

General Fund Status

Fiscal Year 2005



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September 30, 2005



A report to the
Revenue & Transportation Interim Committee

Legislative Fiscal Division

Contents

- ◆ **Fiscal year 2005**
 - Preliminary balance
 - Revenues
 - Disbursements
 - Reversions
 - Adjustments

- ◆ **2007 biennium outlook**



Revenue & Transportation Committee
September 30, 2005

Exhibit #1

Actual Balance: \$297.4 M

Expected Balance: \$162.4 M

Difference: \$135.0 M

WHY?



◆ **Revenues**

- Current Year
- Prior Year

◆ **Disbursement**

- Current Year
- Prior Year

◆ **Balance Adjustments**



Revenue: \$131.2 M

- ◆ **Current Year** \$133.4 M
- ◆ **Prior Year** \$ (2.1) M



- Individual income \$ 91.5 M
 - » Non-wage growth
 - » Audits
- Corporation income \$ 31.9 M
 - » Audits, Delayed refunds
 - » Profit growth
- FEMA reimbursement \$ 5.5 M
 - » Unanticipated accrual
- Oil & natural gas \$ 4.4 M
 - » Prices and production
- Coal trust earnings \$ 2.9 M
 - » Interest rates
- Coal severance tax \$ 1.2 M
 - » Price and production



● Vehicle tax/fee	\$ (1.3) M
➔ Vehicle growth & legislation	
● Lottery profit	\$ (1.1) M
➔ Reduced ticket sales	
● Insurance tax	\$ (2.0) M
➔ Reduced fees	
● Property tax	\$ (2.1) M
➔ Accounting change	
● Institution reimbursements	\$ (3.6) M
➔ Medicare & accounting change	
● All other	<u>\$ 6.1 M</u>
Total	\$ 133.4 M



Disbursements: \$(12.2) M

◆ Current Year	\$ (23.2) M
◆ Non-budgeted	\$ 0.0 M
◆ Prior Year	\$ 10.9 M



Total Net Reversions – \$12.2 M

Actual	\$ 23.2 M
Prior year	<u>\$ (10.9) M</u>
Total	\$ 12.2 M
Budgeted	<u>\$ (6.9) M</u>
Unexpected	\$ 5.4 M



Reversions

Total \$ 23.2 M

Major Reversions

● Leg. Branch	\$ 4.2 M
● OPI	\$ 8.5 M
● DOR	\$ 3.8 M
● DPHHS	\$ 2.0 M
● All other	\$ 4.7 M



Balance Adjustments – \$(1.6) M

- Currently being researched



Balance Change Summary

◆ Revenues	\$ 131.2 M
◆ Reversions	\$ 5.4 M
◆ Adjustments	\$ (1.6) M
Total	\$ 135.0 M



2007 Biennium

New balance	\$ 204.6 M
Old balance	\$ 76.0 M
Total	\$ 128.6 M

◆ 2005 balance change	\$ 135.0 M
◆ Wildfires costs	\$ (4.9) M
◆ Known adjustments	\$ (1.2) M
◆ Carryforward approps.	\$ (0.3) M
Total	\$ 128.6 M



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GENERAL FUND STATUS: FISCAL 2005 ACTUAL / 2007 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 fiscal 2005 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 59th Legislature and what actually occurred in fiscal 2005. It also provides aggregate information on revenue estimates and collections, disbursements and reversions, and an updated fund balance statement for the 2007 biennium. A more detailed analysis on revenue trends and the implications for the current biennium is currently underway and will be the basis for our revenue estimate recommendations to the Revenue and Transportation Interim Committee (RTIC) in December.

FUND BALANCE DISCUSSION

The general fund account GAAP balance at the end of fiscal 2005 was projected to be \$162.4 million. This estimate was based on House Joint Resolution 2 (HJR 2) revenue estimates and disbursement budgets adopted during the 58th and 59th legislative sessions¹. Total revenues (including one-time transfers) were expected to be greater than total disbursements by approximately \$27.3 million.

As shown in Table 1, the preliminary general fund account unreserved, undesignated balance for fiscal year end 2005 was \$297.4 million, or \$135.0 million above the level anticipated by the 59th Legislature. Table 1 also shows the differences between budgeted and actual amounts for revenues, disbursements, and other adjustments.

