

# **GENERAL FUND STATUS:** **FISCAL 2009 ACTUAL / 2011 BIENNIUM PROJECTED**

A Report Prepared for the  
Revenue and Transportation Interim Committee

By  
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## INTRODUCTION

The purpose of this report is to provide the committee with preliminary FY 2009 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 60<sup>th</sup> and 61<sup>st</sup> Legislatures and what actually occurred in FY 2009. 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 2009 was projected to be \$369.1 million. This estimate was based on House Joint Resolution 2 (HJ 2) revenue estimates (61<sup>st</sup> Legislature) and disbursement budgets adopted during the 60<sup>th</sup> and 61<sup>st</sup> legislative sessions<sup>1</sup>. Total revenues were expected to be less than total disbursements by approximately \$67.1 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 2009 was \$392.0 million, or \$22.8 million above the level anticipated by the 61<sup>st</sup> 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 2009 revenue estimates used by the 61<sup>st</sup> Legislature, actual collections, and a brief explanation for the variation in revenue collections. The second part discusses appropriations, disbursements, and reversions. The final part briefly discusses fund balance adjustments.

Figure 1

General Fund Account Fiscal 2009 Budgeted Versus Actual Fund Balance Detail				
	Budgeted Amount *	Actual Fiscal 2009	Over (Under) Estimate	Diff. Percent
Beginning Balance	\$437,676,000	437,677,514	\$1,514	0.00%
General Fund Receipts	1,844,604,000	1,807,967,633	(\$36,636,367)	-1.99%
Residual Equity Transfers	0	0	0	na
Total Revenue	\$1,844,604,000	\$1,807,967,633	(\$36,636,367)	-1.99%
General Fund Disbursements	1,911,678,000	1,859,974,473	(\$51,703,527)	-2.70%
Non-Budgeted Disbursements	0	0	0	na
Total Disbursements	\$1,911,678,000	\$1,859,974,473	(\$51,703,527)	-2.70%
Prior Year Rev. Adjustments	2,626,000	7,552,015	4,926,015	187.59%
Prior Year Exp. Adjustments	(1,356,000)	(1,746,556)	(390,556)	28.80%
Other Adjustments	(2,723,000)	488,903	3,211,903	-117.95%
Total Adjustments	(\$1,453,000)	\$6,294,362	\$7,747,362	-533.20%
Ending Balance (Preliminary)	\$369,149,000	\$391,965,036	\$22,816,036	6.18%

\* Legislative Fiscal Report, 2011 Biennium June 2009

## REVENUE ESTIMATES AND COLLECTIONS

Column 2 of Figure 2 shows the FY 2009 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

<sup>1</sup>Legislative Fiscal Report, 2011 Biennium, June 2009

figure show actual collections, the amount collections were over or (under) the estimate, the percent difference, and the contribution percent. The contribution percent signifies the importance of each revenue component to the general fund account. For example, individual income taxes were 44.9 percent of the total general fund collections, while wine taxes accounted for only 0.11 percent during FY 2009. This column of information shows that about 77.4 percent of general fund revenue collections in FY 2009 came from individual (44.9%), property (12.0%), corporate (9.2%), oil and gas production (5.5%), and vehicle (5.8%) taxes.

