GENERAL FUND STATUS:
FISCAL 2010 ACTUAL / 2011 BIENNIUM PROJECTED

A Report Prepared for the

Revenue and Transportation Interim Committee

By

Terry W. Johnson

Principal Fiscal Analyst

September 15, 2010

Legislative Fiscal Division

www.leg.mt.gov/css/fiscal

INTRODUCTION

The purpose of this report is to provide the committee with preliminary FY 2010 ending fund balance data for the general fund account. Although the revenue and disbursement data for the account have been finalized on the Statewide Accounting, Budgeting, and Human Resource System (SABHRS), the Generally Accepted Accounting Principles (GAAP) balance shown in this report reflects only the adjustments made to date by the Department of Administration (DOA). The general fund account has not yet been audited by the Legislative Auditor, as the audited balance is normally finalized in late fall.

This report provides a comparison between budgeted data as developed by the 61st Legislature and what actually occurred in FY 2010. It also provides aggregate information on revenue estimates and collections, disbursements and reversions, and an updated fund balance statement for the 2011 biennium. A more detailed analysis of revenue trends and the implications for the current and subsequent biennia is currently underway by Legislative Fiscal Division (LFD) staff.

FUND BALANCE DISCUSSION

The general fund account GAAP balance at the end of FY 2010 was projected to be $312.7 million. This estimate was based on House Joint Resolution 2 (HJ 2) revenue estimates (61st Legislature) and disbursement budgets adopted during the 61st legislative session[1]. Total revenues were expected to be less than total disbursements by approximately $56.5 million. This structural imbalance (disbursements greater than revenues) was planned by the legislature whereby appropriations were adopted to fund special one-time disbursements.

As shown in Figure 1, the preliminary general fund account unreserved, undesignated balance for FY 2010 was $314.9 million, or $2.2 million above the level anticipated by the 61st Legislature. Figure 1 also shows the differences between budgeted and actual amounts for aggregate revenues, disbursements, and other adjustments.

REASONS FOR DIFFERENCES

The next section of the report discusses the reasons for the difference in the ending fund balance. The first part addresses FY 2010 revenue estimates used by the 61st Legislature, actual collections, and a brief explanation for the variation in revenue collections. The second part discusses appropriations, disbursements, and reversions. The third part briefly discusses fund balance adjustments followed by a summary of FY 2010. Lastly, a projection of the 2011 biennium is provided.

Figure 1

General Fund Account
Fiscal 2010 Budgeted Versus Actual
Fund Balance Detail

	Budgeted Amount *	Actual Fiscal 2010 **	Over (Under) Estimate	Diff. Percent
Beginning Balance	$369,149,000	396,334,894	$27,185,894	7.36%
General Fund Receipts	1,772,916,000	1,627,144,539	(145,771,461)	-8.22%
Residual Equity Transfers	0	0	0	na
Total Revenue	$1,772,916,000	$1,627,144,539	($145,771,461)	-8.22%
General Fund Disbursements	1,829,397,000	1,716,709,654	(112,687,346)	-6.16%
Non-Budgeted Disbursements	0	0	0	na
Total Disbursements	$1,829,397,000	$1,716,709,654	($112,687,346)	-6.16%
Prior Year Rev. Adjustments	0	6,215,000	6,215,000	na
Prior Year Exp. Adjustments	0	7,533,786	7,533,786	na
Other Adjustments	0	(5,637,402)	(5,637,402)	na
Total Adjustments	$0	$8,111,384	$8,111,384	na
Ending Balance (Preliminary)	$312,668,000	$314,881,163	$2,213,163	0.71%

* Legislative Fiscal Report, 2011 Biennium June 2009
** FY 2010 other adjustments include $4.2 million of non-spendable reserves

REVENUE ESTIMATES AND COLLECTIONS

Column 2 of Figure 2 shows the FY 2010 revenue estimates for the general fund account as shown in HJ 2 during the 2009 regular legislative session including adjustments for enacted legislation. The adjacent columns in the figure show actual collections, the amount collections were over or (under) the estimate, the percent difference, and

[1]Legislative Fiscal Report, 2011 Biennium, June 2009

the contribution percent. The contribution percent signifies the importance of each revenue component to the general fund account. For example, individual income taxes were 44.1 percent of the total general fund collections, while wine taxes accounted for only 0.12 percent during FY 2010. This column of information shows that about 75.5 percent of general fund revenue collections in FY 2010 came from individual (44.1%), property (13.7%), corporate (5.4%), oil and gas production (5.9%), and vehicle (6.4%) taxes.