Table 1				
General Fund Account				
Fiscal 2005 Budgeted Versus Actual				
Fund Balance Detail				
	Budgeted Amount *	Actual Fiscal 2005	Over (Under) Estimate	Diff. Percent
Beginning Balance	\$132,873,000	\$132,873,291	\$291	0.00%
General Fund Receipts	1,397,596,000	1,530,948,704	133,352,704	9.54%
Prior Year Rev. Adjustments	0	(2,105,948)	(2,105,948)	na
Residual Equity Transfers	0	0	0	na
Total Revenue	\$1,397,596,000	\$1,528,842,756	\$131,246,756	9.39%
General Fund Disbursements	1,370,321,000	1,354,020,411	(16,300,589)	-1.19%
Non-Budgeted Disbursements	0	6,094	6,094	na
Prior Year Exp. Adjustments	0	10,942,304	10,942,304	na
Total Disbursements	\$1,370,321,000	\$1,364,968,809	(\$5,352,191)	-0.39%
Fund Balance Adjustments	2,290,000	(1,687,443)	(3,977,443)	-173.69%
CAFR Adjustments	0	2,380,756	2,380,756	na
Total Adjustments	\$2,290,000	\$693,313	(\$1,596,687)	-69.72%
Ending Balance (Preliminary)	\$162,438,000	\$297,440,551	\$135,002,551	83.11%

* Legislative Fiscal Report, 2007 Biennium Volume 1, June 2005

¹Legislative Fiscal Report, 2007 Biennium Volume 1 June 2005, page 44

REASONS FOR DIFFERENCES

REVENUE ESTIMATES AND COLLECTIONS

Column 2 of Table 2 shows the fiscal 2005 revenue estimates for the general fund account as adopted in HJR 2 during the 2005 legislative session as adjusted for enacted legislation. The adjacent columns in the table 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 46.2 percent of the total general fund collections while wine taxes accounted for only 0.10 percent during fiscal 2005. This column of information shows that about 70.7 percent of general fund revenue collections in fiscal 2005 came from individual (46.2%), property (10.9%), vehicle (7.2%), and corporate (6.4%) taxes.

Revenue Category	Estimated 2005 Receipts *	Actual 2005 Receipts	Over(Under) Estimate	Percent Difference	Contribution Percent
GF0200 Insurance Tax	59,272,000	57,308,425	(1,963,575)	-3.31%	3.75%
GF0300 Investment Licenses	4,464,000	5,192,327	728,327	16.32%	0.34%
GF0400 Vehicle License Fee	80,360,000	80,132,416	(227,584)	-0.28%	5.24%
GF0500 Vehicle Registration Fee	31,730,000	30,639,380	(1,090,620)	-3.44%	2.00%
GF0700 Beer Tax	2,933,000	2,936,880	3,880	0.13%	0.19%
GF0800 Cigarette Tax	34,608,000	35,116,847	508,847	1.47%	2.30%
GF0900 Coal Severance Tax	9,105,000	10,311,856	1,206,856	13.25%	0.67%
GF1000 Corporation Tax	66,332,000	98,213,717	31,881,717	48.06%	6.42%
GF1150 Wholesale Energy Trans Tax	3,485,000	3,370,263	(114,737)	-3.29%	0.22%
GF1200 Railroad Car Tax	1,585,000	1,604,005	19,005	1.20%	0.10%
GF1300 Individual Income Tax	614,736,000	706,234,580	91,498,580	14.88%	46.19%
GF1400 Inheritance Tax	3,701,000	4,190,613	489,613	13.23%	0.27%
GF1700 Oil Severance Tax	58,206,000	62,625,939	4,419,939	7.59%	4.10%
GF1800 Public Contractor's Tax	1,748,000	1,410,831	(337,169)	-19.29%	0.09%
GF1850 Rental Car Sales Tax	2,593,000	2,565,554	(27,446)	-1.06%	0.17%
GFXXX Property Tax	169,370,000	167,270,350	(2,099,650)	-1.24%	10.94%
GF2200 Telephone Tax	0	31,657	31,657		0.00%
GF2250 Retail Telecom Excise Tax	21,307,000	21,144,420	(162,580)	-0.76%	1.38%
GF2300 Tobacco Tax	3,677,000	4,024,017	347,017	9.44%	0.26%
GF2400 Video Gaming Tax	52,932,000	53,361,007	429,007	0.81%	3.49%
GF2600 Institution Reimbursements	16,082,000	12,508,688	(3,573,312)	-22.22%	0.82%
GF2650 Highway Patrol Fines	4,104,000	4,292,730	188,730	4.60%	0.28%
GF2700 TCA Interest Earnings	9,174,000	10,046,531	872,531	9.51%	0.66%
GF2900 Liquor Excise Tax	11,125,000	11,468,432	343,432	3.09%	0.75%
GF3100 Coal Trust Interest Earnings	33,892,000	36,751,940	2,859,940	8.44%	2.40%
GF3300 Lottery Profits	7,273,000	6,222,555	(1,050,445)	-14.44%	0.41%
GF3450 Tobacco Settlement	2,871,000	2,977,777	106,777	3.72%	0.19%
GF3500 U.S. Mineral Leasing	26,878,000	27,293,725	415,725	1.55%	1.79%
Total Current Year Revenue	\$1,397,595,000	\$1,530,948,704	\$133,353,704	9.54%	100.14%
Prior Year Adjustments	0	(2,105,948)	(2,105,948)		-0.14%
Residual Equity Transfers	0	0	0		0.00%
Total Revenue	\$1,397,595,000	\$1,528,842,756	\$131,247,756	9.39%	100.00%

