

# **GENERAL FUND STATUS: FISCAL YEAR 2004 ACTUAL / 2005 BIENNIUM PROJECTED**

A Report Prepared for the

**Legislative Finance Committee**

By  
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## INTRODUCTION

The purpose of this report is to provide the committee with preliminary fiscal 2004 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 58<sup>th</sup> Legislature and what actually occurred in fiscal 2004. It also provides aggregate information on revenue estimates and collections, disbursements and reversions, and an updated fund balance statement for the 2005 biennium. A more detailed analysis on revenue trends and the implications for the current biennium and the 2007 biennium is currently underway and will be the basis for our revenue estimate recommendations to the Revenue and Transportation Interim Committee (RTIC) in November.

## FUND BALANCE DISCUSSION

The general fund account GAAP balance at the beginning of fiscal 2004 was projected to be \$16.5 million. This estimate was based on House Joint Resolution 2 (HJR 2) revenue estimates and disbursement budgets adopted during the 57<sup>th</sup> and 58<sup>th</sup> legislative sessions<sup>1</sup>. Total revenues (including one-time transfers) were expected to be greater than total disbursements by approximately \$9.1 million.

As shown in Table 1, the preliminary general fund account unreserved, undesignated balance for fiscal year end 2004 was \$135.3 million, or \$109.6 million above the level anticipated by the 58<sup>th</sup> Legislature. Table 1 also shows the differences between budgeted and actual amounts for revenues, disbursements, and other adjustments.

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<sup>1</sup>Legislative Fiscal Report, 2005 Biennium Volume 1 June 2003, page 38

<b>Table 1</b>				
<b>General Fund Account</b>				
<b>Fiscal 2004 Budgeted Versus Actual</b>				
<b>Fund Balance Detail</b>				
	Budgeted Amount *	Actual Fiscal 2004	Over (Under) Estimate	Diff. Percent
Beginning Balance	\$16,521,000	\$43,064,761	\$26,543,761	160.67%
General Fund Receipts	1,310,839,000	1,381,564,648	70,725,648	5.40%
Prior Year Rev. Adjustments	0	(6,154,388)	(6,154,388)	na
Residual Equity Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>na</u>
Total Revenue	\$1,310,839,000	\$1,375,410,260	\$64,571,260	4.93%
General Fund Disbursements	1,301,721,000	1,282,038,212	(19,682,788)	-1.51%
Non-Budgeted Disbursements	0	74,512	74,512	na
Prior Year Exp. Adjustments	<u>0</u>	<u>3,084,708</u>	<u>3,084,708</u>	<u>na</u>
Total Disbursements	\$1,301,721,000	\$1,285,197,432	(\$16,523,568)	-1.27%
Fund Balance Adjustments	0	(1,077,964)	(1,077,964)	na
CAFR Adjustments	<u>0</u>	<u>3,054,422</u>	3,054,422	<u>na</u>
Total Adjustments	\$0	\$1,976,458	\$1,976,458	na
Ending Balance (Preliminary)	\$25,639,000	\$135,254,047	\$109,615,047	427.53%

\* Legislative Fiscal Report, 2005 Biennium Volume 1, June 2003

## REASONS FOR DIFFERENCES

### REVENUE ESTIMATES AND COLLECTIONS

Column 2 of Table 2 shows the fiscal 2004 revenue estimates for the general fund account as adopted in HJR 2 during the 2003 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 44.0 percent of the total general fund collections while wine taxes accounted for only 0.10 percent during fiscal 2004. This column of information shows that about 69.5 percent of general fund revenue collections in fiscal 2004 came from individual (44.0%), property (12.3%), vehicle (8.3%), and corporate (4.9%) taxes.

