

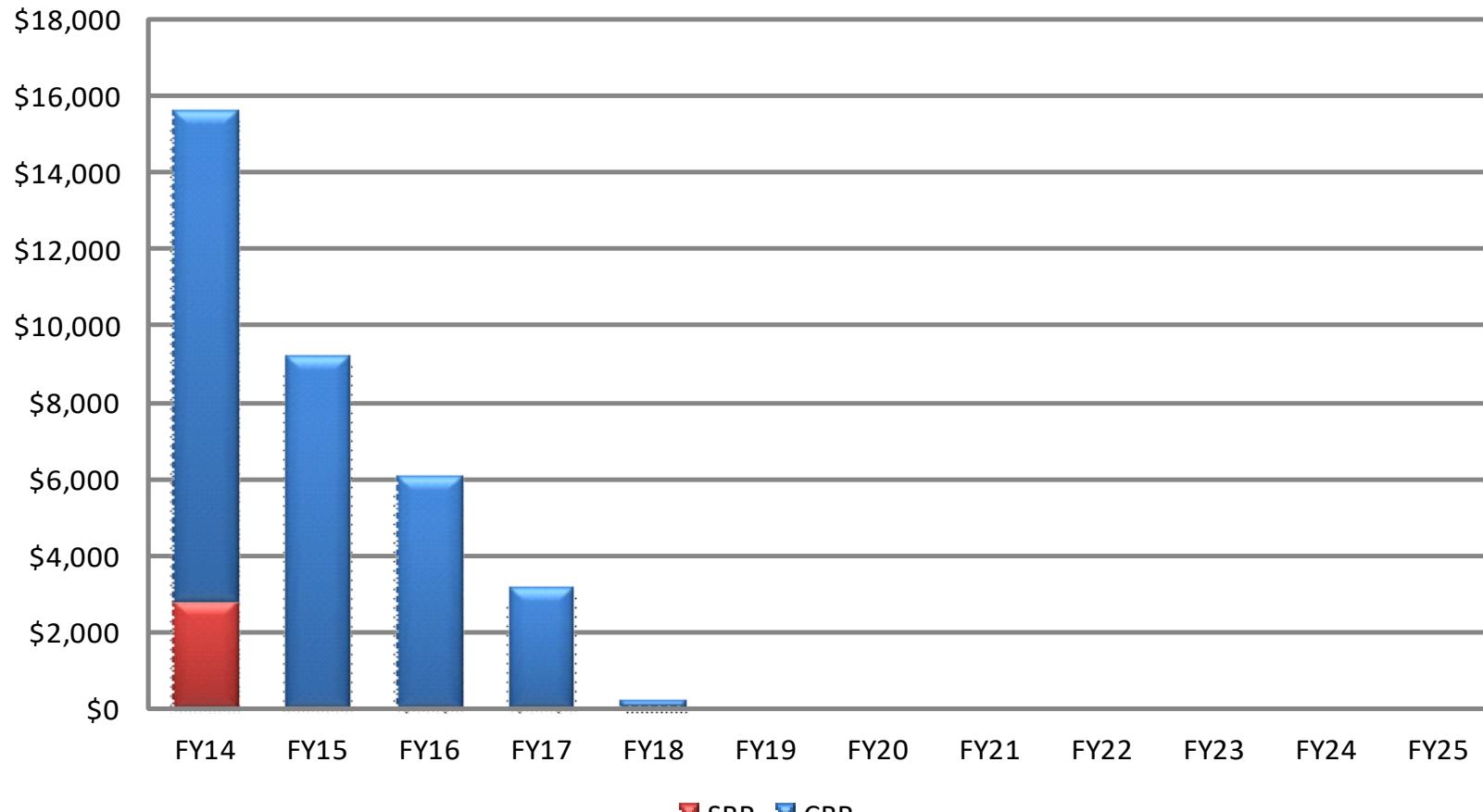
# Overview of the Governor's FY19 Budget Request and Plans

House Finance Committee  
Tuesday, January 23, 2018  
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# FY19 Revenue and Appropriations