* House Joint Resolution 2 estimates as adjusted for enacted legislation.

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

Table 3 shows aggregate revenue estimates and collections for the general fund account. The 59th Legislature adopted a total fiscal 2005 general fund account revenue estimate of \$1,397.6 million. The Legislature did not anticipate any prior year adjustments or residual equity transfers. Total collections (including adjustments and transfers) were \$1,528.8 million or \$131.2 million (9.4 percent) above the estimated amount.

Account	Revenue Category	Estimated Receipts*	Fiscal 2005 Receipts	Over (Under) Estimate	Diff. Percent
01100	General Fund Receipts	\$1,397,596,000	\$1,530,948,704	\$133,352,704	9.54%
--	Prior Year Adjustments	0	(2,105,948)	(2,105,948)	
--	Residual Equity Transfers	0	0	0	
	Totals After Adj. & Trsf.	\$1,397,596,000	\$1,528,842,756	\$131,246,756	9.39%

* House Joint Resolution 2 estimates as adjusted for enacted legislation.

Total current year revenue collections (before prior year adjustments) were \$133.3 million above the amount anticipated by the 59th Legislature. The legislature did not include any prior year revenue adjustments in HJR 2. Since this type of revenue is the result of revenue accruals and/or uncollected previous years' receipts, it would be difficult to include an estimated amount in the state budget. As shown in Tables 2 and 3, however, prior year revenue adjustments were a negative \$2.1 million. Most of these adjustments were due to actual revenues received in July and August of fiscal 2005 being different than the accrued amounts booked during fiscal year end 2004. While most revenue categories include prior year revenue adjustments, individual income and property taxes accounted for a significant portion of prior year activity.

Table 3A summarizes which major sources of revenue exceeded or were below expectations 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 increased revenue collections. A number of insignificant issues caused the majority of the revenue reductions. The next section of the report provides a brief explanation for the changes in collections.

Revenue Source	Amount	Preliminary Explanation
Individual Income Tax	\$91.5	Audits, non-wage income growth
Corporation Income Tax	31.9	Audits, delayed refunds, profit growth
FEMA Reimbursement Accrual	5.5	Unanticipated reimbursement
Oil & Natural Gas Production Tax	4.4	Commodity price and production
Coal Trust Interest Earnings	2.9	Interest rates
Coal Severance Tax	1.2	Commodity price and production
Vehicle Tax/Fee	(1.3)	Vehicle growth and legislation
Lottery Profits	(1.1)	Reduced ticket sales
Insurance Tax	(2.0)	Reduced fee collections
Property Tax	(2.1)	Accounting change
Institution Reimbursements	(3.6)	Medicare and accounting change
All Other Categories	6.1	-
Total Change	\$133.4	

Individual Income Tax - \$91.5 million

Individual income tax collections for fiscal 2005 were \$91.5 million above estimates contained in HJR 2 as adjusted for enacted legislation. This amount represents a 16.7 percent increase above fiscal 2004 collections. The 59th Legislature assumed the growth rate to be 1.6 percent above the fiscal 2004 amount.

