenue Levels Will Not Return until FY12



Preserve Priorities With Stimulus Funds

- Maintain Existing Funding – No Reductions
 - SEEK per pupil guarantee
 - Postsecondary Education Institutions
 - Medicaid
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Preserve Existing Funding in Priority Areas

- Straight-line funding from current year (FY 09 revised)
 - Mental Health Services
 - Economic Development
 - State Police
 - Local Jail Support
 - KET
 - Kentucky Horse Park
 - Ethics Commission
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Additional Funding over FY 09 revised – But Less than or equal to Enacted FY 10

- Debt Service on bonds previously authorized
 - Health Insurance for School Districts and State Workers (enacted)
 - Increased employer contribution rates for Ky Retirement Systems (enacted)
 - Teachers' Retirement System (enacted)
 - Corrections population-related expenses
 - Veterans' Affairs
 - Student Financial Aid for Higher Education (enacted)
 - PVA's
 - Judicial Branch
 - Legislative Branch
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Funding Higher than FY 10 Enacted levels

- Revenue
 - State Parks
 - Horse Racing Commission
 - Public Advocacy
 - Prosecutors
 - LGEAF / LGEAF
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Updated View of FY 10 Balancing

- Reductions to agencies subject to cuts must be higher than 2.6%
 - Revenue outlook for the current year is getting worse
 - Analyzed cutback plans at 3% and 4% levels
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Most of the Rest of Government Reduced 4% from FY 09 Levels

- Except:
 - Health and Family Services – 1%
 - Impact to services
 - Additional federal funds from ARRA
 - Education and Workforce – 2.3%
 - Exempt Career and Technical Education
 - CPE
 - Exempt Adult Education and Contract Spaces
 - Energy & Environment – 2.8%
 - Exempt Environmental Protection to mitigate backlogs in permitting
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Status of Budget Reductions

- Communicating with agencies this week
 - Budget reduction order being prepared
 - Agencies will implement reductions to minimize impact on services – but there will be impacts
 - Most personnel cost reductions through attrition
 - Cumulative effect of budget reductions is showing
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Road Fund Update

- ❑ Actual FY 09 Revenues
 - ❑ Summary of FY 09 Balancing Actions
 - ❑ FY 10 Outlook
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Road Fund Declined 5.6% in FY 09

FY09 Road Fund Revenues Compared to Previous Years
(\$ millions)

	Million \$			Growth Rate (%)		
	FY09	FY08	FY07	FY09	FY08	FY07
Motor Fuels	622.5	608.8	563.5	2.3	8	6.7
Motor Vehicle Usage	336.3	405.8	411.3	-17.1	-1.3	4
Motor Vehicle License	98.2	93.5	101.7	5	-8	8.3
Motor Vehicle Operators	15.5	15.4	15.8	1	-2.8	8.6
Weight Distance	75.4	84.4	85.4	-10.6	-1.3	0.1
Investment Income	10.7	19.5	16.1	-45.2	20.9	152.6
Other	33.4	35.5	32.2	-6	10.3	-22.1
TOTAL	1192.0	1262.8	1225.9	-5.6%	3.0%	5.2%

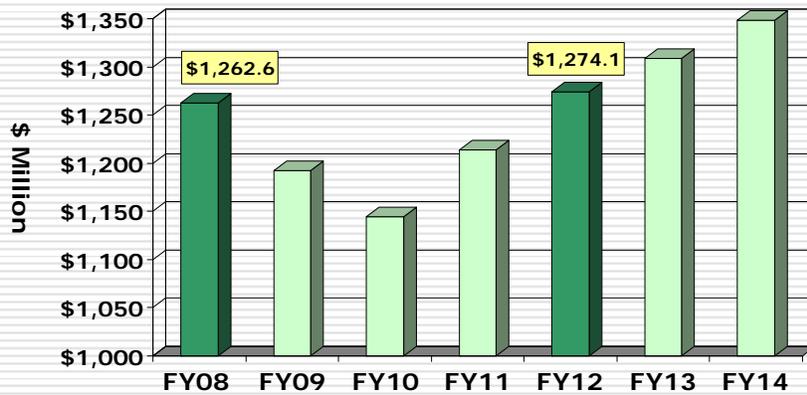
FY 09 Road Fund Balancing Actions

- Round One - \$104.7 million shortfall
 - Reductions made in April
- Round Two - Revenues came in lower than forecasted by \$36.8 million
 - Balanced with Revenue Sharing adjustment and Spending Lapses

FY 10 Road Fund Balancing Plan

	(millions)
Revenue Shortfall	\$ 264.1
Balancing Actions:	
Revenue Sharing	\$ 45.7
Debt Service	\$ 106.0
Other Reductions	\$ 28.4
State Construction	\$ 84.0
Total	\$ 264.1

FY08 Road Fund Revenue Levels Will also Not Return until FY12



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