	UGF Only (\$millions)	Cash Flow Basis	
<b>Revenue</b>		<b>2,085.8</b>	
<b>Appropriations</b>			
Agency Operations		3,916.4	
Statewide Items		514.3	
Capital		150.1	
<b>Total Appropriations</b>		<b>4,580.8</b>	
<b>Surplus/(Deficit)</b>		<b>(2,495.0)</b>	
Revenue covers this portion of appropriations:		46%	
CBR Balance		2,187.7	
SBR Balance		172.4	
<b>Total Budget Reserves</b>		<b>2,360.1</b>	
<b>Surplus/(Deficit) after Reserves</b>		<b>(134.9)</b>	
(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		
<b>Revenue</b>	<b>2,085.8</b>	<b>4,815.4</b>		adds POMV payout of \$2.7 billion (net \$1.9 billion)	
<b>Appropriations</b>					
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	
<b>Total Appropriations</b>	<b>4,580.8</b>	<b>5,399.7</b>			
<b>Transfers</b>		(21.2)		pulling money from small funds/accounts	
<b>Surplus/(Deficit)</b>	<b>(2,495.0)</b>	<b>(563.1)</b>			
Revenue covers this portion of appropriations:	46%	89%			
CBR Balance (BoY)	2,187.7	2,187.7			
SBR Balance (BoY)	172.4	172.4			
<b>Total Budget Reserves</b>	<b>2,360.1</b>	<b>2,360.1</b>			
<b>Remaining Reserves</b>	<b>(134.9)</b>	<b>1,797.0</b>			
(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	
<b>Revenue</b>	<b>2,085.8</b>	<b>4,815.4</b>	<b>5,015.7</b>	\$200 million from payroll and motor fuels taxes
<b>Appropriations</b>				
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	
<b>Fiscal Notes</b>				
<b>Economic Recovery Act</b>			<b>29.0</b>	only Public School Trust, Senior Benefits and debt for credits
<b>Total Appropriations</b>	<b>4,580.8</b>	<b>5,399.7</b>	<b>5,708.7</b>	versus \$160 million in revenue
<b>Transfers</b>		(21.2)	(21.2)	
<b>Surplus/(Deficit)</b>	<b>(2,495.0)</b>	<b>(563.1)</b>	<b>(671.8)</b>	
Revenue covers this portion of appropriations:			-	
	46%	89%	88%	
<b>Avail CBR Balance (BoY)</b>	<b>2,187.7</b>	<b>2,187.7</b>	<b>425.5</b>	supermajority vote limits the CBR draw
<b>SBR Balance (BoY)</b>	<b>172.4</b>	<b>172.4</b>	<b>172.4</b>	
<b>Total Budget Reserves</b>	<b>2,360.1</b>	<b>2,360.1</b>	<b>597.9</b>	
<b>Surplus/(Deficit) after Using Available Reserves</b>	<b>(134.9)</b>	<b>1,797.0</b>	<b>(73.9)</b>	potential problems with low/negative reserves

# Comparing FY19 to FY18 (UGF)

	UGF Only (\$millions)	FY18 Mgmt Plan	FY19 Governor	Change from FY18 to FY19
<b>Revenue</b>	<b>2,865.8</b>	<b>4,815.4</b>	<b>1,949.6</b>	
<b>Appropriations</b>				
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	
<b>Total Appropriations</b>	<b>5,112.5</b>	<b>5,399.7</b>	<b>287.2</b>	
<b>Transfers</b>	<b>(64.6)</b>	<b>(21.2)</b>	<b>43.4</b>	
<b>Surplus/(Deficit)</b>				
<b>Appropriation Bills Only</b>	<b>(2,182.1)</b>	<b>(563.1)</b>		
<b>Add Governor's Plans</b>				
Revenue		200.3	200.3	
Appropriations		309.0	309.0	
<b>Surplus/(Deficit)</b>				
<b>Bills plus Plans</b>	<b>(2,182.1)</b>	<b>(671.8)</b>		

# 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—supplements can go in any appropriation bill.