



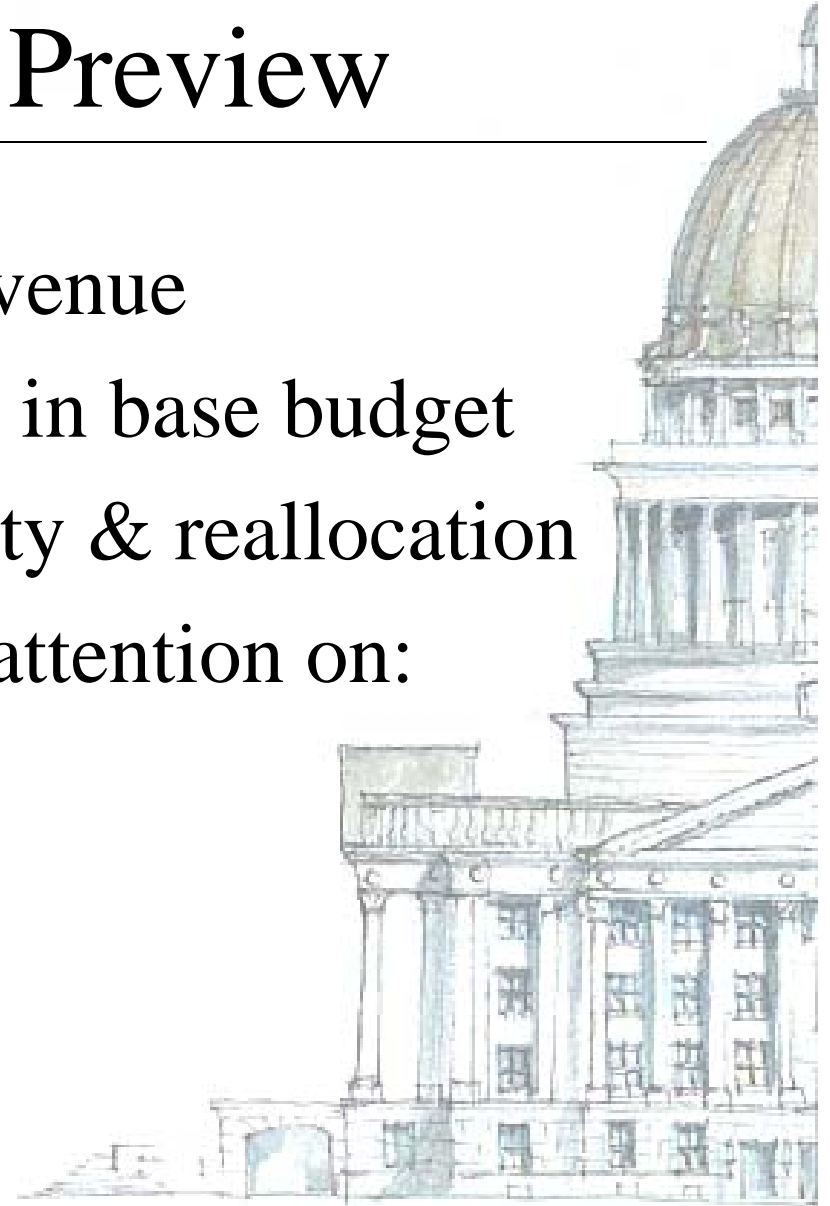
# Balancing the Budget

2008 General Session Revenue and Spending Priorities

# Budget Issues Preview

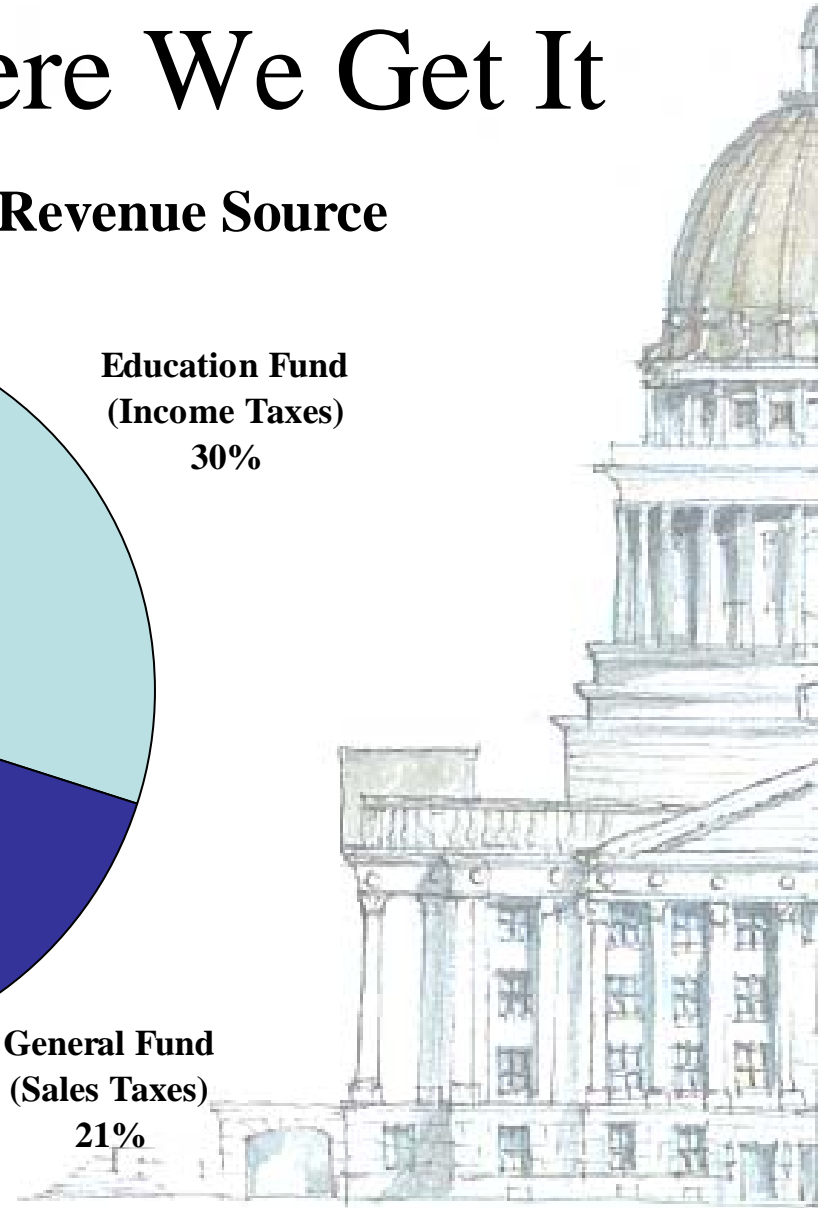
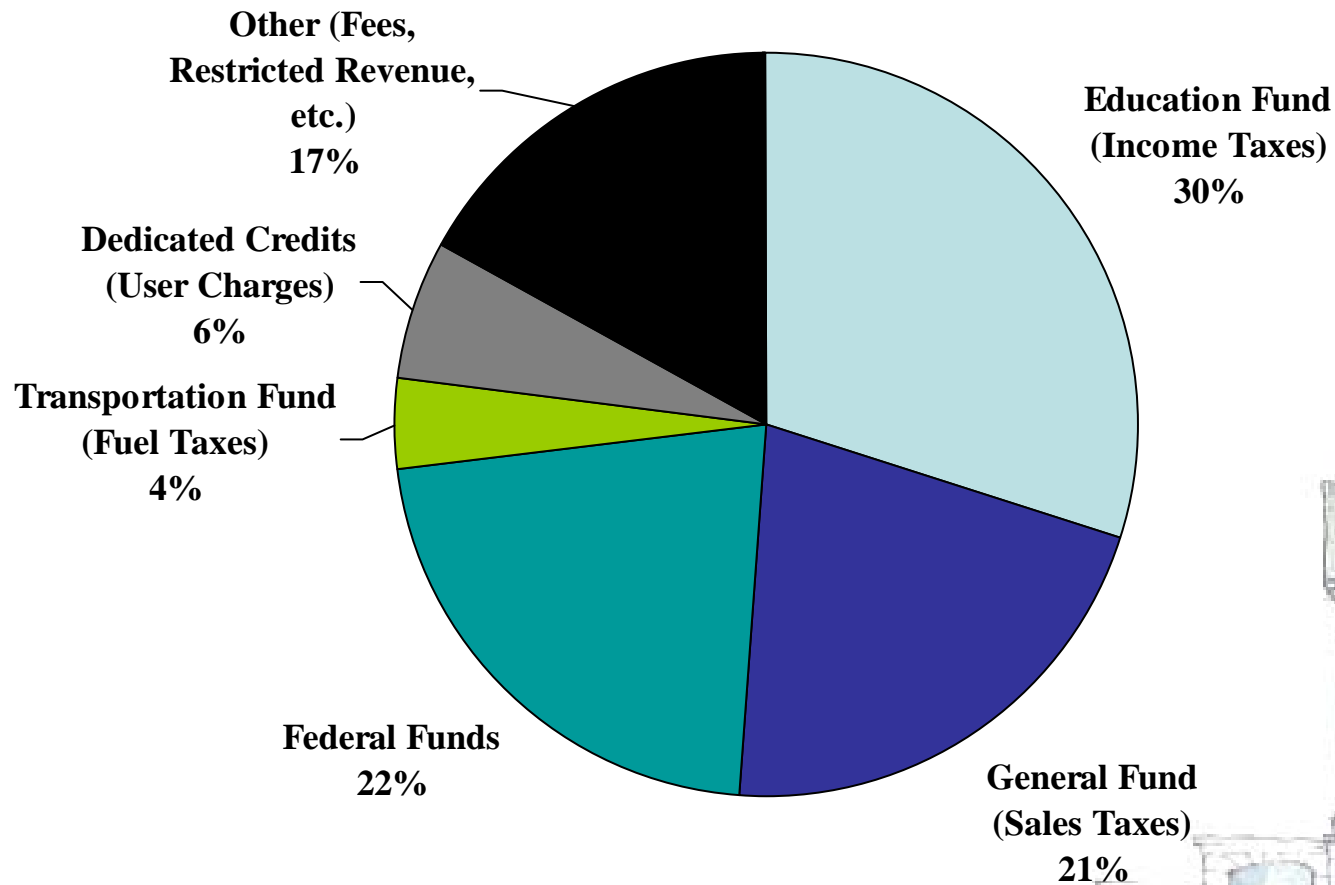
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- Cautious optimism on revenue
- High priorities addressed in base budget
- Spotlight on accountability & reallocation
- Budget Rules will focus attention on:
  - Education
  - Infrastructure
  - Rainy Day Funds
  - Tax Cuts