Figure 2

General Fund Receipts By Major Component
Fiscal 2010

Revenue Category	Estimated 2010 Receipts *	Actual 2010 Receipts	Over(Under) Estimate	Percent Difference	Contribution Percent
GF0100 Drivers License Fee	$3,920,000	$4,156,003	$236,003	6.02%	0.25%
GF0200 Insurance Tax	58,762,000	54,892,354	(3,869,646)	-6.59%	3.36%
GF0300 Investment Licenses	6,210,000	6,224,662	14,662	0.24%	0.38%
GFxxxx Vehicle Fee/Tax	110,217,000	103,861,549	(6,355,451)	-5.77%	6.36%
GF0600 Nursing Facilities Fee	5,213,000	5,300,229	87,229	1.67%	0.32%
GF0700 Beer Tax	3,218,000	3,031,854	(186,146)	-5.78%	0.19%
GF0800 Cigarette Tax	32,007,000	32,217,914	210,914	0.66%	1.97%
GF0900 Coal Severance Tax	10,846,000	10,321,853	(524,147)	-4.83%	0.63%
GF1000 Corporation Tax	115,638,000	87,900,911	(27,737,089)	-23.99%	5.38%
GF1100 Electrical Energy Tax	4,717,000	4,713,429	(3,571)	-0.08%	0.29%
GF1150 Wholesale Energy Trans Tax	3,931,000	3,556,056	(374,944)	-9.54%	0.22%
GF1200 Railroad Car Tax	2,295,000	2,579,263	284,263	12.39%	0.16%
GF1300 Individual Income Tax	840,263,000	717,834,371	(122,428,629)	-14.57%	43.95%
GF1400 Inheritance Tax	29,000	90,544	61,544	212.22%	0.01%
GF1500 Metal Mines Tax	3,248,000	6,541,391	3,293,391	101.40%	0.40%
GF1700 Oil Severance Tax	66,930,000	95,490,812	28,560,812	42.67%	5.85%
GF1800 Public Contractor's Tax	4,322,000	6,969,395	2,647,395	61.25%	0.43%
GF1850 Rental Car Sales Tax	3,182,000	2,807,415	(374,585)	-11.77%	0.17%
GFxxxx Property Tax	228,853,000	222,509,767	(6,343,233)	-2.77%	13.62%
GF2150 Lodging Facilities Sales Tax	13,376,000	12,330,846	(1,045,154)	-7.81%	0.75%
GF2250 Retail Telecom Excise Tax	21,672,000	23,523,474	1,851,474	8.54%	1.44%
GF2300 Tobacco Tax	4,738,000	5,334,499	596,499	12.59%	0.33%
GF2400 Video Gaming Tax	69,003,000	52,395,999	(16,607,001)	-24.07%	3.21%
GF2500 Wine Tax	2,043,000	1,932,669	(110,331)	-5.40%	0.12%
GF2600 Institution Reimbursements	16,047,000	22,000,354	5,953,354	37.10%	1.35%
GF2650 Highway Patrol Fines	4,055,000	4,646,462	591,462	14.59%	0.28%
GF2700 TCA Interest Earnings	7,967,000	2,692,285	(5,274,715)	-66.21%	0.16%
GF2900 Liquor Excise Tax	16,581,000	15,626,091	(954,909)	-5.76%	0.96%
GF3000 Liquor Profits	7,039,000	9,000,000	1,961,000	27.86%	0.55%
GF3100 Coal Trust Interest Earnings	28,574,000	26,914,102	(1,659,898)	-5.81%	1.65%
GF3300 Lottery Profits	10,969,000	10,631,304	(337,696)	-3.08%	0.65%
GF3450 Tobacco Settlement	4,007,000	3,468,623	(538,377)	-13.44%	0.21%
GF3500 U.S. Mineral Leasing	27,796,000	30,287,794	2,491,794	8.96%	1.85%
GF3600 All Other Revenue	35,247,000	35,360,264	113,264	0.32%	2.16%
Total Current Year Revenue	$1,772,915,000	$1,627,144,539	($145,770,461)	-8.22%	99.62%
Prior Year Adjustments	0	6,215,000	6,215,000		0.38%
Residual Equity Transfers	0	0	0		0.00%
Total Revenue	$1,772,915,000	$1,633,359,539	($139,555,461)	-7.87%	100.00%

* House Joint Resolution 2 Regular Session revenue estimates as adjusted for enacted legislation

At the bottom of Figure 2, prior year adjustments and residual equity transfers are shown, providing a complete picture of the total revenue flow to the account.