Figure 2

General Fund Receipts By Major Component Fiscal 2009					
Revenue Category	Estimated 2009 Receipts *	Actual 2009 Receipts	Over(Under) Estimate	Percent Difference	Contribution Percent
GF0100 Drivers License Fee	\$4,667,000	\$3,478,285	(\$1,188,715)	-25.47%	0.19%
GF0200 Insurance Tax	49,878,000	50,038,468	160,468	0.32%	2.76%
GF0300 Investment Licenses	6,127,000	6,461,446	334,446	5.46%	0.36%
GFxxxx Vehicle Fee/Tax	112,419,000	104,678,282	(7,740,718)	-6.89%	5.77%
GF0600 Nursing Facilities Fee	5,318,000	5,468,766	150,766	2.84%	0.30%
GF0700 Beer Tax	3,160,000	3,114,729	(45,271)	-1.43%	0.17%
GF0800 Cigarette Tax	34,564,000	34,320,412	(243,588)	-0.70%	1.89%
GF0900 Coal Severance Tax	12,410,000	13,028,228	618,228	4.98%	0.72%
GF1000 Corporation Tax	157,284,000	166,354,514	9,070,514	5.77%	9.16%
GF1100 Electrical Energy Tax	4,707,000	4,824,659	117,659	2.50%	0.27%
GF1150 Wholesale Energy Trans Tax	3,870,000	3,864,771	(5,229)	-0.14%	0.21%
GF1200 Railroad Car Tax	2,166,000	2,099,454	(66,546)	-3.07%	0.12%
GF1300 Individual Income Tax	852,615,000	815,138,193	(37,476,807)	-4.40%	44.90%
GF1400 Inheritance Tax	113,000	217,097	104,097	92.12%	0.01%
GF1500 Metal Mines Tax	6,777,000	5,992,923	(784,077)	-11.57%	0.33%
GF1700 Oil Severance Tax	94,769,000	100,490,971	5,721,971	6.04%	5.54%
GF1800 Public Contractor's Tax	4,058,000	5,929,999	1,871,999	46.13%	0.33%
GF1850 Rental Car Sales Tax	3,118,000	2,904,340	(213,660)	-6.85%	0.16%
GFxxxx Property Tax	214,615,000	217,042,057	2,427,057	1.13%	11.95%
GF2150 Lodging Facilities Sales Tax	13,109,000	12,477,461	(631,539)	-4.82%	0.69%
GF2250 Retail Telecom Excise Tax	21,597,000	22,250,383	653,383	3.03%	1.23%
GF2300 Tobacco Tax	4,710,000	4,990,497	280,497	5.96%	0.27%
GF2400 Video Gaming Tax	66,554,000	62,458,106	(4,095,894)	-6.15%	3.44%
GF2500 Wine Tax	1,942,000	1,936,052	(5,948)	-0.31%	0.11%
GF2600 Institution Reimbursements	14,782,000	14,100,804	(681,196)	-4.61%	0.78%
GF2650 Highway Patrol Fines	4,052,000	4,179,882	127,882	3.16%	0.23%
GF2700 TCA Interest Earnings	16,507,000	15,506,889	(1,000,111)	-6.06%	0.85%
GF2900 Liquor Excise Tax	15,787,000	12,650,902	(3,136,098)	-19.87%	0.70%
GF3000 Liquor Profits	8,651,000	7,250,000	(1,401,000)	-16.19%	0.40%
GF3100 Coal Trust Interest Earnings	29,312,000	26,958,378	(2,353,622)	-8.03%	1.48%
GF3300 Lottery Profits	10,275,000	10,136,213	(138,787)	-1.35%	0.56%
GF3450 Tobacco Settlement	3,956,000	4,127,609	171,609	4.34%	0.23%
GF3500 U.S. Mineral Leasing	24,885,000	31,573,364	6,688,364	26.88%	1.74%
GF3600 All Other Revenue	<u>35,850,000</u>	<u>31,923,499</u>	<u>(3,926,501)</u>	-10.95%	1.76%
Total Current Year Revenue	\$1,844,604,000	\$1,807,967,633	(\$36,636,367)	-1.99%	99.58%
Prior Year Adjustments	2,626,000	7,552,015	4,926,015	187.59%	0.42%
Residual Equity Transfers	<u>0</u>	<u>0</u>	<u>0</u>		<u>0.00%</u>
Total Revenue	\$1,847,230,000	\$1,815,519,648	(\$31,710,352)	-1.72%	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 61<sup>st</sup> Legislature used a total FY 2009 general fund account revenue estimate of \$1,844.6 million. The Legislature assumed prior year revenue adjustments of \$2.6 million, but did not anticipate any residual equity transfers. Total collections (including adjustments and transfers) were \$1,815.5 million or \$31.7 million (1.7 percent) below the estimated amounts.