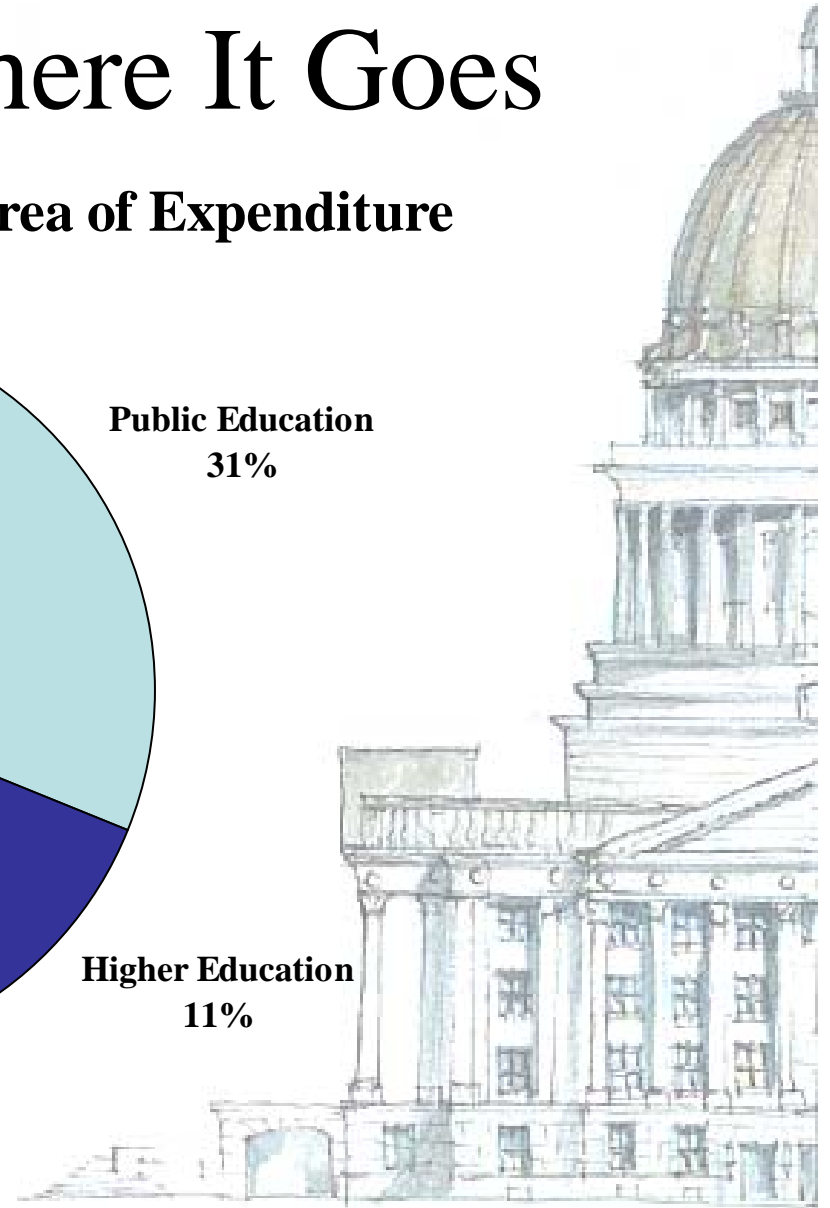
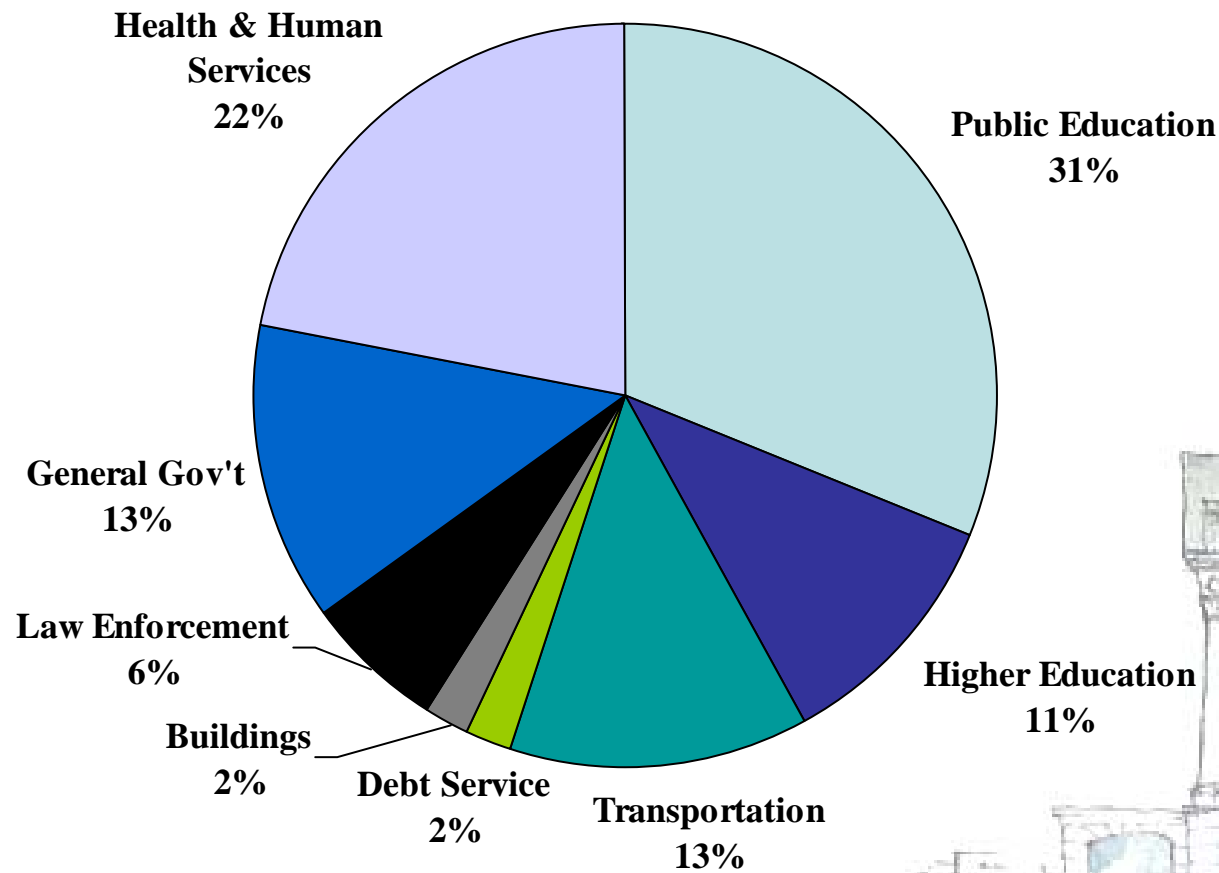
# Background – Where We Get It