Figure 3 shows aggregate revenue estimates and collections for the general fund account. The 61st Legislature used a total FY 2010 general fund account revenue estimate of $1,772.9 million, but did not assume any prior year revenue adjustments or any residual equity transfers. Total collections (including adjustments and transfers) were $1,633.4 million or $139.6 million (7.9 percent) below the estimated amounts.

Figure 3

General Fund Revenue Recap
Fiscal 2010

Account	Revenue Category	Estimated Receipts	Fiscal 2010 Receipts	Over (Under) Estimate	Diff. Percent
01100	General Fund Receipts*	$1,772,916,000	$1,627,144,539	($145,771,461)	-8.22%
---	Prior Year Adjustments	0	6,215,000	6,215,000	
---	Residual Equity Transfers	0	0	0	
	Totals After Adj. & Trsf.	$1,772,916,000	$1,633,359,539	($139,556,461)	-7.87%

* House Joint Resolution 2 Regular Session revenue estimates adjusted for enacted legislation.

Total current year revenue collections (before prior year revenue adjustments) were $145.8 million below the amount anticipated by the 61st Legislature. The legislature did not include any prior year revenue adjustments in HJ 2, but the $6.2 million shown in Figures 2 and 3 was included as an aggregate amount in the general fund balance sheet. Since this type of revenue is the result of revenue accruals and/or uncollected previous years' receipts, it is difficult to include an estimated amount by revenue source in the revenue estimate resolution. As shown in Figures 2 and 3, however, prior year revenue adjustments were $6.2 million. A portion of this adjustment ($3.7 million) was due to an accounting change implemented by the Department of Revenue for liquor excise and license taxes. The remaining adjustments were primarily due to actual revenues received in July and August of FY 2010 being different than the accrued amounts booked during fiscal year end 2009.

Figure 4 summarizes which major sources of revenue exceeded or were below the adjusted HJ 2 revenue estimate and provides a brief explanation of why collections were different than anticipated. As shown, individual and corporation income taxes were the primary sources responsible for decreased revenue collections. Revenue sources that were below the HJ 2 revenue estimate totaled a negative $188.6 million compared to $42.9 million from revenue sources that were above the revenue estimate. From an economic viewpoint, higher commodity prices were the "driver" behind the larger revenue sources with improved revenue collections. The sources with collections below expectations (in general) were impacted by the economic recession. The next part of the report provides a more detailed explanation for the change in collections when compared to the HJ 2 adjusted estimates.

Figure 4

Reasons for Changed Revenue Receipts
Fiscal 2010 (In Millions)

Revenue Source	Amount	% Estimate	Preliminary Explanation
Oil & Natural Gas Production Tax	$28.6	5.9%	Higher oil prices; lower gas prices
Institution Reimbursements	6.0	1.4%	FMAP Increase
Insurance Tax	(3.9)	3.4%	Fewer insurance products purchased
Treasury Cash Account Interest	(5.3)	0.2%	Lower interest rates; lower balances
Property Tax	(6.3)	13.7%	Late billing; AB 26; short non-levy
Vehicle Fee/Tax	(6.4)	6.4%	Unknown - waiting for data
Video Gaming Tax	(16.6)	3.2%	Reduced machine play; smoking ban
Corporation Income Tax	(27.7)	5.4%	Reduced profits; carryback losses
Individual Income Tax	(122.4)	44.1%	Reduced non-wage income
Remaining Revenue Sources	8.4		Numerous explanations
Total Change	-$145.8		

DISCUSSION BY REVENUE COMPONENT

Oil & Natural Gas Production Tax: $28.6 million

Oil and natural gas production taxes for FY 2010 were $28.6 million higher than anticipated in the HJ 2 adjusted estimate. At this time, limited data are available to determine the exact reason for the increased collections. However, data from the Energy Information Administration indicate that Montana's average wellhead oil price was $66.64 per barrel during FY 2010. The assumed price contained in HJ 2 was $43.32 per barrel. This price differential alone could be the primary reason for the increased collections. Tax return data submitted to the DOR will be available later this fall for further analysis. These data will provide specific information on price and production for both oil and natural gas.