**Figure 3**

<b>General Fund Revenue Recap</b>					
<b>Fiscal 2009</b>					
Account	Revenue Category	Estimated Receipts	Fiscal 2009 Receipts	Over (Under) Estimate	Diff. Percent
01100	General Fund Receipts*	\$1,844,604,000	\$1,807,967,633	(\$36,636,367)	-1.99%
---	Prior Year Adjustments	2,626,000	7,552,015	4,926,015	187.59%
---	Residual Equity Transfers	0	0	0	
	Totals After Adj. & Trsf.	\$1,847,230,000	\$1,815,519,648	(\$31,710,352)	-1.72%

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

Total current year revenue collections (before prior year revenue adjustments) were \$36.6 million below the amount anticipated by the 61<sup>st</sup> Legislature. The legislature did not include any prior year revenue adjustments in HJ 2, but the \$2.6 million estimate 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 \$7.6 million. A portion of this adjustment (\$2.8 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 2009 being different than the accrued amounts booked during fiscal year end 2008.

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 income tax was the primary source responsible for decreased revenue collections. If the differences for all other revenue sources are added together, the net change is \$0.9 million. This means (excluding individual income tax) that the sources exceeding the HJ 2 revenue estimate offset all revenue sources that were below the HJ 2 revenue estimate. From an economic viewpoint, DOR audit efforts and higher commodity prices were the "drivers" behind the 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**

<b>Reasons for Changed Revenue Receipts</b>			
<b>Fiscal 2009 (In Millions)</b>			
Revenue Source	Amount	% Estimate	Preliminary Explanation
Corporation Income Tax	9.1	5.8%	DOR audit efforts
U.S. Mineral Leasing	6.7	26.9%	Commodity price, other unknown
Oil & Natural Gas Production Tax	5.7	6.0%	Commodity price
Property Tax	2.4	1.1%	Non-levy revenue, protested tax
Liquor Profits	(1.4)	-16.2%	HB5 transfer
Coal Trust Interest Earnings	(2.4)	-8.0%	Interest rates
Liquor Excise Tax	(3.1)	-19.9%	Accounting change
All Other Revenue	(3.9)	-11.0%	Reduced fine revenue
Video Gaming Tax	(4.1)	-6.2%	Reduced machine play
Vehicle Fee/Tax	(7.7)	-6.9%	Unknown at this time
Individual Income Tax	(37.5)	-4.4%	Wage & non-wage income growth
Remaining Revenue Sources	(0.4)		Numerous explanations
Total Change	-\$36.6		

## DISCUSSION BY REVENUE COMPONENT

### Corporation Income Tax: \$9.1 million

Corporation income tax receipts for FY 2009 were \$9.1 million or 5.8 percent above the adjusted estimate contained in HJ 2. Net collections (gross collections less refunds) were 3.8 percent or \$6.0 million above the net collections for FY 2008. The 61<sup>st</sup> Legislature assumed the FY 2009 growth rate to be a negative 1.9 percent or \$3.1 million below the FY 2008 amount. Since FY 2009 collections were estimated to be \$3.1 million below FY

2008 amounts, the HJ 2 corporation income tax estimate was understated by \$9.1 million for FY 2009. Figure 5 shows specific details of corporation income tax collections for FY 2009 compared to the FY 2008 amounts.