Revenue Category	Estimated 2004 Receipts *	Actual 2004 Receipts	Over(Under) Estimate	Percent Difference	Contribution Percent
GF0100 Drivers License Fee	\$2,850,000	\$3,021,405	\$171,405	6.01%	0.22%
GF0200 Insurance Tax	56,038,000	56,532,929	494,929	0.88%	4.11%
GF0300 Investment Licenses	4,618,000	4,833,881	215,881	4.67%	0.35%
GF0400 Vehicle License Fee	79,774,000	83,606,576	3,832,576	4.80%	6.08%
GF0500 Vehicle Registration Fee	31,762,000	30,723,879	(1,038,121)	-3.27%	2.23%
GF0600 Nursing Facilities Fee	5,704,000	5,915,840	211,840	3.71%	0.43%
GF0700 Beer Tax	3,058,000	2,896,797	(161,203)	-5.27%	0.21%
GF0800 Cigarette Tax	34,993,000	36,001,502	1,008,502	2.88%	2.62%
GF0900 Coal Severance Tax	8,384,000	8,643,243	259,243	3.09%	0.63%
GF1000 Corporation Tax	64,762,000	67,722,940	2,960,940	4.57%	4.92%
GF1100 Electrical Energy Tax	4,408,000	4,660,529	252,529	5.73%	0.34%
GF1150 Wholesale Energy Trans Tax	3,432,000	3,292,659	(139,341)	-4.06%	0.24%
GF1200 Railroad Car Tax	1,688,000	1,567,868	(120,132)	-7.12%	0.11%
GF1300 Individual Income Tax	558,059,000	605,348,421	47,289,421	8.47%	44.01%
GF1400 Inheritance Tax	7,516,000	11,431,103	3,915,103	52.09%	0.83%
GF1500 Metal Mines Tax	2,967,000	3,231,871	264,871	8.93%	0.23%
GF1700 Oil Severance Tax	26,932,000	41,323,718	14,391,718	53.44%	3.00%
GF1800 Public Contractor's Tax	3,354,000	2,120,485	(1,233,515)	-36.78%	0.15%
GF1850 Rental Car Sales Tax	2,180,000	2,485,989	305,989	14.04%	0.18%
GFXXX Property Tax	174,311,000	169,530,993	(4,780,007)	-2.74%	12.33%
GF2150 Lodging Facilities Sales Tax	8,807,000	9,278,658	471,658	5.36%	0.67%
GF2200 Telephone Tax	0	28,634	28,634		0.00%
GF2250 Retail Telecom Excise Tax	21,190,000	20,890,335	(299,665)	-1.41%	1.52%
GF2300 Tobacco Tax	3,174,000	3,561,574	387,574	12.21%	0.26%
GF2400 Video Gaming Tax	45,012,000	50,748,949	5,736,949	12.75%	3.69%
GF2500 Wine Tax	1,283,000	1,423,463	140,463	10.95%	0.10%
GF2600 Institution Reimbursements	16,757,000	18,110,443	1,353,443	8.08%	1.32%
GF2650 Highway Patrol Fines	4,697,000	4,084,340	(612,660)	-13.04%	0.30%
GF2700 TCA Interest Earnings	14,060,000	6,392,992	(7,667,008)	-54.53%	0.46%
GF2900 Liquor Excise Tax	10,239,000	10,717,967	478,967	4.68%	0.78%
GF3000 Liquor Profits	5,400,000	6,500,000	1,100,000	20.37%	0.47%
GF3100 Coal Trust Interest Earnings	37,187,000	34,907,273	(2,279,727)	-6.13%	2.54%
GF3300 Lottery Profits	5,595,000	8,115,602	2,520,602	45.05%	0.59%
GF3450 Tobacco Settlement	3,105,000	2,933,928	(171,072)	-5.51%	0.21%
GF3500 U.S. Mineral Leasing	23,469,000	28,736,303	5,267,303	22.44%	2.09%
GF3600 Other Revenue	<u>34,074,000</u>	<u>30,241,562</u>	<u>(3,832,438)</u>	<u>-11.25%</u>	2.20%
Total Current Year Revenue	\$1,310,839,000	\$1,381,564,651	\$70,725,651	5.40%	100.45%
Prior Year Adjustments	0	(6,154,388)	(6,154,388)		-0.45%
Residual Equity Transfers	<u>0</u>	<u>0</u>	<u>0</u>		0.00%
Total Revenue	\$1,310,839,000	\$1,375,410,263	\$64,571,263	4.93%	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. When revenues are received by the state, agency personnel have three ways to account for collections on SABHRS:

- 1) If the tax or fee remitted by the taxpayer is for the current year tax liability, the revenue is recorded as current year collections.
- 2) If the tax or fee is for previous years' tax liability, the revenue is recorded as a prior year revenue adjustment. Current and prior year revenue amounts are maintained and reported separately on SABHRS.

3) The third way revenues are deposited (transferred) to an account is by a transaction called a residual equity transfer. This type of transaction allows an agency to transfer monies from one account to another when the revenue has been previously recorded in the original account.