Public Institution Reimbursements: $6.0 million

Public institution reimbursements for FY 2010 were $6.0 million or 37.1 percent above the adjusted estimate contained in HJ 2. Collections were 56.0 percent or $7.9 million greater than the collections for FY 2009. The 61st Legislature assumed the FY 2010 growth rate to be 13.8 percent or $1.9 million above the FY 2009 collections. Since FY 2010 collections were estimated to be $1.9 million above FY 2009 amounts, the HJ 2 public institution reimbursements estimate was understated by $6.0 million for FY 2010.

The strength in public institutional reimbursement collections can be explained by higher than expected federal reimbursements. The largest reimbursements of this revenue source are generated through the payment of Medicaid and Medicare from the federal government on behalf of patients participating in the programs. Payments are calculated by the federal government through the use of the federal medical assistance percentage, or FMAP, rate. The calculation is based on a formula which compares average income per person to the nation as a whole to determine a ratio that the federal government will utilize in assisting each state. Generally, the FMAP rate will go no lower than 50% or higher than 83%, but in the American Recovery and Reinvestment Act of 2009 (ARRA), the government made modifications to and increased the top limit of the FMAP rates. This federal action, combined with the reduction of the average income in Montana resulted in higher reimbursements to public institutions. The 61st Legislature anticipated that the FMAP rate changes would produce an additional $1.6 million in reimbursements in FY 2010, and the HJ 2 estimate was increased respectively. However, as the employment picture in Montana continued to deteriorate (affecting the per person income), the state qualified for a higher reimbursement rate which then provided higher than anticipated reimbursements.

Insurance Tax: -$3.9 million

Taxes on insurance premiums were 6.6 percent or $3.9 million below the level anticipated by the 61st Legislature. Although the reason for the decline is not known, since the tax is applied to net premiums (or gross underwriting profit) it is likely that premiums paid were less than anticipated. During a recession, people may forego or reduce the purchase of insurance products.

Treasury Cash Account (TCA): -$5.3 million

Interest earnings on the state's cash investments were 66.2 percent or $5.3 million below the HJ 2 revenue estimate. Since TCA earnings are based on the amount of cash available for investment and the rate of return for short-term securities, reduced earnings are primarily due to reduced short-term interest rates. Reduced cash available for investment due to lower revenue collections may have also contributed to the short-fall.

Property Tax: -$6.3 million

Property tax revenues (95 mill statewide levy, 1.5 VoTech levy, non-levy revenue) for FY 2010 were $6.3 million or 2.8 percent lower than anticipated in the HJ 2 adjusted estimate. A majority of the revenue from this source is from the assessment of the 95 mills and 1.5 mills against a known value for tax year 2009 statewide taxable values. However, some factors could have affected this year's collections: 1) taxes that were not paid in FY 2010, but will be paid in FY 2011 because of late billing for mobile homes and personal property not liened to real property; 2) lowering of market values for reappraised residential and commercial property due to the AB26 process that allows taxpayers to question their valuations; and 3) lower revenue collections due to a shortfall in non-levy revenue.

Vehicle Fee/Tax: -$6.4 million

Vehicle fee and tax collections were two of the major general fund revenue sources below the HJ 2 adjusted estimate. Combined revenue collections from vehicle fees and taxes were $6.4 million less than anticipated in HJ 2. The exact reason for this shortfall is unknown at this time, but with constant fees and tax rates, any change in revenue results from changes in Montana's stock of vehicles. Lesser collections were evident in all types of vehicle licensing with the most notable decline in light vehicles. The reluctance of consumers to purchase new vehicles may have impacted revenue collections and resulted in a larger inventory of older cars. Further research will be required to identify the specific reasons for the revenue decline.