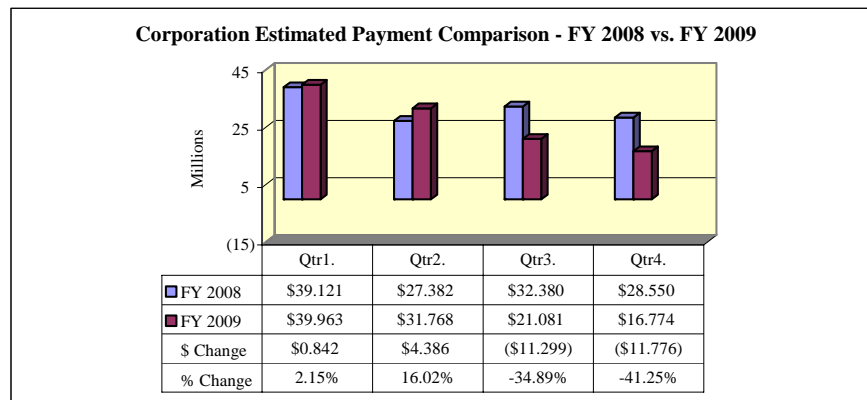
The strength in collections can be explained by the auditing efforts of the DOR and the resulting unusual high audit collections for FY 2009. Total audit collections were \$31.0 million in FY 2009 compared to \$16.9 million in FY 2008. If the audit collections are removed from FY 2008 and 2009 totals, then the trend for the remaining collections are a negative 5.7 percent, a decline rate greater than estimated in HJ 2.

Figure 5

Corporation Income Tax Comparison				
Revenue Code & Description	Final Fiscal 2008	Final Fiscal 2009	Difference	Percent Change
510501 Corporation Tax	39,473,129.82	45,608,754.97	6,135,625.15	15.54%
510505 Corporation Tax Estimated Paym	127,433,438.78	109,585,667.24	(17,847,771.54)	-14.01%
510502 Corporation Tax Refunds	(23,439,303.89)	(19,881,361.96)	3,557,941.93	-15.18%
510503 Corporation Tax-Audit Collect.	16,874,522.00	31,041,454.00	14,166,932.00	83.95%
Totals	\$160,341,786.71	\$166,354,514.25	\$6,012,727.54	3.75%
Percent of Actual/Estimated	100.00%	105.77%		

Further review of tax payment detail by corporation provides some additional insight to estimated payments. This data shows growth in estimated payments between the first and second quarters of FY 2009. Like individual income tax estimated payments, collections for the last two quarters of FY 2009 show an entirely different picture. With announced job layoffs, business closures and/or cutbacks, significant consumer spending reductions, and construction plummeting, estimated payments have declined significantly when compared to the previous year. As shown in Figure 5a, estimated payments as compared to FY 2008 have declined by 34.9 and 41.3 percent, respectively for the last two quarters of FY 2009.

Figure 5a



## U.S. Mineral Leasing: \$6.7 million

U.S. mineral leasing revenues for FY 2009 were \$6.7 million higher than anticipated in the HJ 2 adjusted estimate. As with oil and natural gas production taxes, higher oil prices could be the primary reason for the increased collections. However, since the collections were 26.9 percent above the adjusted HJ 2 estimate, there has to be additional reasons for the increased revenue collections. Data to be received later this fall from the federal Mineral Management Service should help determine all the reasons for the increased revenue collections.

**Oil & Natural Gas Production Tax: \$5.7 million**

Oil and natural gas production taxes for FY 2009 were \$5.7 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. Preliminary data from the Energy Information Administration, however, indicate that Montana's average wellhead oil price was \$59.97 per barrel during FY 2009. The assumed price contained in HJ 2 was \$54.36 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. This data will provide specific information on price and production for both oil and natural gas.

**Property Tax: \$2.4 million**

Property tax revenues (95 mill statewide levy, 1.5 VoTech levy, Non-levy revenue) for FY 2009 were \$2.4 million or 1.1 percent higher than anticipated in the HJ 2 adjusted estimate. Since a majority of the revenue from this source is from the assessment of the 95 mills against a known value for tax year 2008 statewide taxable values, higher revenue collections are probably due to an increase in non-levy revenue or an unanticipated change in protested taxes.