Table 3 shows aggregate revenue estimates and collections for the general fund account. The 58<sup>th</sup> Legislature adopted a total fiscal 2004 general fund account revenue estimate of \$1,310.8 million. The Legislature did not anticipate any prior year adjustments or residual equity transfers. Total collections (including adjustments and transfers) were \$1,375.4 million or \$64.6 million (4.9 percent) above the estimated amount.

Total current year revenue collections (before prior year adjustments) were \$70.7 million above the amount anticipated by the 58<sup>th</sup> Legislature. Table 3A summarizes which sources of revenue exceeded or were below expectations and provides a brief

Account	Revenue Category	Estimated Receipts*	Fiscal 2004 Receipts	Over (Under) Estimate	Diff. Percent
01100	General Fund Receipts	\$1,310,839,000	\$1,381,564,651	\$70,725,651	5.40%
---	Prior Year Adjustments	0	(6,154,388)	(6,154,388)	
---	Residual Equity Transfers	0	0	0	
	Totals After Adj. & Trsf.	\$1,310,839,000	\$1,375,410,263	\$64,571,263	4.93%

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

explanation of why collections were different than anticipated. As shown in Table 3A, federal tax reform, wage growth and energy prices were the primary economic forces behind stronger revenue growth. Low interest rates and the timing of legislation impacts caused a 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	\$47.3	Federal Tax Reform, Wage Growth
Oil & Natural Gas Production Tax	14.4	Higher Energy Prices
Video Gaming Tax	5.7	Multi-Game Machines
US Mineral Royalties	5.3	Higher Energy Prices
Inheritance Tax	3.9	Large Estates
Vehicle Tax	3.8	Legislation Impacts
Corporation Income Tax	3.0	Unanticipated Audit
Lottery Profits	2.5	More Large Jackpots
Coal Trust Interest Earnings	(2.3)	Reduced Interest Rates
Property Tax	(4.8)	Legislation Timing
TCA Interest Earnings	(7.7)	Reduced Interest Rates
All Other Categories	(0.4)	-
<b>Total Change</b>	<b>\$70.7</b>	

The 58<sup>th</sup> Legislature did not include any prior year revenue adjustments in HJR2. 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 \$6.2 million. Most of these adjustments were due to actual revenues received in July and August of fiscal 2004 being less than the accrued amounts booked during fiscal year end 2003. While most revenue categories include prior year revenue adjustments,

individual income tax accounted for over 50 percent of the prior year activity.

**Individual Income Tax - \$47.3 million**

Individual income tax receipts for fiscal 2004 were \$47.3 million above estimates in HJR 2 adjusted for legislation. HJR 2 anticipated a growth of 4.1 percent, while the actual growth rate between fiscal 2003 and 2004 was 13.8 percent. This increased growth was mostly caused by larger than anticipated impacts of the federal Jobs and Growth Tax Relief Reconciliation Act enacted in May 2003 and larger growth in Montana wages and salaries. It was estimated in HJR 2 that wage and salary growth between calendar years 2002 and 2003 would be 4.2 percent, but according to the Bureau of Economic Analysis, actual growth in wages was 5.0 percent.

**Oil & Gas Production Tax - \$14.4 million**

Revenue from oil and natural gas production taxes was \$41.3 million in fiscal 2004, 42 percent above fiscal 2003 revenues. Primarily, the increase was due to higher prices for both commodities than estimated. Also, special low tax rates for incentive production were increased temporarily for fiscal 2004 because the price of West Texas Intermediate (WTI) oil was above \$30 per barrel. Current law requires tax rates on stripper and alternative oil wells be increased during each quarter that WTI is above \$30 per barrel. Oil and natural gas production tax revenues for fiscal 2004 exceeded those in HJR 2 by \$14.4 million.

**Video Gambling Tax - \$5.7 million**

Video gambling revenue is derived from two sources: license fees and video gambling taxes. The fifteen percent tax on gross income less payouts produces the majority of the collections from this source. Revenue growth reported in fiscal 2004 was unusually high, and collections through the end of fiscal 2004 exceeded HJR 2 estimates by \$5.7 million. The HJR 2 growth assumptions were premised on a peak in machine play with growth abated from historical levels. Current collection trends do not support this assumption. The Department of Justice notes that the introduction of multi-game machines may have played a roll in the increased revenues for fiscal 2004.