Video Gaming Tax: -$16.6 million

Video gaming tax collections were $16.6 million below the HJ2 adjusted estimate. Since video gaming tax revenues are based on gross income (defined as net of payouts), reduced tax revenues are due to less machine play. This would indicate that individuals have less to spend or are choosing to spend their disposable income on other goods and services or to increase savings, activities common during recessionary periods. According to the Bureau of Business and Economic Research at Missoula, consumer savings rates have accelerated and are expected to be maintained at a higher level into the future. This could explain why machine play is down from anticipated levels. The smoking ban that became effective in FY 2010 may also have contributed to less machine play.

Corporation Income Tax: -$27.7 million

Corporation income tax receipts for FY 2010 were $27.7 million or 24.0 percent below the adjusted estimate contained in HJ 2. Net collections (gross collections less refunds) were 47.2 percent or $78.5 million below the net collections for FY 2009. The 61st Legislature assumed the FY 2010 growth rate to be a negative 30.5 percent or $50.7 million below the FY 2009 collections. Since FY 2010 collections were estimated to be $50.7 million below FY 2009 amounts, the HJ 2 corporation income tax estimate was overstated by $27.7 million for FY 2010. Figure 5 shows specific details of corporation income tax collections for FY 2010 compared to the FY 2009 amounts.

The weakness in collections can be explained by the depressed corporation profits resulting from the "great recession" and the ability for corporate entities in Montana to request the return of prior year tax payments through the net-operating loss (NOL) carry-back provisions of the Montana statutes. Total refund payments were $37.1 million in FY 2010 as compared to $19.9 million in FY 2009. If the refunds are removed from FY 2009 and 2010 totals, the trend for the remaining collections are a negative 32.9 percent, a rate of decline closer to that in HJ 2.

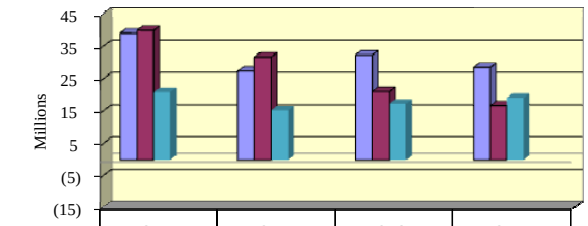
A review of tax payment detail by corporation provides some additional insight to estimated payments. These data show that the growth of estimated payments began to slow in the third quarter of FY 2009 when compared to growth in the same quarter of 2008. The year over year quarterly comparison showed negative growth beginning in the fourth quarter of FY 2009 and continuing through the fourth quarter of FY 2010. As shown in Figure 5, estimated payments as compared to FY 2009 have declined by 33.6 percent. The decline in estimated payments was not unexpected, as job layoffs, business closures and/or cutbacks, significant consumer spending reductions, and a slowing construction industry were manifested in the payment of lower estimated payments. However, some improvement is suggested, as seen in Figure 5a, in the growth of the fourth quarter estimated payments. Estimated payments were actually 14.3 percent higher than the payments received in the same period of FY 2009.

Figure 5

Corporation Income Tax Comparison

Revenue Code & Description	Final Fiscal 2009	Final Fiscal 2010	Difference	Percent Change
510501 Corporation Tax	45,608,754.97	36,909,142.56	(8,699,612.41)	-19.07%
510505 Corporation Tax Estimated Paym	109,585,667.24	72,732,613.50	(36,853,053.74)	-33.63%
510502 Corporation Tax Refunds	(19,881,361.96)	(37,121,181.64)	(17,239,819.68)	86.71%
510503 Corporation Tax-Audit Collect.	31,041,454.00	15,380,337.00	(15,661,117.00)	-50.45%
Corporation Tax Refunds Adjustment	0.00	0.00	0.00	
Totals	$166,354,514.25	$87,900,911.42	($78,453,602.83)	-47.16%
Percent of Actual/Estimated	103.75%	76.01%		

Figure 5a



	Qtr1.	Qtr2.	Qtr3.	Qtr4.
FY 2008	$39.121	$27.382	$32.380	$28.550
FY 2009	$39.963	$31.768	$21.081	$16.774
FY 2010	$20.863	$15.286	$17.413	$19.172
$ Change	($19.100)	($16.482)	($3.668)	$2.398
% Change	-47.79%	-51.88%	-17.40%	14.30%

Individual Income Tax: -$122.4 million

Based on final accounting data for FY 2010, individual income tax collections were below adjusted estimates contained in HJ 2 by $122.4 million. Net collections (gross collections less refunds) were 11.9 percent below net collections for FY 2009, a decrease of $97.3 million. The 61st Legislature assumed FY 2010 collections would increase 3.1 percent ($25.1 million) from actual FY 2009 collections; however, the illusion of forecast growth was a result of lower-than-expected FY 2009 collections. This estimate was based on the effects of the economic recession and its impact on wage and salary income, capital gains, and other investment-sensitive incomes.

