

**SENATE FISCAL AGENCY  
 MEMORANDUM**

**DATE:** May 18, 2007  
**TO:** Members of the Senate  
**FROM:** Gary S. Olson, Director  
**RE:** Projected Year-End Budget Balances

Based on the revised consensus revenue estimates agreed to at the May 18, 2007, meeting of the Consensus Revenue Estimating Conference, the Senate Fiscal Agency (SFA) has revised its estimates of the year-end balances of the FY 2006-07 and FY 2007-08 General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. This memorandum provides a summary of these estimates.

**FY 2006-07 Year-End Balances**

Table 1 provides a summary of the SFA's estimate of a \$275.3 million FY 2006-07 GF/GP year-end budget deficit. This estimate is based on the revised consensus revenue estimate and assumptions concerning appropriations. The appropriation assumptions include the approval of supplemental appropriations recommended by the Office of the State Budget (OSB) and additional funding shortfalls in the Community Health, Human Services, and Corrections budgets. These funding shortfalls are projections of actual expenditures in these programs based on current actual expenditure trends. The estimated deficit of \$275.3 million also assumes the enactment of Senate Bill 220. This supplemental appropriation bill is currently pending in a joint House/Senate conference committee.

Table 2 provides a summary of the SFA's estimate of a \$202.8 million FY 2006-07 SAF year-end budget deficit. This estimate is based on the revised consensus revenue estimate and estimates of final expenditures based on current appropriation policy. This estimated deficit equates to a pro-rata reduction of \$116 per pupil. This is \$6 per pupil lower than the pro-rata reduction outlined by the State Budget Director on April 30, 2007. In accordance with provisions of section 11(4) of the State School Aid Act, if the Legislature and the Governor do not agree on increased revenue to the SAF budget by May 30, 2007, the \$116 per-pupil reduction will be implemented.

**FY 2007-08 Year-End Balances**

Table 3 provides a summary of the status of the FY 2007-08 GF/GP budget. A comparison of the consensus revenue estimate with the Governor's appropriation recommendation, adjusted for FY 2006-07 funding delays to community colleges and universities, leads to a projected \$2.2 billion imbalance. If an assumption is made concerning a dollar-for-dollar replacement of the single business tax with a new business tax, the projected imbalance is \$1.03 billion. Additional factors that will have an impact on the size of the FY 2007-08 GF/GP budget imbalance include the funding of new and expanded programs included in the Governor's budget recommendation and potential unfunded appropriations in the Departments of Community Health, Corrections, and Human Services. These unfunded appropriations are based on actual expenditure trends in these departments in the current fiscal year.

Table 4 provides a summary of the status of the FY 2007-08 SAF budget. A comparison of the consensus revenue estimate with the Governor's appropriation recommendation leads to a \$576.3 million imbalance. The Governor's budget recommendation included a \$175 increase in the basic per-pupil foundation allowance and a \$194.6 million increase in pre-school funding for at-risk children. If the proposed basic foundation allowance and pre-school program funding increases are removed from the Governor's budget, the imbalance between estimated revenue and this set of appropriation assumptions is \$76.8 million.

If you have any questions on these year-end balance estimates, please call my office at 373-5300.

/kjh

#### Attachments

c: Tom Davis, Senate Majority Policy Office  
Mike Byrne, Senate Democratic Staff  
Ellen Jeffries, Deputy Director

**Table 1**  
**FY 2006-07**  
**General Fund/General Purpose**  
**Revenue, Expenditures, and Year-End Balance**  
**(Millions of Dollars)**

