

Overview of the Governor's FY19 Budget Request and Plans

House Finance Committee

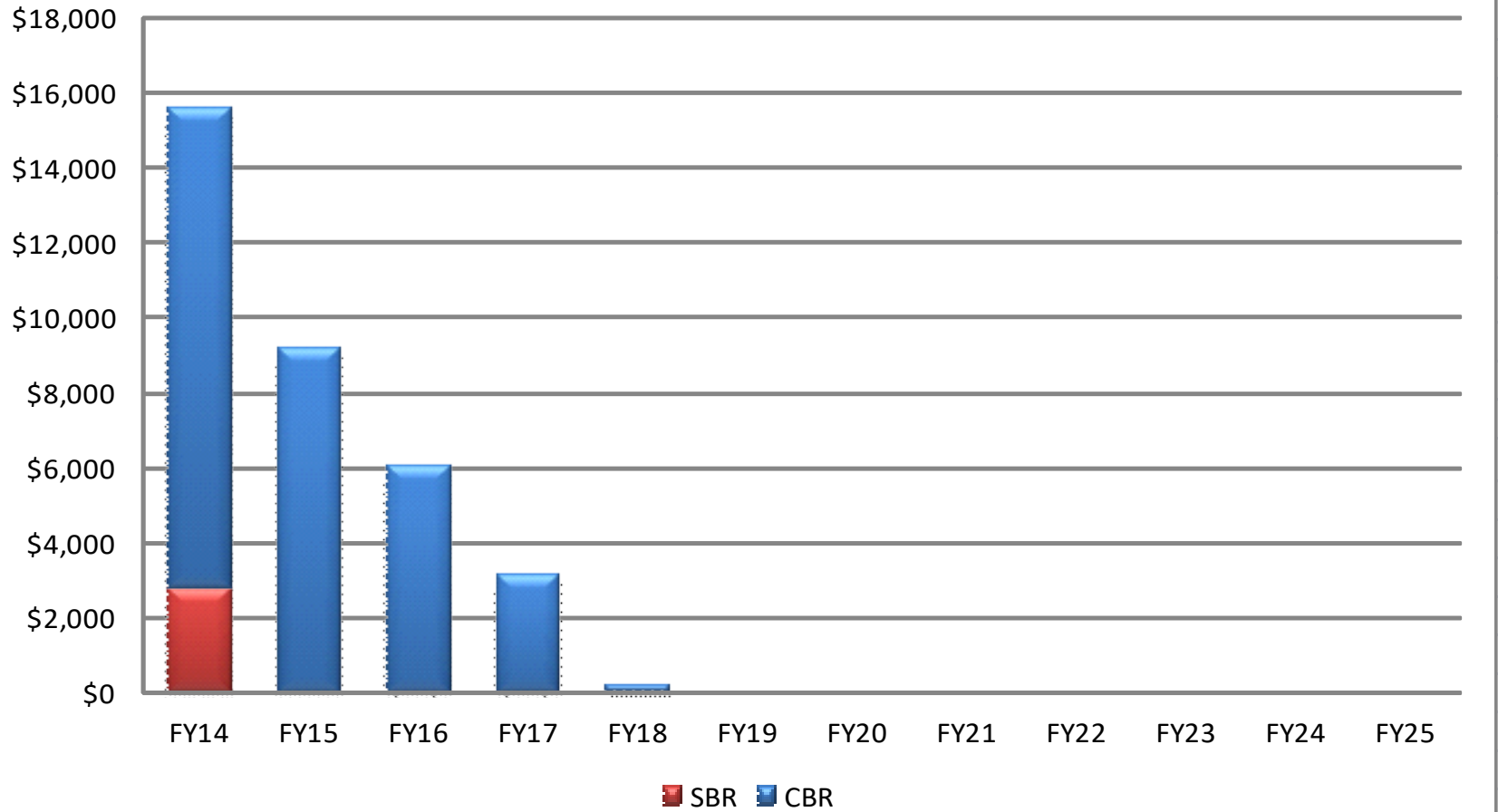
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FY19 Revenue and Appropriations

	UGF Only (\$millions)	Cash Flow Basis		
	Revenue	2,085.8		
	Appropriations			
	Agency Operations	3,916.4		
	Statewide Items	514.3		
	Capital	150.1		
	Total Appropriations	4,580.8		
	Surplus/(Deficit)	(2,495.0)		
	Revenue covers this portion of appropriations:	46%		
	CBR Balance	2,187.7		
	SBR Balance	172.4		
	Total Budget Reserves	2,360.1		
	Surplus/(Deficit) after Reserves	(134.9)		
(1)	Revenue excludes transfers from the ERA			
(2)	Appropriations exclude dividends and transfers to/from reserves			
(3)	Excludes items that require legislative action beyond a simple majority vote			
(4)	Excludes an appropriation to purchase oil and gas tax credits			

Budget Reserves (CBR & SBR) (\$ millions)