Since about 64 percent of total income reported on state tax returns for tax year 2008 was from wage and salary income, a review of this income component can provide some insight to collection patterns. In HJ 2, the wage and salary growth rate between calendar years 2008 and 2009 was estimated to be 0.43 percent, and growth between years 2009 and 2010 was estimated to be 2.3 percent. According to the Bureau of Economic Analysis (BEA), wages and salaries in 2009 declined by 2.1 percent and the first quarter of 2010 indicates a growth of 0.6 percent—both rates lower than assumed in HJ 2.

Figure 6 shows the accounting details of individual income tax collections of FY 2010 compared to the totals for FY 2009. Since withholding tax collections could be a proxy of total wage growth, the negative 0.30 percent growth from last year indicates wages may be declining, but not as sharply as the BEA data suggests.

Figure 6

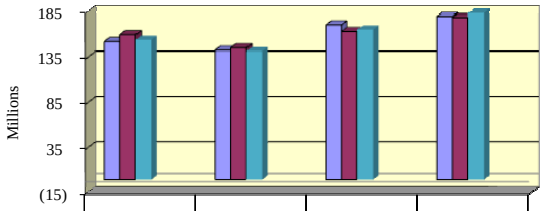
Individual Income Tax Comparison

Revenue Code & Description	Final Fiscal 2009	Final Fiscal 2010	Difference	Percent Change
510101 Withholding Tax	646,910,709.00	644,991,063.91	(1,919,645.09)	-0.30%
510482 Mineral Royalty WH Tax	17,574,260.85	15,703,392.92	(1,870,867.93)	-10.65%
510102 Estimated Tax	247,228,513.03	180,497,517.00	(66,730,996.03)	-26.99%
510103 Current Year I/T	131,893,651.22	112,312,664.37	(19,580,986.85)	-14.85%
510105 Income Tax - Audit Collections	34,743,381.00	35,293,432.00	550,051.00	1.58%
510106 Income Tax Refunds	(263,212,322.52)	(270,963,699.11)	(7,751,376.59)	2.94%
Income Tax Refunds Adjustment	0.00	0.00	0.00	
Totals	$815,138,192.58	$717,834,371.09	($97,303,821.49)	-11.94%
Percent of Actual/Estimated	94.06%	85.43%		

Figure 6a shows a comparison of withholding tax collections in FY 2008, 2009 and 2010 by fiscal quarter. During the first quarter of FY 2010 (July through September), withholding collections were below FY 2009 by 3.5 percent. This rate of decline slowed to 2.5 percent for the second quarter (October through December) and increased over FY 2009 during the third quarter (January through March) by 1.4 percent. The fourth quarter (April through June including the withholding accrual) continued this improvement, up 2.9 percent.

Figure 6a

Withholding Comparison - FY 2008, FY 2009,FY 2010

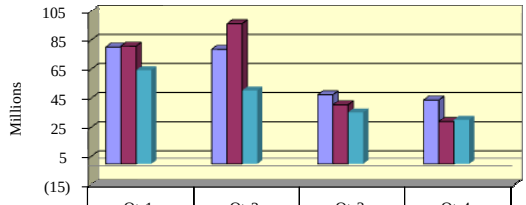


	Qtr1.	Qtr2.	Qtr3.	Qtr4.
FY 2008	$152.139	$142.700	$170.696	$179.997
FY 2009	$159.750	$145.150	$163.363	$178.648
FY 2010	$154.089	$141.521	$165.633	$183.748
$ Change	($5.661)	($3.629)	$2.270	$5.100
% Change	-3.54%	-2.50%	1.39%	2.85%

Estimated payments were $66.7 million (27.0 percent) below last year (Figure 6b). Review of this data by quarter shows sharp declines in estimated payments in the first and second quarters of FY 2010, with collections flattening out in the third and fourth quarters. Note that this is in comparison to the very low collections in the third and fourth quarters of FY 2009.

