

**Overview of FY 05 Year End Closeout
Preview of 06-08 Biennium
Overview of 06-08 Biennial Budget
Instructions**

Presented by
Office of State Budget Director
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www.osbd.ky.gov

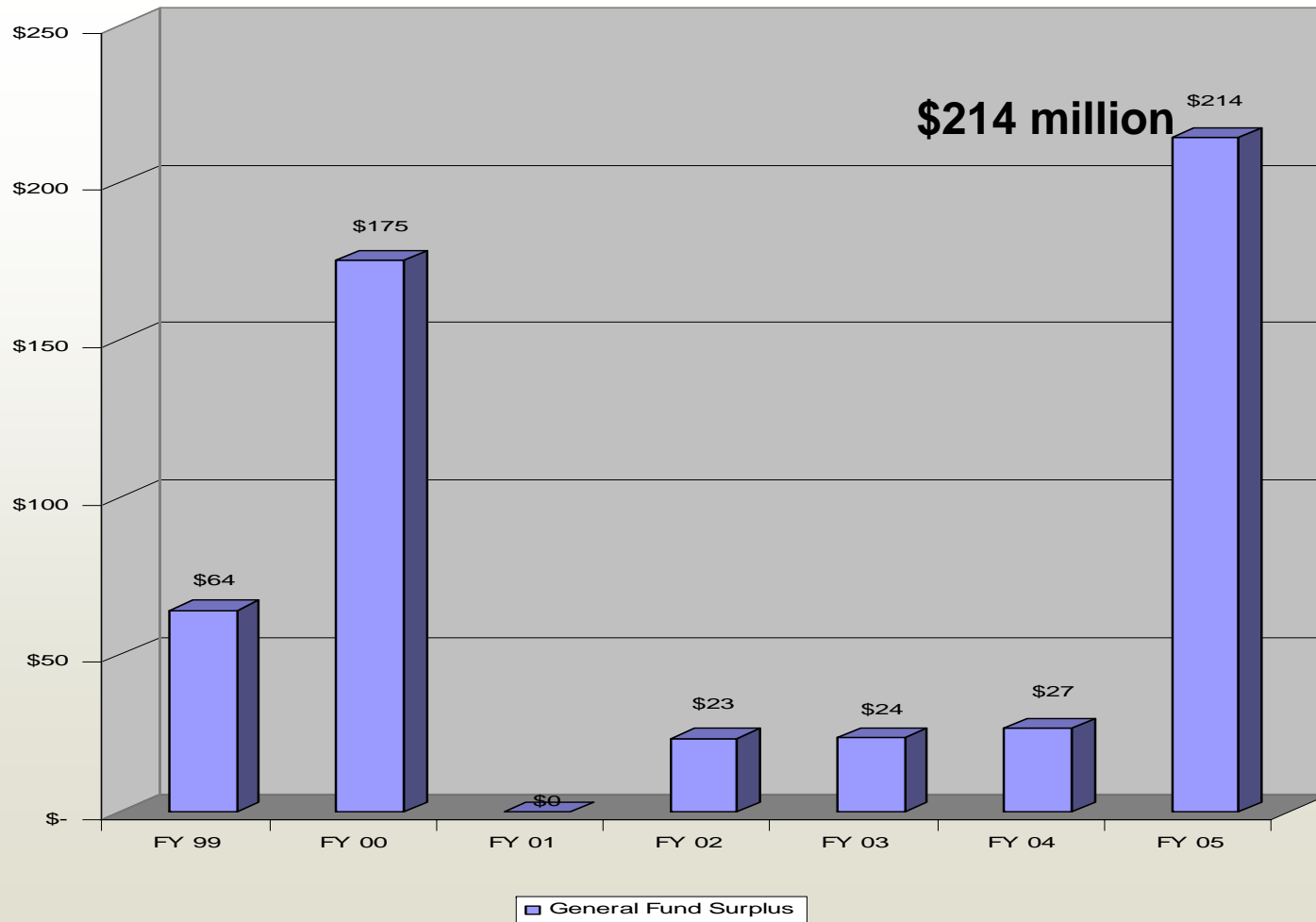


THE BIG PICTURE

The view from 50,000 feet

- Overview of FY 05 Year End Closeout**
- Preview of FY 06-08 Biennium**

FY05 General Fund Surplus was up sharply



General Fund Surplus on June 30, 2005

	\$ Millions
General Fund Revenues in excess of enacted	\$195
Tobacco Settlement – Phase I payments in excess of enacted	\$3
Fund Transfers less than enacted (due to injunction on KAPT \$13.7m)	(\$5)
Necessary Government Expenses-unbudgeted expenditures	(\$14)
Judgments payments-unbudgeted expenditures	(\$3)
Off-budget expenditures (Abandoned Property Fund/KAPT)	(\$17)
Unbudgeted Lapses (excl. budgeted lapse of \$15)	\$52
Lapse of Continued Appropriation	\$2
General Fund Surplus	\$214

FY05 GF increased \$195M over projections

Why GF revenue increased faster than expected?