## FY 2008 Appropriation by Revenue Source



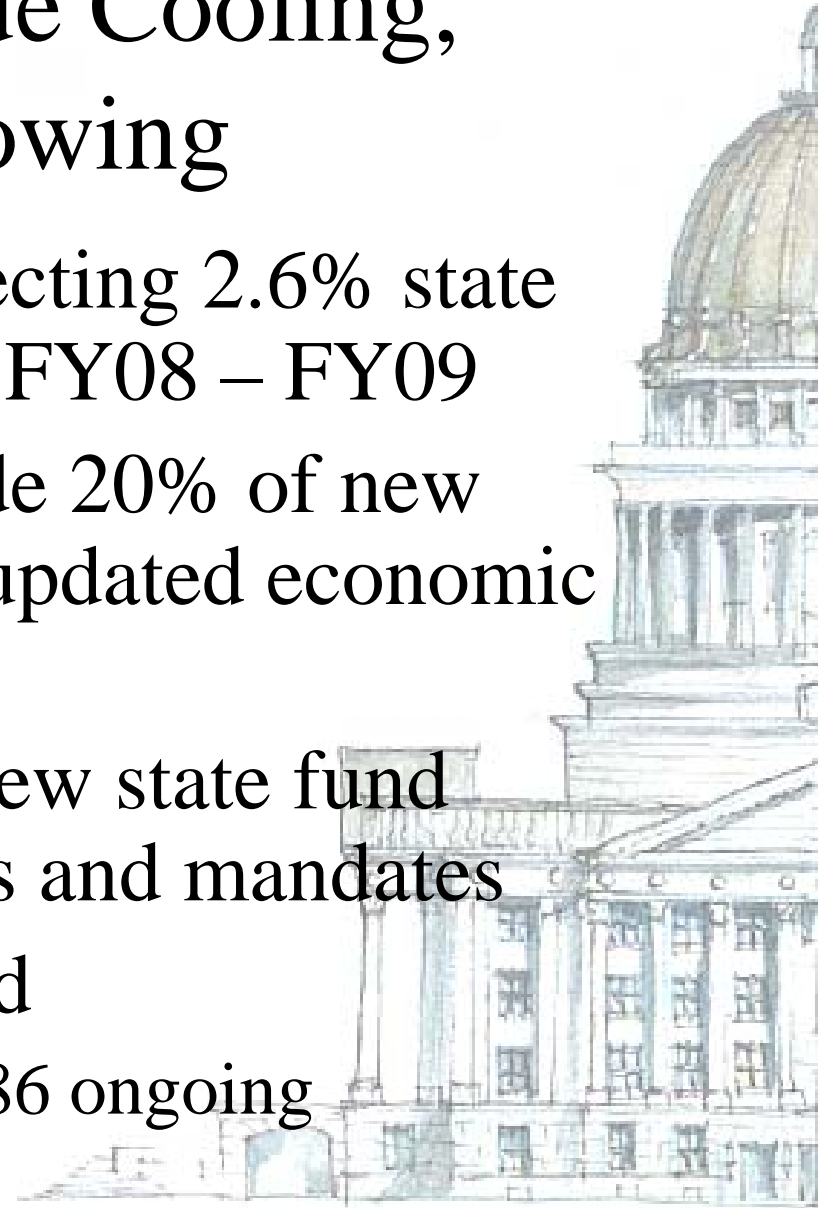
# Background – Where It Goes

## FY 2008 Appropriations by Area of Expenditure



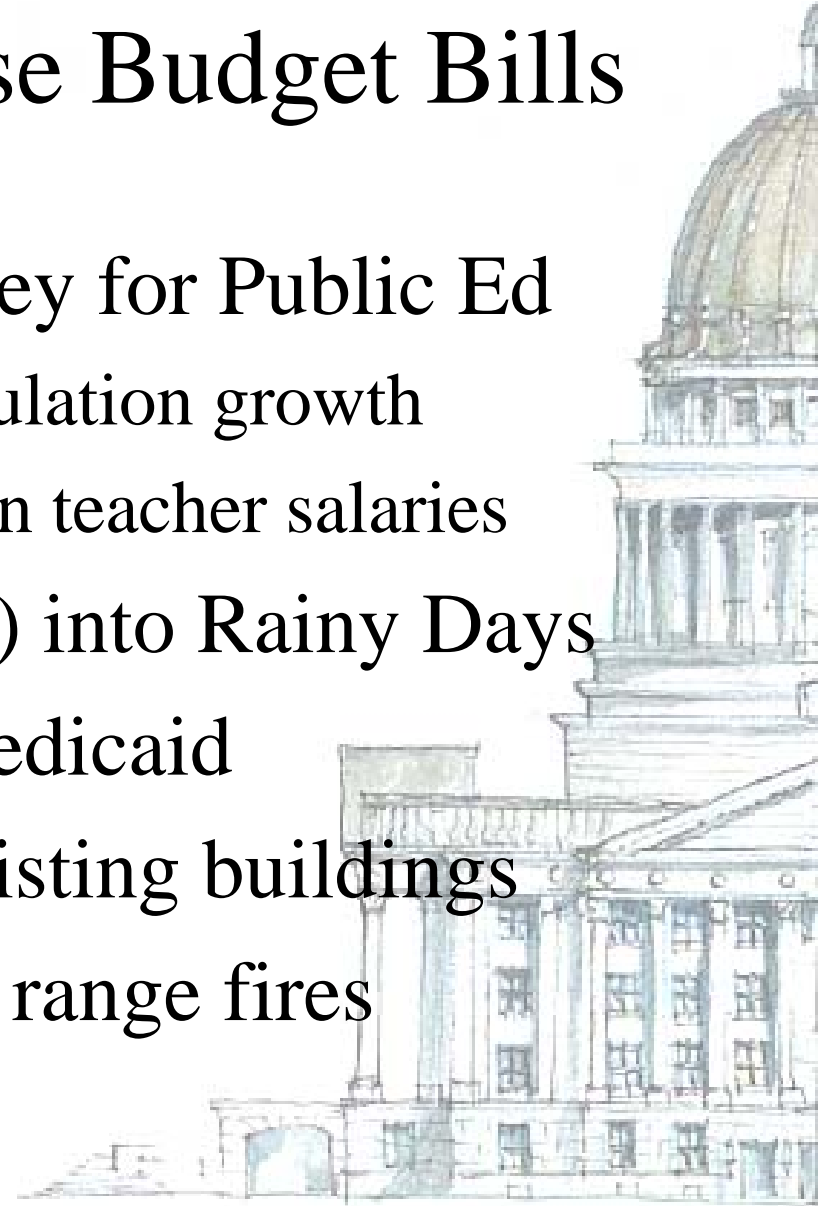
# State Tax Revenue Cooling, but Still Growing

- Economists currently projecting 2.6% state fund revenue growth from FY08 – FY09
- Bi-partisan leaders set-aside 20% of new ongoing revenue pending updated economic indicators
- Base budget has \$163 M new state fund spending for high priorities and mandates