**US Mineral Royalties - \$5.3 million**

US mineral royalty collections in fiscal 2004 were \$5.3 million greater than projected in HJR 2. Higher natural resource prices, particularly oil and natural gas, increased the amount of royalties Montana received from these commodities. Coal royalty revenues were also higher than anticipated. It should be noted that HB 226 passed by the 57<sup>th</sup> Legislature transfers 12.5 percent of US mineral royalty revenue deposited to the general fund in fiscal 2004 and 25 percent in fiscal 2005 to the counties where the mining or extraction occurred. Therefore, although higher natural resource prices result in additional general fund revenue, disbursements from the general fund also increased.

**Inheritance Tax - \$3.9 million**

Inheritance tax collections continued to be strong following the unpredictably high collections of fiscal 2003. While HJR 2 anticipated \$5.8 million less in collections as the federal estate tax is eliminated, actual revenues in fiscal 2004 were just slightly less than revenues collected in fiscal 2003. Analysis of inheritance tax collections showed that in fiscal 2004, normal collections fell off substantially, yet five large estates with tax liabilities in excess of \$0.8 million were settled. Two of those estates had tax liabilities of over \$1.0 million. As a result, inheritance tax collections exceeded the HJR 2 estimates by \$3.9 million in fiscal 2004.

**Vehicle Tax** - \$3.8 million

Vehicle tax revenues were \$83.6 million in fiscal 2004, \$3.8 million higher than expected. The revenue from new car sales was 5.3 percent greater than projected, adding \$1.1 million of unanticipated revenue. Most of the increase was the result of the revenue effects of HB 559, which changed the annual registration of watercraft, snowmobiles, motorcycles, and trailers to a lifetime registration. For fiscal 2004, the new lifetime fee was half of that in ongoing years to encourage owners to quickly change to the lifetime fee. The increased revenues suggest that more vehicle owners than expected took advantage of the reduced fee. Consequently, revenues in fiscal 2005 may be less than anticipated.

**Corporation Income Tax** - \$3.0 million

Corporation income tax revenues in fiscal 2004 were \$67.7 million, \$3.0 million or 4.5 percent greater than projected in HJR 2. One audit of \$7.0 million explains most of the increase in collections. Estimated payments were less than anticipated for the fiscal year. As a result, the entire unusual audit was not recognized as increased collections.

**Lottery Profits** - \$2.5 million

All gross lottery revenue not used for prizes, commissions, and operating expenses is considered net revenue. Total net revenue (including interest earned on the proprietary account) is transferred to the general fund. In fiscal years 2002 and 2003 annual lottery revenue transfers to the general fund exceeded \$7.4 million. In fiscal 2004, transfers increased to \$8.1 million. Large lottery jackpots and introduction of several new games helped bolster net revenue transfers by about \$2.5 million over the anticipated revenues in fiscal 2004.

**Coal Trust Interest Earnings** - (\$2.3 million)

Coal trust interest earnings are generated from the investment of the coal severance tax trust fund. By statute, coal trust investment earnings not earmarked to other programs are deposited to the general fund. Earnings in fiscal 2004 were \$2.3 million lower than projected in HJR 2. Lower interest earnings from investments in the short-term investment pool are the main reason for the reduction.

**Property Tax** - (\$4.8 million)

Property tax revenue for fiscal 2004 was \$4.8 million below the HJR 2 forecast adjusted for legislation. The legislation-adjusted HJR 2 estimates for the 2005 biennium included the impact of SB 294, which required that the state's share of taxes protested by the Pennsylvania and Power and Light Company from prior years and the current year be removed from an escrow account and deposited in the general fund. This was expected to be \$8.5 million in fiscal 2004. However, in fiscal 2003, \$3.8 million of the protested taxes was deposited in the general fund, thus reducing the amount available for deposit in fiscal 2004 by \$3.8 million. The remaining \$1.0 million reduction in property tax collections reflects a smaller than anticipated tax base in tax year 2003, and slightly smaller growth rates for taxable value than were in HJR 2. The smaller than anticipated tax base in tax year 2003 is the result of no growth in class 8 business equipment and a sharp reduction in telecommunications property value. The legislation-adjusted HJR 2 estimate and the current estimate both reflect the impacts of SB 461, the bill that phased in the new reappraisal values, tax rates and exemptions for commercial and residential property.