	<b>May 2007 SFA Estimate</b>
<b>Revenue</b>	
Beginning Balance.....	\$ 2.5
Ongoing Consensus Revenue Estimate.....	8,187.5
Revenue Sharing Freeze.....	544.6
Shift Short-Term Borrowing Costs to School Aid Fund .....	22.8
Forensic Center Settlement Revenue .....	7.8
Liquor Purchase Revolving Fund Transfer to General Fund.....	4.0
Consumer Finance Fees Transfer to General Fund.....	7.0
Executive Order 2007-3 (Revenue Items).....	35.7
<b>Total Revenue .....</b>	<b>\$8,811.9</b>
<b>Expenditures</b>	
Enacted Appropriations .....	\$9,222.8
Supplemental Appropriations (Public Act 3 of 2007).....	17.6
Supplemental Appropriations (Public Act 7 of 2007).....	0.0
Executive Order 2007-3 (Appropriation Reductions).....	(274.2)
Proposed Supplemental Appropriations (Corrections Health Care).....	23.3
Proposed Supplemental Appropriations (Pension Health Shift).....	22.3
Projected Supplemental Appropriations (Medicaid Shortfall).....	138.5
Projected Supplemental Appropriations (Human Services Shortfall).....	34.0
Projected Supplemental Appropriations (Corrections Shortfall).....	20.0
Supplemental Appropriations (S.B. 220 GF/GP Funding).....	50.8
Pending Restricted Revenue Transfer to General Fund .....	(167.9)
<b>Total Expenditures .....</b>	<b>\$9,087.2</b>
<b>Projected Year-End Balance.....</b>	<b>\$ (275.3)</b>

**Table 2**  
**FY 2006-07**  
**School Aid Fund**  
**Revenue, Expenditures, and Year-End Balance**  
**(Millions of Dollars)**

	<b>May 2007 SFA Estimate</b>
<b>Revenue</b>	
Beginning Balance.....	\$ 0.0
Ongoing Consensus Revenue Estimate.....	11,077.2
GF/GP Grant.....	35.0
Federal Aid .....	1,411.2
PSERS Retirement Contribution Rate (Mark to Market) .....	175.6
PSERS Interest Only on Unfunded Accrued Liability .....	86.4
Reduce Lottery Advertising .....	5.0
<b>Total Revenue .....</b>	<b>\$12,790.4</b>
<b>Expenditures</b>	
Enacted Appropriations .....	\$13,093.8
Midland Property Tax Case .....	24.8
Refinance of Debt Service Payments (PA 6 of 2007) .....	(40.4)
Reduce Various Categorical Grants (PA 6 of 2007).....	(5.0)
Appropriation Lapses.....	(80.0)
<b>Total Expenditures .....</b>	<b>\$12,993.2</b>
<b>Projected Year-End Balance.....</b>	<b>\$ (202.8)</b>

**Table 3**  
**FY 2007-08**  
**General Fund/General Purpose**  
**Revenue, Expenditures, and Year-End Balance**  
**(Millions of Dollars)**

	<b>May 2007 SFA Estimate</b>
<b>Revenue</b>	
Beginning Balance.....	\$ 0.0
Ongoing Consensus Revenue Estimate.....	6,919.7
<u>Recommended Revenue Adjustments:</u>	
Revenue Sharing Freeze .....	555.9
Revenue Sharing Collaborative Efforts .....	(27.2)
Financial Institutions Fund Transfer to General Fund.....	2.0
Shift Short-Term Borrowing Costs to School Aid Fund.....	22.8
Transportation Economic Development Revenue to General Fund .	13.0
Subtotal Recommended Revenue Adjustments.....	566.5
<b>Total Estimated Revenue.....</b>	<b>\$7,486.2</b>
<b>Expenditures</b>	
Governor's Appropriation Recommendation .....	\$9,624.2
Higher Education and Community College Funding Delay Repayment...	82.3
<b>Total Expenditures .....</b>	<b>\$9,706.5</b>
<b>Projected Year-End Balance.....</b>	<b>\$(2,220.3)</b>
<b>Assume Full Replacement of Single Business Tax .....</b>	<b>1,189.5</b>
<b>Adjusted Projected Year-End Balance .....</b>	<b>\$(1,030.8)</b>

**Table 4**  
**FY 2007-08**  
**School Aid Fund**  
**Revenue, Expenditures, and Year-End Balance**  
**(Millions of Dollars)**

	<b>May 2007 SFA Estimate</b>
<b>Revenue</b>	
Beginning Balance.....	\$ 0.0
Ongoing Consensus Revenue Estimate.....	11,285.0
GF/GP Grant.....	35.0
Federal Aid .....	1,410.1
Expanded Keno Lottery Game .....	15.0
<b>Total Estimated Revenue.....</b>	<b>\$12,745.1</b>
<b>Expenditures</b>	
Governor's Appropriation Recommendations.....	\$13,431.0
Change in Debt Service Payments.....	(84.6)
Appropriation Lapses.....	(25.0)
<b>Total Expenditures .....</b>	<b>\$13,321.4</b>
<b>Projected Year-End Balance.....</b>	<b>\$(576.3)</b>