- Leaves \$838 M unallocated
  - \$452 one-time
  - \$386 ongoing



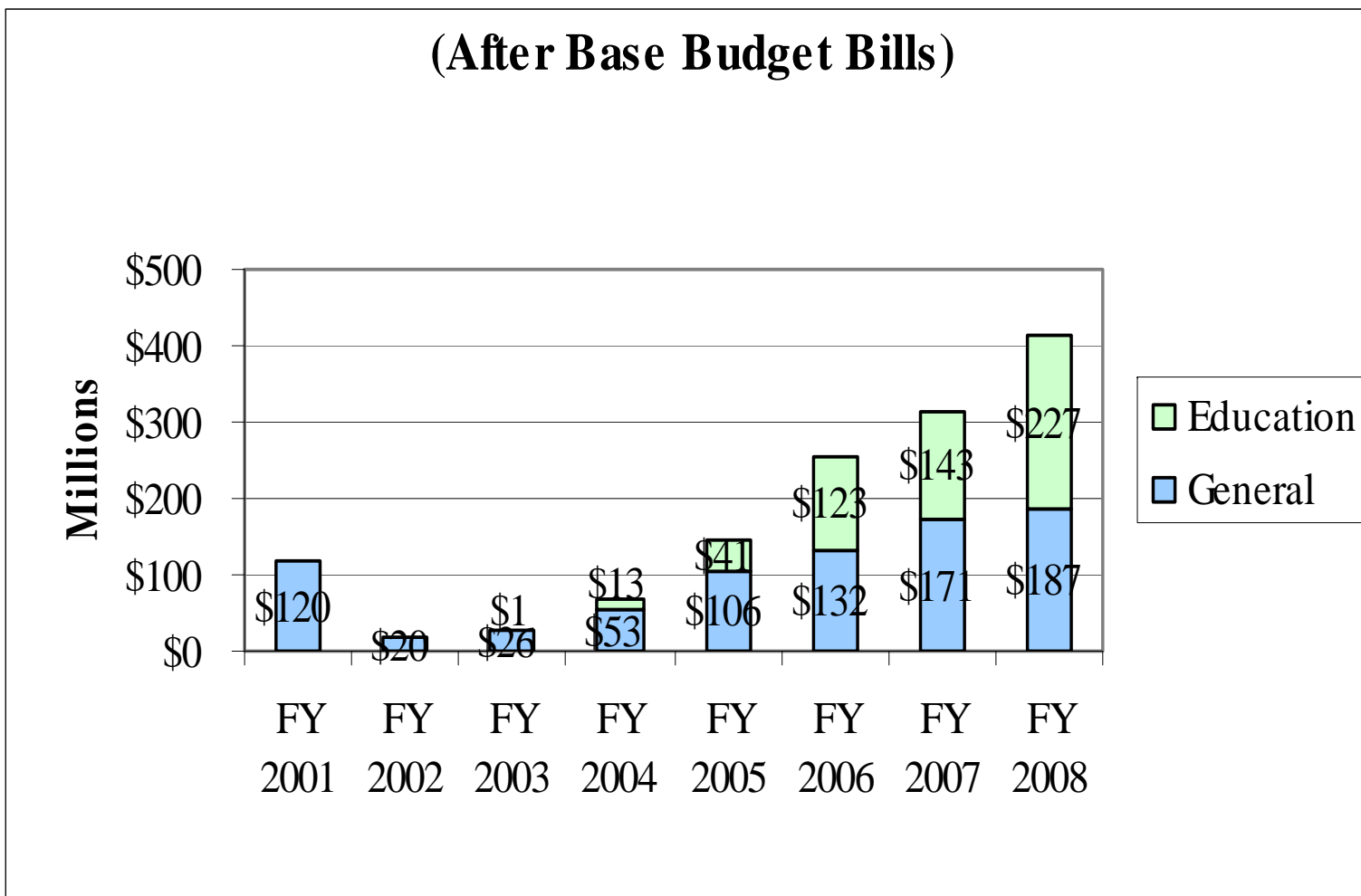
# High Priorities in Base Budget Bills

- \$76 million new state money for Public Ed
  - \$34 million for student population growth
  - \$42 million to make good on teacher salaries
- 25% FY07 Surplus (\$60M) into Rainy Days
- \$14 million to shore-up Medicaid
- \$10 million to maintain existing buildings
- \$3 million to recover from range fires