Figure 6b

Individual Estimated Payment Comparison - FY 2008, FY 2009,FY 2010



	Qtr1.	Qtr2.	Qtr3.	Qtr4.
FY 2008	$80.363	$78.885	$47.528	$43.929
FY 2009	$81.019	$96.384	$40.653	$29.173
FY 2010	$64.379	$50.426	$35.339	$30.354
$ Change	($16.640)	($45.958)	($5.314)	$1.181
% Change	-20.54%	-47.68%	-13.07%	4.05%

When all of the accounting categories are added together, total individual income tax collections were $97.3 million below actual FY 2009 amounts. Since FY 2010 collections were estimated to be $25.1 million above the actual FY 2009 amounts, the HJ 2 individual income tax estimate was overstated by $122.4 million for FY 2010. Tax return data for 2009 will be available from the DOR in November. These data will help further isolate the reasons for the unanticipated revenue decline.

Remaining Revenue Sources: $8.74 million

The combined change from the HJ 2 estimates for the remaining revenue sources is $8.4 million. Some revenue sources were above the HJ 2 estimate while others were below the estimate. In total, the net change was $8.4 million more than anticipated.

DISBURSEMENTS AND REVERSIONS

Figure 7 shows general fund account disbursements and reversions for FY 2010. General fund disbursements (excluding prior year disbursement adjustments) were $118.0 million less than authorized by the legislature. Since total reversions budgeted by the 61st Legislature were $5.3 million, "unanticipated" reversions before adjusting for continuing authority were $112.7 million. Of this amount, $116.2 million is authorized to be re-established (continued) into FY 2011. This means that the "true" unanticipated reversion amount was a negative $3.6 million after deducting the anticipated continuing authority ($5.3 million) and the unanticipated continuing authority ($113.7 million).

Figure 7

General Fund Account
Disbursements and Reversions
Fiscal 2010

Budgeted Disbursements	$1,834,670,000		
Actual Disbursements	1,716,709,654		
Total Reversions			$117,960,346
Budgeted Reversions			5,273,000
Total Less Budgeted Reversions			$112,687,346
Less Continuing Authority			116,243,372
Anticipated Continuing Authority		2,589,000	
Unanticipated Continuing Authority		113,654,372	
Total Unanticipated Reversions			($3,556,026)

The primary agencies with significant reversions were the Office of Public Instruction ($82.1 million or 58.8 percent), Department of Public Health and Human Services ($15.3 million or 11.0 percent), and Department of Corrections ($9.9 million or 7.1 percent). A summary of the major reversions by agency is shown in Figure 7a. This figure also shows the amounts authorized to continue into FY 2011. As mentioned before, continuing authority is a fiscal policy approved in the enacting legislation and has the potential of reducing the ending fund balance when the funds are expended by the agency in a subsequent year. From a state accounting operational perspective, all appropriations are in a "reverted" status at the end of a fiscal year. This has the effect of temporarily increasing the fund balance by the amount of the continuing authority. If legislation authorizes the authority to continue, the remaining balance of the appropriation is "reestablished" in the subsequent year.

FUND BALANCE ADJUSTMENTS

During FY 2010, there were prior year revenue and disbursement adjustments, direct adjustments to fund balance, and SABHRS to GAAP reconciliation items. In total, these adjustments decreased the general fund account ending fund balance by about $5.6 million or $5.6 million more than anticipated by the legislature (shown in Figure 1). Further research will be required to identify the specific reasons for these adjustments.