**Liquor Profits: -\$1.4 million**

The funds appropriated from certain accounts impacts the amount of revenue transferred to the general fund. The 61<sup>st</sup> Legislature appropriated (in HB5) \$1.750 million from the liquor enterprise fund for deferred maintenance and energy upgrades at the state liquor warehouse. This appropriation was expected to reduce FY 2010 liquor profit transfers to the general fund by that amount. However, since the legislation was effective on passage and approval, the DOR held the \$1.750 million in the liquor enterprise account at the end of FY 2009. Because of this change, general fund revenues were reduced by \$1.750 million in FY 2009, but will be higher than the HJ 2 estimate by the same amount in FY 2010.

**Coal Trust Interest Earnings: -\$2.4 million**

Coal trust interest earnings revenues were \$2.4 million or 8.0 percent below the HJ 2 adjusted estimate. A preliminary analysis of SABHRS data shows earnings from the trust fund bond pool and in-state investments were less than anticipated in HJ 2. Since there are no additional revenues flowing into the permanent coal tax trust fund, a reduced rate of return on the existing trust corpus caused the reduced revenue collections. It was assumed in HJ 2 that the permanent coal tax trust fund average rate of return for FY 2009 would be 5.4 percent. The actual average rate of return for the coal tax trust portfolio was closer to 5.0 percent.

**Liquor Excise and License Tax: -\$3.1 million**

Liquor excise and license tax revenues were \$3.1 million or 19.9 percent below the HJ 2 adjusted estimate. A majority (\$2.8 million) of this reduction was due to an accounting change implemented by the DOR based on an audit recommendation of the Legislative Auditor. The implemented change allocates a portion of the recorded revenues between "current year" and "prior year" revenue categories. This change had no impact on the ending fund balance, but did decrease the amount of "current year" revenue and increased the amount of "prior year" revenue by \$2.8 million. This accounting change is being researched further to determine the implications for future fiscal years and the accuracy of the revenue estimate.

**All Other Revenue: -\$3.9 million**

The "All Other Revenue" revenue category is a mixture of many individual sources of revenue that normally produce less than \$2.5 million annually. When the estimate for this category is prepared, some of the larger sources contained in this component are disaggregated and estimated separately. A source estimated separately was civil fine revenue excluding highway patrol fines. Last fall, the State Auditor apprised staff of pending civil fines to be received in FY 2009 of \$2.0 to \$5.0 million. The legislature included \$4.0 million in the HJ 2 revenue estimate. This fine revenue did not materialize at this level (only \$0.8 million), but the State Auditor's office has indicated some of these civil fines may be received in FY 2010.

## Video Gaming Tax: -\$4.1 million

Video gaming tax collections were \$4.1 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. According the Bureau of Business and Economic Research at Missoula, consumer savings rates have recently accelerated and are expected to be maintained at a higher level into the future. This could explain why machine play is down from last year.

## Vehicle Fee/Tax: -\$7.7 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 \$7.7 million less than anticipated in HJ 2. The exact reason for this shortfall is unknown at this time. Fuel prices and the reluctance of consumers to purchase new vehicles may have impacted revenue collections. Also, the implementation of the new Department of Justice MERLIN system may have delayed deposits to the general fund. Further research will be required to identify the specific reasons for the revenue decline.

## Individual Income Tax: -\$37.5 million

Based on final accounting data for FY 2009, individual income tax collections were below adjusted estimates contained in HJ 2 by \$37.5 million. Net collections (gross collections less refunds) were 5.9 percent below net collections for FY 2008 or a decrease of \$51.5 million. The 61st Legislature assumed the growth rate to be a negative 1.6 percent from the FY 2008 amount or a decline of \$14.0 million. 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 60 percent of total income reported on state tax returns for tax year 2007 was from wage and salary income, a review of this income component can provide some insight to collection patterns. As assumed in HJ 2, the wage and salary growth rate between calendar years 2008 and 2009 was estimated to be 0.75 percent. According to the Bureau of Economic Analysis (BEA) first quarter data indicate growth at 1.2 percent - slightly above the assumed rate shown in HJ 2.