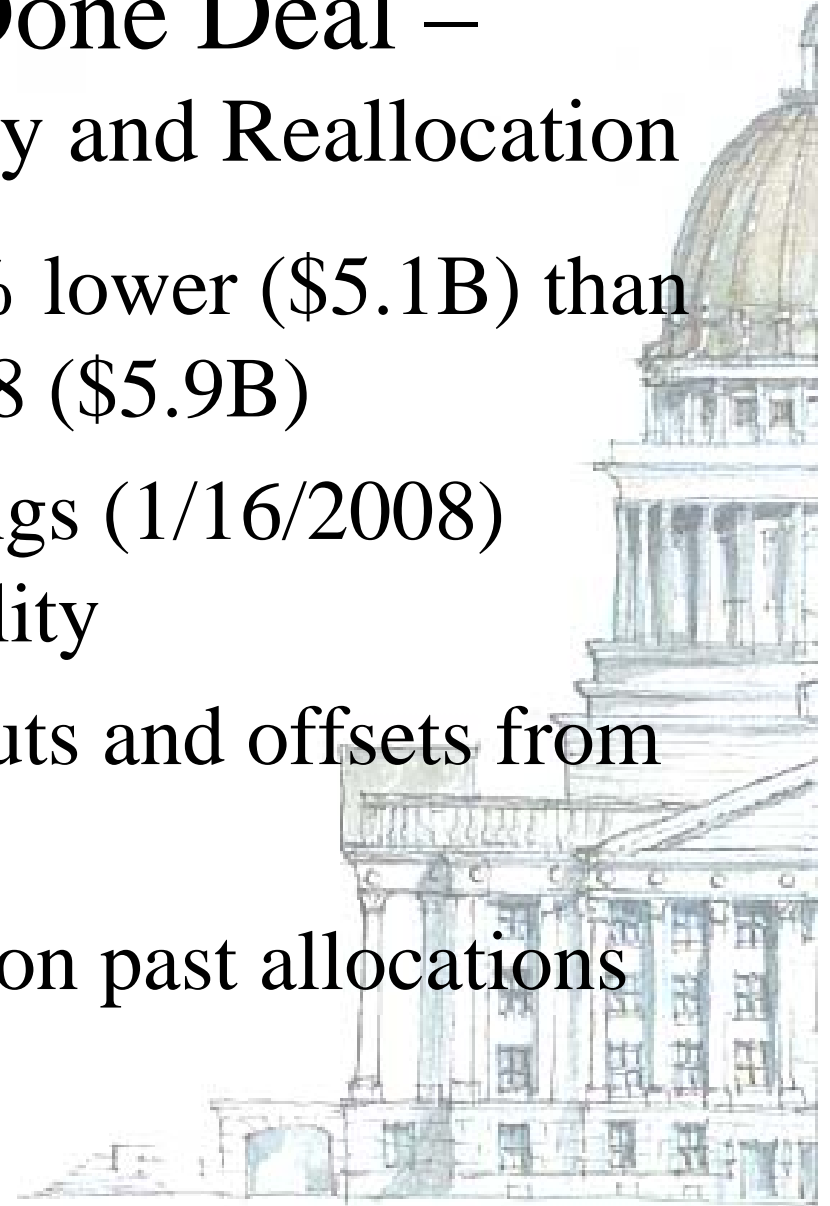
# Rainy Day Fund Status

(After Base Budget Bills)