At this time, it is not totally clear what is causing this unusually large surge in revenue collections. Since almost two-thirds of total income reported on state tax returns is from wage and salary income, a review of this income component may

provide some insight. As shown in HJR 2, the wage and salary growth rate between calendar years 2003 and 2004 was assumed to be 5.7 percent (calendar 2005 data is unavailable). According to the Bureau of Economic Analysis (BEA), actual growth was 5.9 percent, slightly higher than the assumed rate shown in HJR 2.

Figure 3B shows the accounting details of individual income tax collections for fiscal 2005 compared to fiscal 2004. Withholding taxes, which should be an indicator of wage growth, have grown by 5.3 percent - lower than the growth in wage and salary income reported by the BEA. This may suggest that Montana's wage income is lower than reported by the BEA and/or under-withholding may be occurring and fewer refunds will be issued next fiscal year.

Revenue Code & Description	Actual Fiscal 2004	Actual Fiscal 2005	Difference	Percent Change
510101 Withholding Tax	474,851,498.28	501,230,798.36	26,379,300.08	5.26%
510102 Estimated Tax	152,143,812.91	199,884,808.59	47,740,995.68	23.88%
510103 Current Year LT	103,283,893.97	134,284,266.54	31,000,372.57	23.09%
510105 Income Tax - Audit Collections	29,922,459.00	37,240,150.93	7,317,691.93	19.65%
510106 Income Tax Refunds	(154,853,243.51)	(166,405,444.62)	(11,552,201.11)	6.94%
Totals	\$605,348,420.65	\$706,234,579.80	\$100,886,159.15	16.67%
Percent of Actual/Estimated	100.00%	114.88%		

Figure 3B also shows that estimated and current year payments are above last year's amount by 23.9 percent and 23.1 percent, respectively. Estimated payments, and to some degree current year payments, reflect tax liability

on non-wage components of income. Some examples of these components are interest earnings, dividends, capital gains/losses, royalties, and net business income. Since estimated and current year payments are up significantly, then one or several of the non-wage components of income are above the estimates contained in HJR 2. Reported amounts on these components of income will not be available until late October 2005 or early November when the Department of Revenue (DOR) provides our office with data for tax year 2004.

Since the unanticipated increase in tax collections is so significant, it is unrealistic to assume that only one reason may be causing the surge in collections. The following is a list of potential explanations for the higher than anticipated individual income tax collections:

- Land and other real estate sales are producing large capital gains;
- Investors are cashing out of the equity market and taking capital gains;
- Oil and natural gas prices are at historic high levels. Royalty payments should be up significantly;
- Business profitability has improved since "9/11" and the recession. Net business income should be improving as reflected in higher corporation income tax collections;
- With higher corporate profits, more incentives and bonuses may be provided to employees. These items would not be reported as wage and salaries;
- Interest rates, especially for home mortgages, remain low. Mortgage refinancing reduces itemized deductions for interest expense and may increase tax liabilities;
- Reduced federal tax rates on dividends may have resulted in unusually high corporation dividend payments; and
- Audit policies by the Department of Revenue are reaping the benefits of improved tax compliance.

Corporation Income Tax - \$31.9 million

Corporation income tax revenues in fiscal 2005 were \$98.2 million, \$31.9 million or 48.1 percent greater than projected in HJR 2 as adjusted for enacted legislation. Two known factors played a critical role in the increased corporation tax revenues. First, the fiscal 2005 estimate assumed \$8.4 million of unusual refunds would be issued. Based on discussions with the Department of Revenue (DOR), these refunds have not occurred but are expected to be issued within the 2007 biennium. Second, the HJR 2 estimate included anticipated audit collections of \$3.0 million. Actual audit receipts were about \$10.6 million. According to the DOR, there were no unusually large audits in fiscal 2005.