- ✓ **Stronger uptick in Kentucky economy than predicted**
- ✓ **Consistent with other states, national trends**

Governor contributes \$90M to trust fund

Target at 1.5% of FY 06 revenues	\$	119,015,085
BRTF ending balance for FY 05	\$	28,764,829
Maximum Deposit from surplus	\$	90,250,256

- ✓ **\$124 million available for other options (teacher salaries, restore P-16 base, Medicaid, necessary government expenses)**
- ✓ **Governor is currently studying options and evaluating the needs of the Medicaid program**

FY06 Good News: Revenue (pre-Katrina)

Already budgeted:

- ✓ **JOBES for Kentucky was revenue neutral over five year period (FY04-08), but included cash flow “bump” (\$110M) in FY06 (already budgeted)**

Not budgeted:

- ✓ **Beginning balance is higher than anticipated due to lapse and stronger revenue in FY05**
- ✓ **CFG forecast for FY06 is \$325.8 more than the enacted budget**

FY06 Bad News: Expenditure Pressures

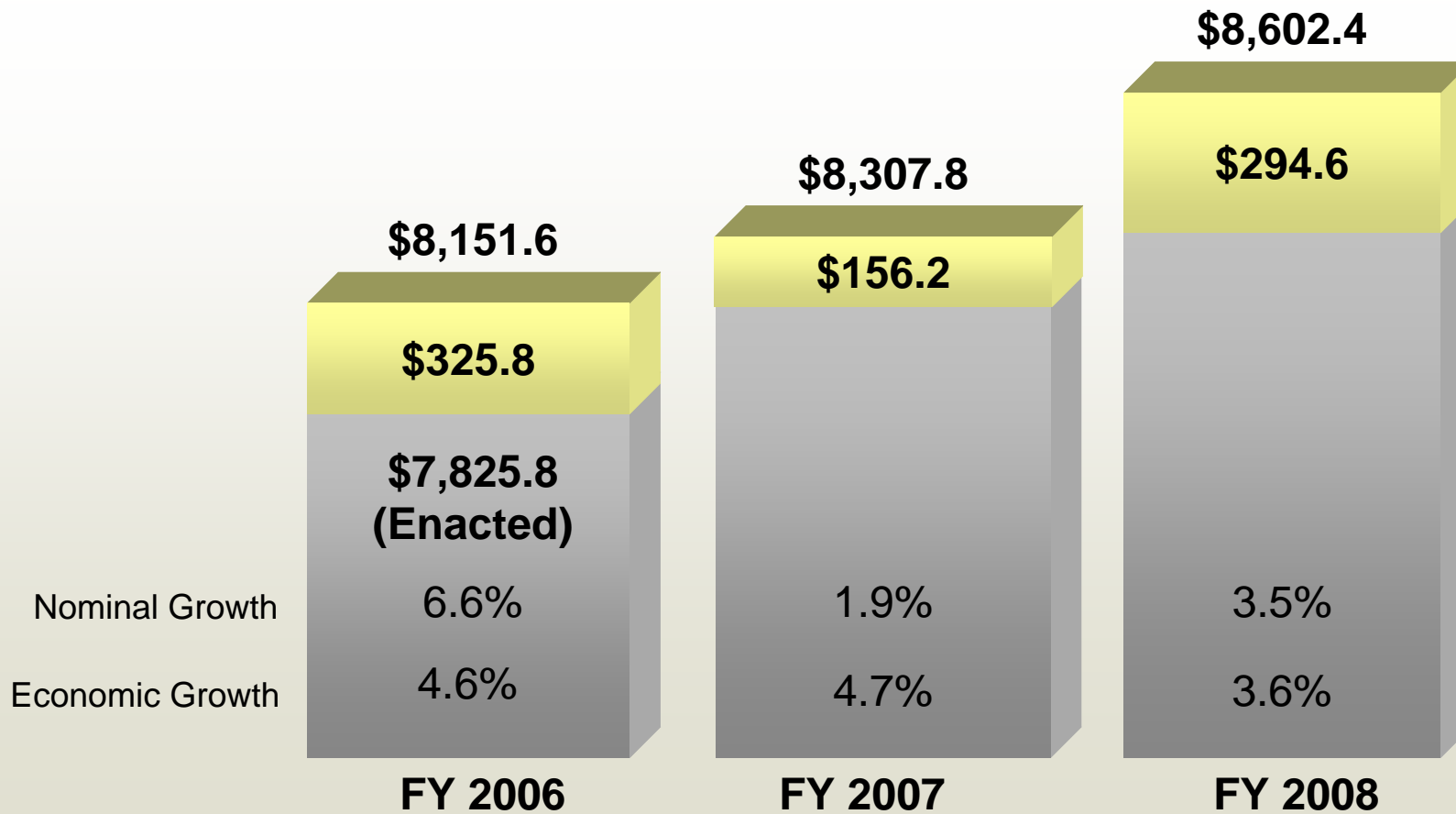
**✓ Medicaid is way out of
balance**

The Road Ahead: FY07-08 Budget

Budget challenges have shifted from lack of revenue to unsustainable expenditures

- ✓ **Revenues are coming in nicely**
- ✓ **The big four (Medicaid, health insurance, pensions and Corrections) are competing with everything else in the budget**

August 2005 CFG Revenue Outlook for General Fund FY06-08



Structural imbalance-Expenditures

- ✓ **Unsustainable rates of increase in cost of Medicaid (as much as \$300+ M increase in GF in FY 07 over FY 06 enacted)**
- ✓ **Double digit increases in state health insurance (12-18% or \$73 M to \$110 M)**
- ✓ **Shift of debt service from half year to full year (+ \$36M)**
- ✓ **No appropriations for necessary government expenses (NGE averages \$15-20 M/year)**

Structural imbalance-Resources

- ✓ **FY 07 revenue growth slides down after Jobs for Kentucky FY 06 “bump” (1.9% growth in FY 07)**
- ✓ **Big cash carryforward into FY 06 may not be available in FY 07 (\$468 M from FY 05 to FY 06, of which \$254 M was budgeted in HB 267)**
- ✓ **Heavy reliance on Restricted Fund cash transfers to the General Fund (\$184 M in FY 06)**

Medicaid could absorb revenue gains

Fiscal Year 2006

\$124 M
balance
of FY05
surplus

\$132 M
Current
Medicaid
FY06
deficit

Fiscal Year 2007

\$156 M
“new
money”
in FY07

\$175 M
increased
cost of
current
Medicaid
program
in FY07



“Down in the Weeds”

Highlights of FY 06-08 Budget Instructions

What is the same?
What has changed?

2006-2008 Biennium Budget Instructions