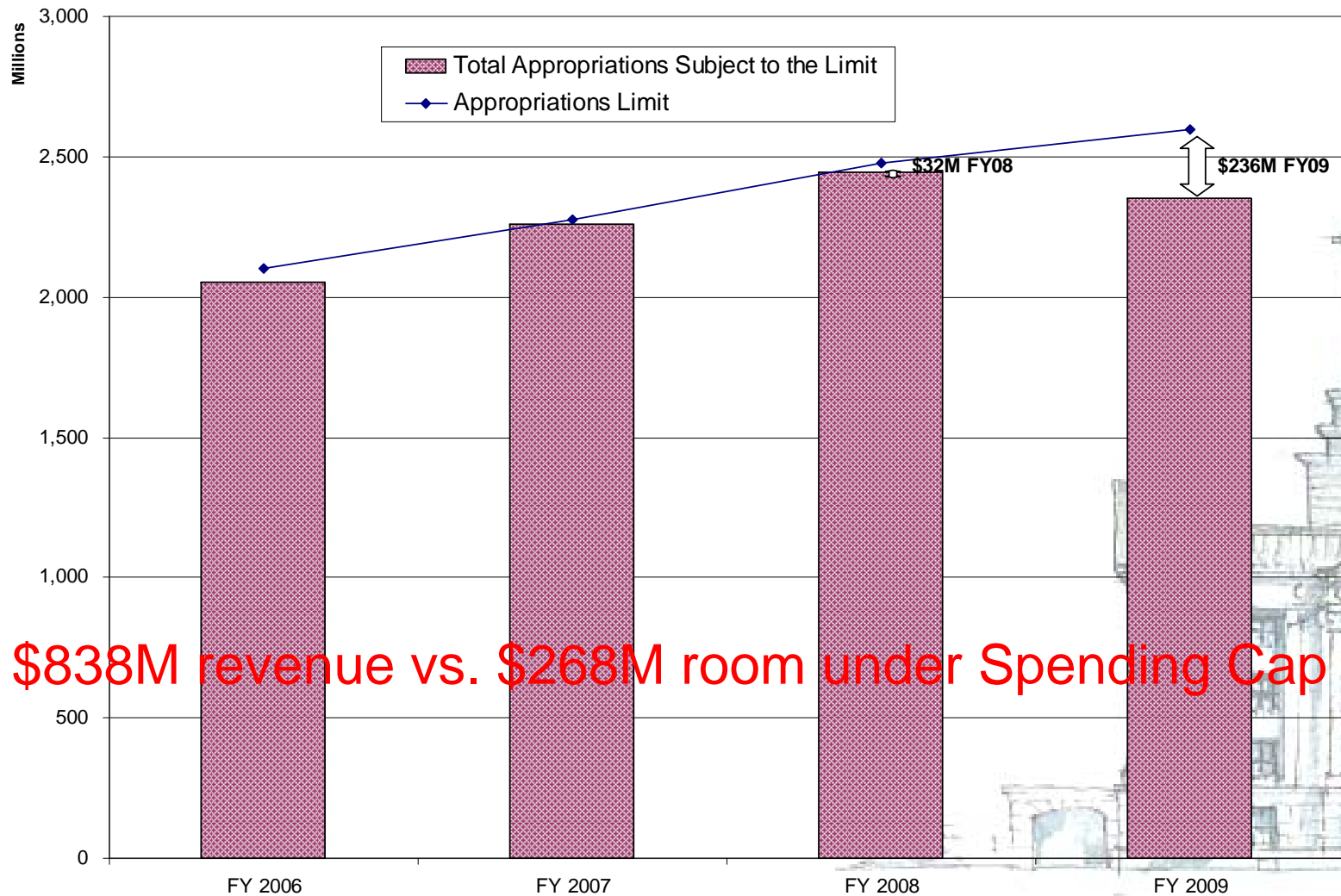
# Base Bills not a Done Deal – Spotlight on Accountability and Reallocation

- FY09 base allocations 14% lower (\$5.1B) than total appropriated for FY08 (\$5.9B)
- All-day pre-session meetings (1/16/2008) exclusively for accountability
- Staff directed to identify cuts and offsets from within existing budgets
- New reporting follows-up on past allocations and fiscal note estimates