Figure 7a

General Fund Reversions - FY 2010

Agency	Reverted Amount	Continuing Amount
Office of Public Instruction	$82,068,666	$80,759,914
Department of Public Health & Human Services	15,304,010	4,470,149
Department of Corrections	9,850,712	7,044,289
Universities	5,565,417	4,074,556
Commerce	5,552,351	4,700,238
Govenor's Office	3,971,863	3,736,491
Administration	3,490,031	3,369,726
All Other Agencies	13,883,448	8,088,009
Totals	**$139,686,497**	**$116,243,372**

SUMMARY OF FY 2010 INFORMATION

As stated earlier, the preliminary general fund account unreserved, undesignated ending balance for FY 2010 is $314.9 million, or $2.2 million above the level anticipated by the 61st Legislature. The reasons, as previously discussed, are summarized in Figure 8. Although Figure 8 shows a general fund balance improvement for FY 2010 of $2.2 million it should be noted that $116.2 million of this balance is "reestablished" to be expended in FY 2011. Of this amount, $2.6 was anticipated by the 61st Legislature and was included in the projected 2011 biennium budget and $113.7 million was not anticipated and was not included in the 2011 biennium balance sheet. This reauthorization to expend funds in subsequent years occurs whenever appropriations are specified for more than one year in HB 2 or other appropriation acts.

This means the preliminary FY 2010 ending general fund balance when adjusted for unanticipated continuing authority is $111.4 million (shown in Figure 8) less than anticipated by the 61st Legislature. The good news about the ending fund balance for FY 2010 is that although revenue collections were $145.8 million less than anticipated by the legislature, reduced disbursements, larger beginning balance, and other adjustments offset this shortfall resulting in the slightly higher ending fund balance.

Figure 8

Reasons for General Fund Balance Change
Fiscal 2010 (In Millions)

Explanation of Fund Balance Change		Amount
Beginning Fund balance		$27.186
Revenue Collections (Actual - Estimated)		(145.771)
Disbursements (Budgeted - Actual)		112.687
Fund Balance Adjustments		8.112
Prior Year Revenue/Expenditure Adjustments	13.749	
Other Adjustments	(5.637)	
Total Change		**$2.214**
Unanticipated Continuing Authority		113.654
Impact on 2011 Biennium Fund Balance		**($111.440)**

2011 BIENNIUM PROJECTION

Figure 9 shows the projected general fund balance for the 2011 biennium. Amounts shown include the revenue estimates included in HJ 2 plus legislation impacts and the cost of operating state government based on appropriations adopted by the 61st Legislature during the regular legislative session. Also included in this figure are estimated amounts by LFD staff for statutory appropriations, budgeted transfers, and reversions.

Figure 9

Legislative Fiscal Division - General Fund Outlook
Figures in Millions

	Actual FY 2009	Preliminary FY 2010	Revised FY 2011	2011 Biennium
Beginning Fund Balance	$441.505	$396.335	$314.882	$396.335
Revenue				
LFD Revenue Estimate	1,807.968	1,627.145	1,664.790	3,291.935
Total Funds Available	$2,249.473	$2,023.480	$1,979.672	$3,688.270
Disbursements				
General Appropriations - HB2+Federal	1,692.995	1,597.648	1,612.844	3,210.492
Statutory Appropriations	159.682	169.873	181.379	351.252
Transfers	106.922	88.877	51.231	140.108
Other Appropriations	-	-	116.293	116.293
Feed Bill	-	-	10.608	10.608
Reversions	(99.625)	(139.688)	(132.969)	(272.657)
Total Disbursements	$1,859.974	$1,716.710	$1,839.386	$3,556.096
Fund Balance Adjustments	6.836	8.112	-	8.112
Ending Fund Balance Before Other Issues	$396.335	$314.882	$140.286	$140.286
Other Fiscal Issues				
Executive Spending Proposals Requiring Legislation			20.960	20.960
PPL Rent Payments			18.400	18.400
FMAP Enhancement			25.000	25.000
Federal Education Funding			30.737	30.737
Total Other Fiscal Issues			95.097	95.097
Ending Fund Balance After Other Issues	$396.335	$314.882	$235.383	$235.383

As Figure 9 shows, the 2011 biennium ending general fund balance is projected to be $140.3 million with revisions made for revenue trends observed in FY 2011 that may impact 2011 biennium revenue collections. Also reflected in Figure 9 is the inclusion of actual revenue and disbursement amounts recorded in FY 2010 and the inclusion of continuing appropriations. It should be noted that this balance is based on an assumption of no supplemental appropriations for FY 2011, but does include $16.5 million for emergency appropriations. Included in the lower portion of the table are other fiscal issues which, if they occur in FY 2011, could increase the ending fund balance by $95.1 million.