FY19 Revenue and Appropriations

	UGF Only (\$millions)	Cash Flow Basis	With POMV and Transfers			
Revenue		2,085.8	4,815.4	adds POMV payout of \$2.7 billion (net \$1.9 billion)		
Appropriations						
Agency Operations		3,916.4	3,916.4			
Statewide Items		514.3	514.3			
Capital		150.1	150.1			
PFDs			818.9	of the \$2.7 billion payout, \$819 million is for dividends		
Total Appropriations		4,580.8	5,399.7			
Transfers			(21.2)	pulling money from small funds/accounts		
Surplus/(Deficit)		(2,495.0)	(563.1)			
Revenue covers this portion of appropriations:		46%	89%			
CBR Balance (BoY)		2,187.7	2,187.7			
SBR Balance (BoY)		172.4	172.4			
Total Budget Reserves		2,360.1	2,360.1			
Remaining Reserves		(134.9)	1,797.0			
(1)	Excludes items that require legislative action beyond a simple majority vote					
(2)	Excludes an appropriation to purchase oil and gas tax credits					

FY19 Revenue, Appropriation Bills and Other Items

UGF Only (\$millions)	Cash Flow Basis	With POMV and Transfers	With Additional Items	
Revenue	2,085.8	4,815.4	5,015.7	\$200 million from payroll and motor fuels taxes
Appropriations				
Agency Operations	3,916.4	3,916.4	3,916.4	
Statewide Items	514.3	514.3	514.3	
Capital	150.1	150.1	150.1	
PFDs		818.9	818.9	
Fiscal Notes			29.0	only Public School Trust, Senior Benefits and debt for credits
Economic Recovery Act			280.0	versus \$160 million in revenue
Total Appropriations	4,580.8	5,399.7	5,708.7	
Transfers		(21.2)	(21.2)	
Surplus/(Deficit)	(2,495.0)	(563.1)	(671.8)	
Revenue covers this			-	
portion of appropriations:	46%	89%	88%	
Avail CBR Balance (BoY)	2,187.7	2,187.7	425.5	supermajority vote limits the CBR draw
SBR Balance (BoY)	172.4	172.4	172.4	
Total Budget Reserves	2,360.1	2,360.1	597.9	
Surplus/(Deficit) after Using Available Reserves	(134.9)	1,797.0	(73.9)	potential problems with low/negative reserves

Comparing FY19 to FY18 (UGF)

	UGF Only (\$millions)	FY18 Mgmt Plan	FY19 Governor	Change from FY18 to FY19
Revenue		2,865.8	4,815.4	1,949.6
Appropriations				
Agency Operations		3,751.1	3,916.4	165.3
Statewide Items		469.4	514.3	44.9
Capital		132.0	150.1	18.1
PFDs		760.0	818.9	58.9
Total Appropriations		5,112.5	5,399.7	287.2
Transfers		(64.6)	(21.2)	43.4
Surplus/(Deficit) Appropriation Bills Only		(2,182.1)	(563.1)	
Add Governor's Plans				
Revenue			200.3	200.3
Appropriations			309.0	309.0
Surplus/(Deficit) Bills plus Plans		(2,182.1)	(671.8)	

Looking Ahead

- Both revenue and expenditures are projected to grow at about the same pace, so deficits are projected to continue unless action is taken.
- The size of deficit depends on:
 - Revenue (more reduces the deficit)
 - Spending (more increases the deficit)
 - POMV payout (more reduces the deficit)
 - Dividends (more increases the deficit)
 - And many other variables

What is Missing?

- **Community Assistance**
 - The FY19 distribution will be \$30 million if a proposed \$30 million FY18 deposit to the Community Assistance fund is approved.
 - But the FY20 distribution will fall to \$20 million unless there is a \$30 million deposit in FY19.
 - The Governor did not request a deposit in FY19.
 - Without a deposit this session, communities won't be certain of their FY20 payments.
- **Retirement Contributions**
 - Actuarial valuations call for state retirement assistance of \$299 million for PERS and TRS.
 - The Governor proposes appropriations of \$238 million, a shortage of \$61 million.
 - Underfunding retirement systems has consequences—not just with rating agencies, but real world consequences.

What is New?

- **Public Safety Action Plan**

- Increase spending by \$33.5 million (DPS, DOL, DOC, HSS).
- \$18 million of the total is proposed as a supplemental appropriation, which reduces the apparent size of the FY19 budget.

- **Economic Recovery Plan**

- A payroll tax would generate \$160 million in FY19 and \$320 million during each of the next two years.
- The plan would spend the entire \$800 million in revenue on capital projects, leaving no revenue to fill deficits.
- FY19 appropriations exceed FY19 revenue.
- Will the regular capital grow if the legislature rejects the plan?

What is New?

- **Direct Appropriations from the Constitutional Budget Reserve Fund (CBR)**
 - **Conceptually interesting:**
 - Speed the budget process for core services to avoid inefficiencies.
 - Only minimally disruptive items would require a supermajority vote.
 - **Dangers:**
 - Core services are vulnerable to revenue failure.
 - May result in a special session for a second supermajority vote or a round of budget cuts.
- **Biennial Budgeting**
 - Theoretical advantages include increased efficiency and reduced uncertainty.
 - Advantages may be more theoretical than practical.
 - Requires legislation.

What is New?

- **Debt Financing for Purchases of Oil and Gas Tax Credits**
 - Conceptually interesting, but short on detail.
- **Supplemental Appropriations**
 - The Governor added supplemental items to both operating and capital bills. (\$170 million UGF)
 - Supplemental requests are not due for two weeks.
 - No technical or legal reasons preclude “early” supplemental requests—supplementals can go in any appropriation bill.