**TCA Interest Earnings - (\$7.7 million)**

Treasury cash account interest revenue is based on the amount of cash available to invest and the prevailing short-term interest rates. The federal discount interest rate remained at the very low level of 2.0 percent during fiscal 2004. Data from the Board of Investments show the yield on the treasury cash account for fiscal 2003 was 2.3 percent. The yield in fiscal 2004 was about 2.1 percent. This compares to the HJR 2 short-term interest rate assumption of 4.7 percent.

**All Other Sources - (\$0.4 million)**

The combined changes of the remaining 24 other revenue sources are a small portion of total revenue changes. This indicates that, of the remaining revenue sources, the positive changes nearly equal the negative changes.

**DISBURSEMENTS AND REVERSIONS**

Table 4 shows general fund account disbursements and reversions for fiscal 2004. General fund current year disbursements (excluding non-budgeted and prior year activity) were \$23.8 million below budgeted amounts. Reversions [\$23.776 million minus non-budgeted disbursements (\$0.075 million) and prior year expenditure adjustments (\$3.085 million)] were \$20.6 million. Since total reversions budgeted by the 58<sup>th</sup> Legislature were \$4.1 million, “unexpected” reversions were \$16.5 million (\$20.6 million - \$4.1 million = \$16.5 million).

Although unexpected reversions of \$16.5 million appear unusually large, a closer look at the details indicates this amount is misleading. Not all of this amount will truly revert since \$7.9 million of the reversion amount has been re-established as continuing and carry-forward appropriations in fiscal 2005. These appropriations are expected to be expended by the end of the biennium.

Account	Category	Budgeted Amount*	Fiscal 2004 Disbursements	Over (Under) Budget	Diff. Percent
01100	General Fund Disbursements	\$1,305,815,000	\$1,282,038,212	(\$23,776,788)	-1.82%
---	Non-Budgeted Disbursements	0	74,512	74,512	na
---	Prior Year Exp. Adjustments	0	3,084,708	3,084,708	na
	Total Disbursements	\$1,305,815,000	\$1,285,197,432	(\$20,617,568)	-1.58%
---	Reversions	(\$4,094,000)	(\$20,617,568)	(\$16,523,568)	

\* General fund disbursements are before adjustments for budgeted reversions of \$4.1 million.  
Total reversions were \$20.6 million or \$16.5 million more than budgeted.

Additionally, \$3.5 million of US mineral royalty transfer was not recorded in fiscal 2004 as specified in statute. Based on information from DOA, Accounting Division, this transfer was done in the wrong fiscal year in previous years. Therefore, the \$3.5 million will be delayed until fiscal 2005. The primary agency with significant reversions was the Department of Public Health and Human Services. The reason for their high reversion amount was due to the Federal Jobs and Growth Tax Relief Reconciliation Act. This Act temporarily increased the Federal Medicaid Allocation Percentage (FMAP) rate which had the effect of reducing the state’s general fund matching rate.

## FUND BALANCE ADJUSTMENTS

During fiscal 2004, there were direct adjustments to the fund balance and SABHRS to GAAP reconciliation items. Direct fund balance adjustments decreased the general fund account ending fund balance by about \$1.1 million (shown in Table 1). The reason for these adjustments are currently being researched.

The SABHRS and GAAP reconciliation items (\$3.1 million) reflect net adjustments made by agencies per the direction of the DOA, Accounting Division. These adjustments were necessary to bring the SABHRS general fund ending balance in conformance with GAAP.

## SUMMARY OF FISCAL 2004 INFORMATION

As stated earlier, the preliminary general fund account unreserved, undesignated ending balance for fiscal 2004 was \$135.3 million, or \$109.6 million above the level anticipated by the 58<sup>th</sup> Legislature. The reasons for the increase are summarized in Table 5.

Explanation of Fund Balance Change	Amount
Beginning Fund Balance (Due to Fiscal 2003)	\$26.5
Revenue Collections (Actual - Estimated)	70.7
Prior Year Revenue Adjustments	(6.2)
Disbursements (Budgeted - Actual)	19.7
Prior Year Expenditure Adjustments	(3.1)
Fund Balance Adjustments	<u>2.0</u>
<b>Total Change</b>	<b>\$109.6</b>

## 2005 BIENNIUM BUDGET

Table 6 shows the revised 2005 biennium estimated ending fund balance for the general fund account. The projected general fund ending fund balance for the 2005 biennium (\$175.8 million) is \$129.6 million more than the amount estimated at the end of the 58<sup>th</sup> legislative session. This balance incorporates actual revenue and disbursement data for fiscal 2004 and includes revised revenue and disbursement estimates for fiscal 2005.