WHAT IS THE SAME?

- Personnel “snapshot” will be August 1, 2005
- Due date for budget requests to GOPM and LRC is November 1, 2005
- Baseline budget is FY 06 enacted as revised (by appropriation unit, by fund)
- Defined calculations request (cost elements as described on pages 61 & 62)
- All other requests are Additional Budget Requests

WHAT HAS CHANGED?

- Legal citations for programs are required
- Further emphasis on detailed programmatic and performance measures in narratives, including statutory and regulatory authority, anticipated changes in organizational structure and contract practices
- Inclusion of FFTL and Interim in “other” personnel category

WHAT HAS CHANGED, cont.

- More detailed instructions for completing E (Restricted Funds) and G (Federal Funds) forms
- “Mandated Service/Activity” deleted from additional budget request (ABR) as it created confusion and is already incorporated into the rationale (B-4) for the ABR
- Appendix I (Management Data) – modified and consolidated amount of information requested

WHAT HAS CHANGED, cont.

- Appendix J (Schedule of Planned Contract Activity) – modified and consolidated amount of info requested
- Discrete Activity/Appendix K – No longer required. GOPM and LRC Budget Review may request additional level of detail outside the instructions, if needed

WHAT HAS CHANGED, cont.

- **Baseline Capital Outlay Expenses Record** – this required agencies to detail equipment costing between \$50,000 and \$100,000 and computer systems costing between \$50,000 and \$400,000. Due to baseline being straight-lined, form was virtually unused. Replacement schedule still required. Additional information may be requested by GOPM and LRC, as needed

What is still to come?

- FY 06 State Group Health Insurance Fund Allocations by mid-week
- Defined calculations personnel runs for FY 07 & FY 08
- Worker's Compensation allocations by agency

Budget Timeline

- October 15 - CFG Estimates FY 06 – 08
- November 1 - Agency Budget Requests Due
- January 3, 2006 – General Assembly Convenes
- January 17, 2006 – Executive Budget Recommendation
- April 11, 2006 - General Assembly Adjourns Sine Die

Tips for “new” budgeteers from “old” budgeteers

- When requesting appropriation increases, allotment revisions, cap increases, and other requests requiring GOPM approval
 - Indicate the purpose of the request in the first sentence
 - Provide Support for Your Request: Answer the questions who, what, when, where, why, how/how much and why funds are available?