Another factor that may have positively influenced corporation taxes is the improvement in the national economy since "9/11" and the 2002 recession. The increase in corporate profits at the national level has been

significant and it is assumed that Montana has benefited from this improvement. The preliminary tax return data from the DOR, to be received in November, should help quantify the impact of the economic recovery.

FEMA Reimbursement Accrual - \$5.5 million

During the 2004 wildfire season, the state expended money suppressing wildfires on lands under federal jurisdiction. Although it is a lengthy process, the state is eventually reimbursed for the expenditures. During the fiscal 2005 year-end closing process, the Department of Natural Resources and Conservation booked a \$5.5 million accrual of anticipated reimbursement of wildfire costs from the Federal Emergency and Management Agency for fiscal 2004. This accrual was not included in the HJR 2 estimate.

Oil & Natural Gas Production Tax - \$4.4 million

Oil and natural gas productions taxes are driven by the amount of production and the price received for the commodities. Based on information from the Energy Information Service, the average price per barrel of oil in Montana for fiscal 2005 was \$45.19 per barrel. The HJR 2 estimate for fiscal 2005 assumed oil prices would average \$39.56 per barrel. Information on natural gas prices is unavailable at this time. Beginning in October, the LFD will have access to the Department of Revenue's new computer system that should provide immediate access to both oil and natural gas data.

Coal Trust Interest Earnings - \$2.9 million

Coal trust interest earnings are generated from the investment of the coal severance tax trust fund corpus. By statute, coal trust investment earnings not earmarked to other programs are deposited to the general fund. The earning rate on the trust funds bond pool (a large majority of the trust's balances is invested in the pool) for fiscal 2005 was an average 6.8 percent, which exceeded the HJR 2 estimate of 6.4 percent.

Coal Severance Tax - \$1.2 million

The coal severance tax is driven by the amount of production and the price received for the commodity. Based on tax return data through March 2005, both coal production and contract sales prices are above the amounts contained in HJR 2. The combination of higher production and prices increased revenues above the estimated amounts contained in HJR 2.

Vehicle Tax/Fee - (\$1.3 million)

Motor vehicle tax and fee revenue for fiscal 2005 was expected to increase 0.68 percent from fiscal 2004. This growth rate was premised on the number of vehicles increasing by 3.0 percent. Fiscal 2005 collections were actually less than collections in fiscal 2004. Either the growth in vehicles did not materialize or the effects of enacted legislation were not accurately estimated. More current data from the Department of Justice will be available in January.

Lottery Profits - (\$1.1 million)

Lottery profits are the result of ticket sales less commission and operating costs, and payouts. Transfers of lottery profits to the general fund were less than anticipated in HJR 2 because Powerball ticket sales were down approximately 30 percent. According to the lottery director, reduced sales were due to fewer large jackpots than in previous years.

Insurance Tax - (\$2.0 million)

Insurance tax revenues is the combination of insurance fees and the tax levied on premiums. Based on preliminary information, the fee collections were less than anticipated by about \$1 million. The State Auditor has been contacted for an explanation of the reduction.

Property Tax - (\$2.1 million)

The 2005 legislature enacted Senate Bill 87 that required the transfer of half of the protested taxes already collected in fiscal 2003 and 2004 from the general fund to a new state special revenue account. Although a transfer of \$2.6 million from the general fund in fiscal 2005 was indicated in the fiscal note, the DOR deposited \$3.1 million of protested taxes directly to the state special revenue account instead. This reduced property tax revenue deposited in the general fund by \$3.1 million and increased state special property tax revenue by the same amount. The net impact on the general fund ending balance was zero.