	Actual Fiscal 2002	Actual Fiscal 2003	Preliminary Fiscal 2004	Estimated Fiscal 2005	Actual 2003 Biennium	Estimated 2005 Biennium
<b>Beginning Fund Balance</b>	<b>\$172.897</b>	<b>\$81.316</b>	<b>\$43.065</b>	<b>\$135.254</b>	<b>\$172.897</b>	<b>\$43.065</b>
<b>Revenues</b>						
Current Law Revenue	1,265.713	1,246.381	1,381.565	1,362.968	2,512.094	2,744.533
Legislation Impacts	0.000	0.000	0.000	0.000	0.000	0.000
Residual Transfers	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total Revenue</b>	<b>\$1,265.713</b>	<b>\$1,246.381</b>	<b>\$1,381.565</b>	<b>\$1,362.968</b>	<b>\$2,512.094</b>	<b>\$2,744.533</b>
<b>Total Funds Available</b>	<b>\$1,438.610</b>	<b>\$1,327.697</b>	<b>\$1,424.630</b>	<b>\$1,498.222</b>	<b>\$2,684.991</b>	<b>\$2,787.598</b>
<b>Disbursements</b>						
General Appropriations	1,120.576	1,082.513	1,161.072	1,140.158	2,203.089	2,301.230
Statutory Appropriations	149.108	132.347	126.600	130.724	281.455	257.324
Local Assistance Appropriations	0.000	0.000	0.000	0.000	0.000	0.000
Miscellaneous Appropriations	68.016	84.423	2.013	2.371	152.439	4.384
Language Appropriations	0.000	0.000	1.372	0.000	0.000	1.372
Non-Budgeted Transfers	18.768	3.150	10.052	17.802	21.918	27.854
Continuing Appropriations	2.611	3.368	0.000	27.520	5.979	27.520
Supplemental Appropriations	0.000	0.000	0.000	0.000	0.000	0.000
Wildfire Costs	0.000	0.000	0.000	0.000	0.000	0.000
Feed Bill Appropriations	0.000	0.000	0.000	6.699	0.000	6.699
Carryforward Appropriations			0.612	1.197	0.000	1.809
Anticipated Reversions	(3.176)	(29.974)	(19.683)	(4.097)	(33.150)	(23.780)
<b>Total Disbursements</b>	<b>\$1,355.903</b>	<b>\$1,275.827</b>	<b>\$1,282.038</b>	<b>\$1,322.374</b>	<b>\$2,631.730</b>	<b>\$2,604.412</b>
<b>Adjustments</b>	<b>(1.391)</b>	<b>(8.805)</b>	<b>(7.338)</b>	<b>0.000</b>	<b>(10.196)</b>	<b>(7.338)</b>
<b>Unreserved Ending Fund Balance</b>	<b>\$81.316</b>	<b>\$43.065</b>	<b>\$135.254</b>	<b>\$175.848</b>	<b>\$43.065</b>	<b>\$175.848</b>

## SUMMARY

Based on current information, the general fund account will end the 2005 biennium with a balance of \$175.8 million, or \$129.6 million more than anticipated. This projected balance is based on revised revenue estimates for fiscal 2005 and incorporates revenue trends observed during fiscal 2004. As mentioned in the introduction, a detailed analysis of all revenue trends and the implications for the current biennium and the 2007 biennium is currently underway. This analysis will be the basis for our revenue estimate recommendations to the RTIC in November.

As shown in the detailed fund balance statement (Table 6), fiscal 2005 estimated revenues are above the budgeted disbursements. This indicates that the general fund account is “structurally balanced” in fiscal 2005. Assuming this condition is maintained throughout fiscal 2005, the 59<sup>th</sup> Legislature should be able to develop a 2007 biennium budget that is driven by the estimated growth in revenues for the biennium. However, if the next legislature uses the fiscal 2004 excess fund balance for on-going expenditures, a structural “imbalance” will be created in subsequent years.