Figure 6 shows the accounting details of individual income tax collections of FY 2009 compared to the totals for FY 2008. Since withholding tax collections could be a proxy of total wage growth, the positive 0.21 percent growth from last year would indicate wages may be increasing, but not as rapidly as the BEA data would suggest.

Figure 6

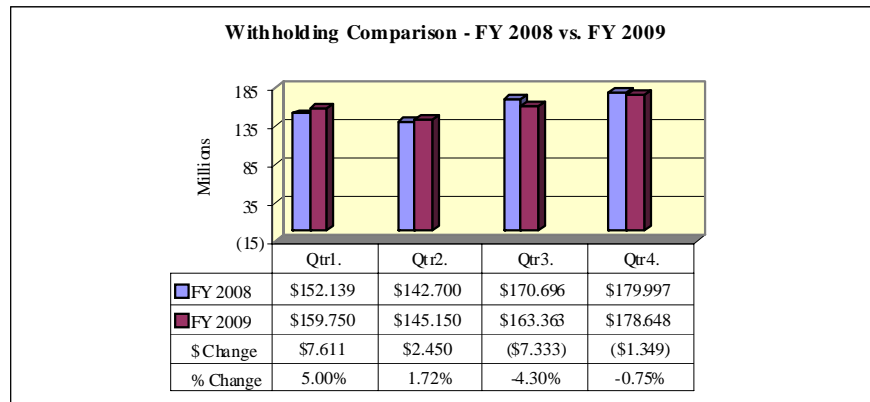
Individual Income Tax Comparison				
Revenue Code & Description	Final Fiscal 2008	Final Fiscal 2009	Difference	Percent Change
510101 Withholding Tax	645,532,404.52	646,910,709.00	1,378,304.48	0.21%
510482 Mineral Royalty WH Tax	12,426,153.25	17,574,260.85	5,148,107.60	41.43%
510102 Estimated Tax	250,705,012.40	247,228,513.03	(3,476,499.37)	-1.39%
510103 Current Year I/T	182,219,742.98	131,893,651.22	(50,326,091.76)	-27.62%
510105 Income Tax - Audit Collections	30,636,653.00	34,743,381.00	4,106,728.00	13.40%
510106 Income Tax Refunds	<u>(254,861,428.26)</u>	<u>(263,212,322.52)</u>	<u>(8,350,894.26)</u>	<u>3.28%</u>
Totals	\$866,658,537.89	\$815,138,192.58	(\$51,520,345.31)	-5.94%
Percent of Actual/Estimated	100.00%	95.60%		

Figure 6a shows a comparison of withholding tax collections between FY 2008 and 2009 by fiscal quarter. During the first quarter of FY 2009 (July through September), withholding collections were above last year by 5.0 percent. This growth rate slowed to 1.7 percent for the second quarter (October through December) and dropped below last