Institution Reimbursements - (\$3.6 million)

Public institution reimbursement revenue is composed of private, insurance, Medicaid, and Medicare payments to state owned facilities. In fiscal 2005, revenue collections were \$3.6 million lower than projected in HJR 2 as adjusted for enacted legislation. The reduction in anticipated revenues can be explained, in large part, by the repayment of a fiscal 2004 overpayment of Medicare reimbursements of \$1.0 million. Additionally, the Medicare reimbursement rate was reduced mid fiscal year to prevent a repeat of this situation in fiscal 2005, further reducing reimbursements. The repayment represents a one-time occurrence and is not expected to negatively affect future revenue collections.

The Department of Public Health and Human Services also made an accounting change that reduced expected accruals by over \$1 million. The change in accounting practices will only have negative revenue effects in fiscal 2005 and should not impact future years.

All Other Sources - \$6.1 million

The combined change from the HJR 2 estimates for the remaining revenue sources is \$6.1 million. Some revenue sources were above the HJR 2 estimate while others were below the estimate. In total, the net change was \$6.1 million more than anticipated.

DISBURSEMENTS AND REVERSIONS

Table 4 shows general fund account disbursements and reversions for fiscal 2005. General fund current year disbursements (excluding non-budgeted and prior year activity) were \$23.2 million below budgeted amounts. Total reversions [\$23.2 million minus non-budgeted disbursements of \$6,094 and prior year expenditure adjustments of \$10.9 million] were \$12.2 million. Since total reversions budgeted by the 59th Legislature were \$6.9 million, "unexpected" reversions were \$5.3 million (\$12.2 million - \$6.9 million = \$5.3 million).

Although unexpected reversions were \$5.3 million, this amount is skewed by unexpected prior year disbursements of \$10.9 million. About \$9.1 million of this amount was due to fiscal 2004 adjustments for wildfire costs (\$5.6 million) and US mineral royalty transfers (\$3.5 million). Additionally, not all of the reversion amount will truly revert since \$2.4 million of the reversion amount has been re-established as continuing and carry-forward appropriations in fiscal 2006. These appropriations are expected to be expended by the end of the 2007 biennium.

Account	Category	Budgeted Amount*	Fiscal 2005 Disbursements	Over (Under) Budget	Diff. Percent
01100	General Fund Disbursements	\$1,377,187,000	\$1,354,020,411	(\$23,166,589)	-1.68%
---	Non-Budgeted Disbursements	0	6,094	6,094	na
---	Prior Year Exp. Adjustments	0	10,942,304	10,942,304	na
	Total Disbursements	\$1,377,187,000	\$1,364,968,809	(\$12,218,191)	-0.89%
---	Reversions	(\$6,866,000)	(\$12,218,191)	(\$5,352,191)	

* General fund disbursements are before adjustments for budgeted reversions of \$6.9 million. Total reversions were \$12.2 million or \$5.4 million more than budgeted.

The primary agencies with significant reversions were the Legislative Branch (\$4.2 million), Office of Public Instruction (\$8.5 million), Department of Revenue (\$3.8 million), and Department of Public Health and Human Services (\$2.0 million).

FUND BALANCE ADJUSTMENTS

During fiscal 2005, there were direct adjustments to the fund balance and SABHRS to GAAP reconciliation items. Direct fund balance adjustments increased the general fund account ending fund balance by about \$0.7 million (shown in Table 1). The reason for these adjustments are currently being researched.

SUMMARY OF FISCAL 2005 INFORMATION

As stated earlier, the preliminary general fund account unreserved, undesignated ending balance for fiscal 2005 is \$297.4 million, or \$135.0 million above the level anticipated by the 59th Legislature. The reasons, as previously discussed, are summarized in Table 5.

Explanation of Fund Balance Change	Amount
Revenue Collections (Actual - Estimated)	133.4
Prior Year Revenue Adjustments	(2.1)
Disbursements (Budgeted - Actual)	16.3
Prior Year Expenditure Adjustments	(10.9)
Fund Balance Adjustments	(1.6)
Total Change	\$135.1

2007 BIENNIUM BUDGET

Table 6 shows the revised 2007 biennium estimated ending fund balance for the general fund account. The projected general fund ending fund balance for the 2007 biennium (\$204.6 million) is \$128.6 million more than the amount estimated at the end of the 59th legislative session. This balance incorporates preliminary revenue and disbursement data for fiscal 2005 and includes revenue and disbursement estimates for fiscal 2007 biennium as budgeted by the 59th Legislature. Also included in this balance is anticipated supplemental/emergency appropriations of \$4.9 million for wildfire costs, carry forward appropriations of \$0.3 million, and fund balance adjustments of \$1.2 million for transfers to selected state special revenue accounts. Staff is currently researching the need for additional supplemental appropriations for the Departments of Corrections, Public Health and Human Services, and other state agencies.