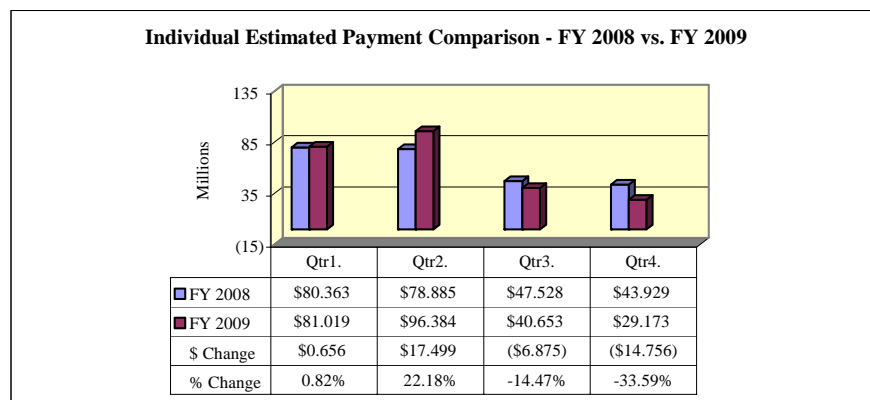
year during the third quarter (January through March) to negative 4.3 percent. The fourth quarter (April through June including the withholding accrual) improved somewhat, but was still 0.8 percent below last year. As stated above, withholding taxes can be a good indicator of the growth in wage and salary income for Montana. If the reduction observed in the third and fourth quarter of FY 2009 continues for an extended period of time, the HJ 2 assumption for wage growth of 0.75 percent from calendar 2008 to 2009 may be too optimistic. Since 60 percent of total income reported on state tax returns is from wage and salary income, even a small change in the wage growth assumption can significantly impact the revenue estimate for individual income tax collections.

Figure 6a



Estimated payments were \$3.5 million (1.4 percent) below last year. Review of this data by quarter shows good growth in estimated payments between the first and second quarters of FY 2009. The last two quarters of FY 2009, however, show an entirely different picture. As shown in Figure 6b, estimated payments as compared to FY 2008 have declined by 14.5 and 33.6 percent, respectively for the last two quarters of FY 2009.

Figure 6b



With a substantial drop in the equity markets, historical low interest rates, reductions in corporate profitability, and the beginning of a new calendar year (a new reporting period for the taxpayer), it is not surprising to observe a significant reduction in estimated payments. The trends shown in Figure 6b are consistent with our statements during the legislative session.

When all of the accounting categories are added together, total individual income tax collections were \$51.5 million below FY 2008 amounts. Since FY 2009 collections were estimated to be \$14.0 million below FY 2008 amounts, the HJ 2 individual income tax estimate was overstated by \$37.5 million for FY 2009. Tax return data for 2008 will be available from the DOR in November. This data will help further isolate the reasons for the unanticipated revenue decline.



## Remaining Revenue Sources: **-\$0.4 million**

The combined change from the HJ 2 estimates for the remaining revenue sources is a negative \$0.4 million. Some revenue sources were above the HJ 2 estimate while others were below the estimate. In total, the net change was \$0.4 million less than anticipated.

## DISBURSEMENTS AND REVERSIONS

Figure 7 shows general fund account disbursements and reversions for FY 2009. General fund disbursements (excluding prior year disbursement adjustments) were \$99.6 million less than authorized by the legislature. Since total reversions budgeted by the 61<sup>st</sup> Legislature were \$47.9 million, “unanticipated” reversions before adjusting for continuing authority were \$51.7 million. Of this amount, \$20.5 million is authorized to be re-established (continued) into FY 2010. This means that the “true” unanticipated reversion amount was \$31.3 million after deducting the anticipated continuing authority (\$2.6 million) and the unanticipated continuing authority (\$17.9 million).

Figure 7

General Fund Account Disbursements and Reversions Fiscal 2009			
Budgeted Disbursements	\$1,959,599,000		
Actual Disbursements	<u>1,859,974,473</u>		
Total Reversions		\$99,624,527	
Budgeted Reversions		<u>47,921,000</u>	
Total Less Budgeted Reversions		\$51,703,527	
Less Continuing Authority		<u>20,451,602</u>	
Anticipated Continuing Authority	2,589,000		
Unanticipated Continuing Authority	17,862,602		
Total Unanticipated Reversions		\$31,251,925	

The primary agencies with significant reversions were the Department of Corrections (\$21.9 million or 11.7 percent), Department of Public Health and Human Services (\$19.6 million or 5.5 percent), and Office of Public Instruction (\$14.5 million or 2.2 percent). A summary of the major reversions by agency or function is shown in Figure 7a. This figure also shows the amounts authorized to continue into FY 2010. 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 2009, there were prior year revenue and disbursement adjustments, direct adjustments to fund balance, and SABHRS to GAAP reconciliation items. In total, these adjustments increased the general fund account ending fund balance by about \$6.3 million or \$7.7 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 2009		
Agency/Function	Reverted Amount	Continuing Amount
Department of Corrections	21,946,112	-
Department of Public Health & Human Services	19,582,000	-
Office of Public Instruction	14,615,576	70,723
Department of Justice	3,460,414	207,148
All Other Agencies	19,792,274	5,167,011
Federal Stimulus Funds	14,621,180	14,621,180
Statutory Appropriations	5,584,090	385,540
Transfers	<u>22,881</u>	-
<b>Totals</b>	<b>\$99,624,527</b>	<b>\$20,451,602</b>

## SUMMARY OF FY 2009 INFORMATION

As stated earlier, the preliminary general fund account unreserved, undesignated ending balance for FY 2009 is \$392.0 million, or \$22.8 million above the level anticipated by the 61<sup>st</sup> Legislature. The reasons, as previously discussed, are summarized in Figure 8.

Although Figure 8 shows a general fund balance improvement for FY 2009 of \$22.8 million it should be noted that \$20.5 million of this balance is “reestablished” to be expended in FY 2010 and/or 2011. Of this amount, \$2.6 was anticipated by the 61<sup>st</sup> Legislature and was included in the projected 2011 biennium budget. \$17.9 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 2009 ending general fund balance when adjusted for unanticipated continuing authority is only \$5.0 million (shown in Figure 8) greater than anticipated by the 61<sup>st</sup> Legislature. The good news about the ending fund balance for FY 2009 is that although revenue collections were \$36.6 million less than anticipated by the legislature, reduced disbursements and other adjustments offset this shortfall resulting in a slightly higher ending fund balance of \$5.0 million.

Figure 8

Reasons for General Fund Balance Change Fiscal 2009 (In Millions)	
Explanation of Fund Balance Change	Amount
Beginning Fund balance	\$0.002
Revenue Collections (Actual - Estimated)	(36.636)
Disbursements (Budgeted - Actual)	51.704
Fund Balance Adjustments	<u>7.747</u>
Prior Year Revenue/Expenditure Adjustments	4.535
Other Adjustments	3.212
<b>Total Change</b>	<b>\$22.817</b>
Unanticipated Continuing Authority	17.863
<b>Impact on 2011 Biennium Fund Balance</b>	<b>\$4.954</b>

## 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 61<sup>st</sup> Legislature during the regular legislative session. Also included in this figure are estimated amounts by LFD staff for statutory appropriations, budgeted transfers, and reversions.

As Figure 9 shows, the 2011 biennium ending general fund balance is projected to be \$287.4 million before any revisions are made for revised revenue trends observed in FY 2009 that may impact 2011 biennium revenue collections. The only change reflected in Figure 9 at this time is the inclusion of actual revenue and disbursement amounts recorded in FY 2009 and the inclusion of continuing appropriations. It should be noted that this balance is based on no supplemental appropriations for fiscal 2011, but does include \$16.5 million for emergency appropriations.

Figure 9

2011 Biennium General Fund Balance In Millions	
<b>Beginning Fund Balance</b>	<b>\$392.0</b>
<b>Revenues</b>	<b><u>3,602.3</u></b>
<b>Available Funds</b>	<b>\$3,994.3</b>
<b>Disbursements</b>	
General Appropriations	3,064.8
Federal Stimulus	228.3
Statutory Appropriations	361.0
Transfers	19.1
Continuing/Other Appropriations	32.4
Supplementals	0.0
Session Costs	13.4
Reversions	<u>(12.0)</u>
<b>Totals Disbursements</b>	<b>3,706.9</b>
<b>Adjustments</b>	<b>0.0</b>
<b>Ending Fund Balance</b>	<b>\$287.4</b>