Table 6
2007 Biennium General Fund Balance
Action By the 59th Legislature With Preliminary Fiscal 2005 and Fiscal 2006 Adjustments
In Millions

	Actual Fiscal 2004	Preliminary Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Preliminary 2005 Biennium	Estimated 2007 Biennium
Beginning Fund Balance	\$43.065	\$132.873	\$297.440	\$238.297	\$43.065	\$297.440
Revenues						
Current Law Revenue	1,381.565	1,530.949	1,429.768	1,475.348	2,912.514	2,905.116
Legislation Impacts	0.000	0.000	(8.873)	(9.561)	0.000	(18.434)
Residual Transfers	0.000	0.000	0.000	0.000	0.000	0.000
Total Revenue	\$1,381.565	\$1,530.949	\$1,420.895	\$1,465.787	\$2,912.514	\$2,886.682
Total Funds Available	\$1,424.630	\$1,663.822	\$1,718.335	\$1,704.084	\$2,955.579	\$3,184.122
Disbursements						
General Appropriations	1,165.925	1,227.408	1,311.367	1,329.097	2,393.333	2,640.464
Statutory Appropriations	126.600	128.589	134.343	134.978	255.189	269.321
Local Assistance Appropriations	0.000	0.000	0.000	0.000	0.000	0.000
Miscellaneous Appropriations	1.866	4.469	1.521	1.804	6.335	3.325
Non-Budgeted Transfers	10.052	9.512	24.926	29.509	19.564	54.435
Continuing Appropriations	0.000	0.000	0.000	0.000	0.000	0.000
Supplemental Appropriations	0.000	0.000	0.000	0.000	0.000	0.000
Language Appropriations	1.372	0.350	1.700	0.000	1.722	1.700
Wildfire Costs	0.000	0.000	4.876	0.000	0.000	4.876
Feed Bill Appropriations	0.000	0.000	2.121	8.050	0.000	10.171
Carryforward Appropriations	0.000	0.000	0.336	0.000	0.000	0.336
Anticipated Reversions	(23.777)	(16.301)	(2.307)	(3.936)	(40.078)	(6.243)
Total Disbursements	\$1,282.038	\$1,354.027	\$1,478.883	\$1,499.502	\$2,636.065	\$2,978.385
Adjustments	(9.719)	(12.355)	(1.155)	0.000	(22.074)	(1.155)
Unreserved Ending Fund Balance	<u>\$132.873</u>	<u>\$297.440</u>	<u>\$238.297</u>	<u>\$204.582</u>	<u>\$297.440</u>	<u>\$204.582</u>

SUMMARY

Based on current information, the general fund account will end the 2007 biennium with a balance of \$204.6 million, or \$128.6 million more than anticipated. This projected balance is based on HJR 2 revenue estimates adopted by the 59th Legislature and does not incorporate any of the revenue trends observed during fiscal 2005. Additionally, potential legislative solutions to public school funding and unfunded liabilities in state retirement accounts has not been included. As mentioned in the introduction, a detailed analysis of all revenue trends and the implications for the current biennium is currently underway. This analysis will be the basis for our revenue estimate recommendations to the RTIC in December.

As shown in the detailed fund balance statement (Table 6), 2007 biennium estimated revenues are below the budgeted disbursements. This indicates that the general fund account is "structurally unbalanced" for the 2007 biennium. However, the disbursement amounts for the 2007 biennium include one-time only disbursements of \$86.3 million. Assuming these disbursements will not be funded in subsequent biennia, the 60th Legislature should be able to develop a 2009 biennium budget that is driven by the estimated growth in revenues for the biennium. However, if the next legislature uses the fiscal 2005 excess fund balance for on-going expenditures, a structural "imbalance" will be created in subsequent years.

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