# Budget Rules Focus Attention

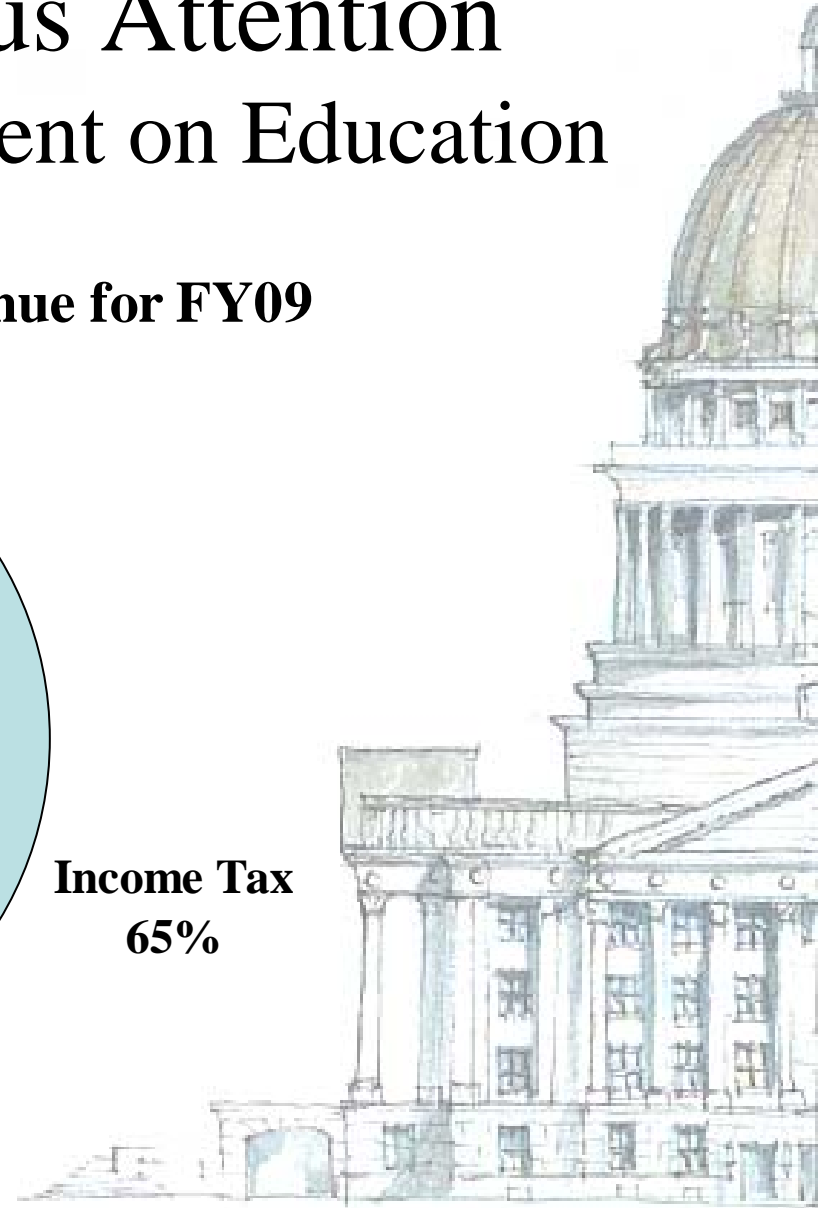
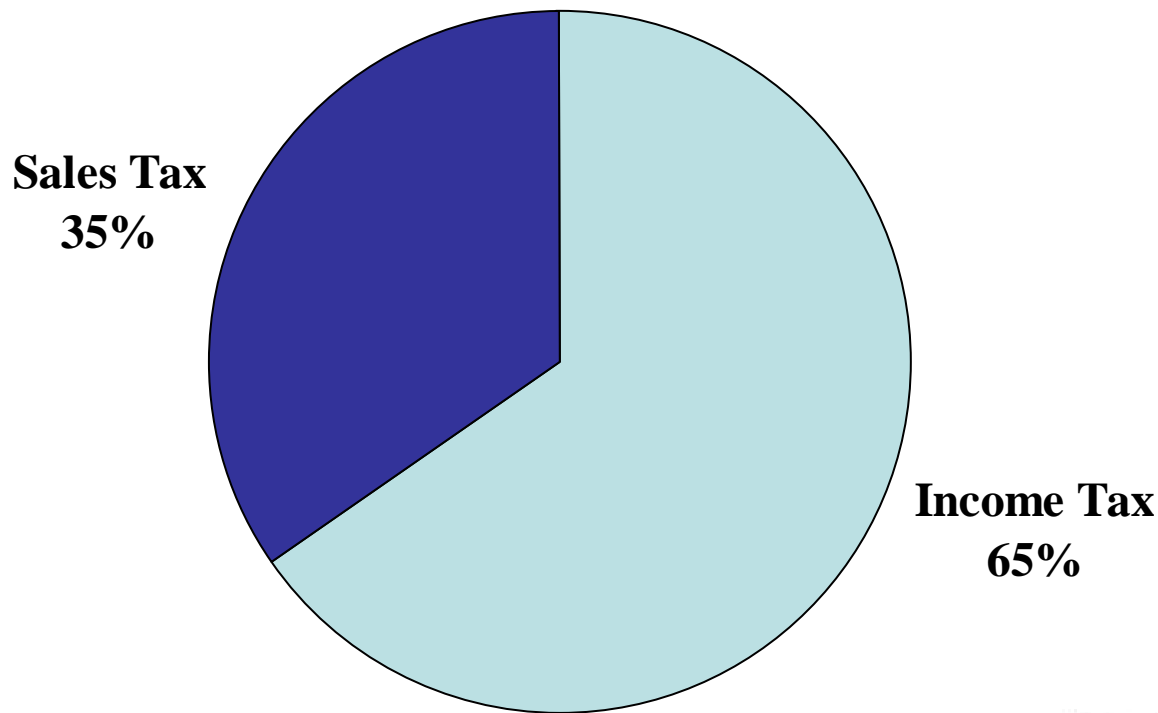
## Spending Limit Applies to Gen. Gov't



**\$838M revenue vs. \$268M room under Spending Cap**

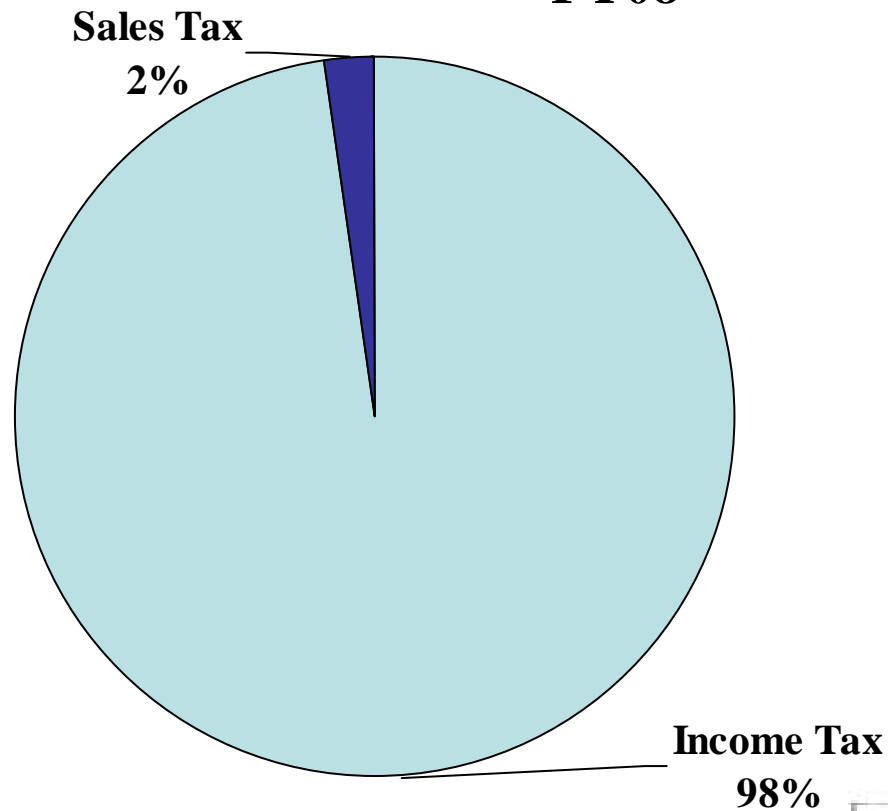
# Budget Rules Focus Attention Income Tax Must Be Spent on Education

**Share of Available Revenue for FY09**



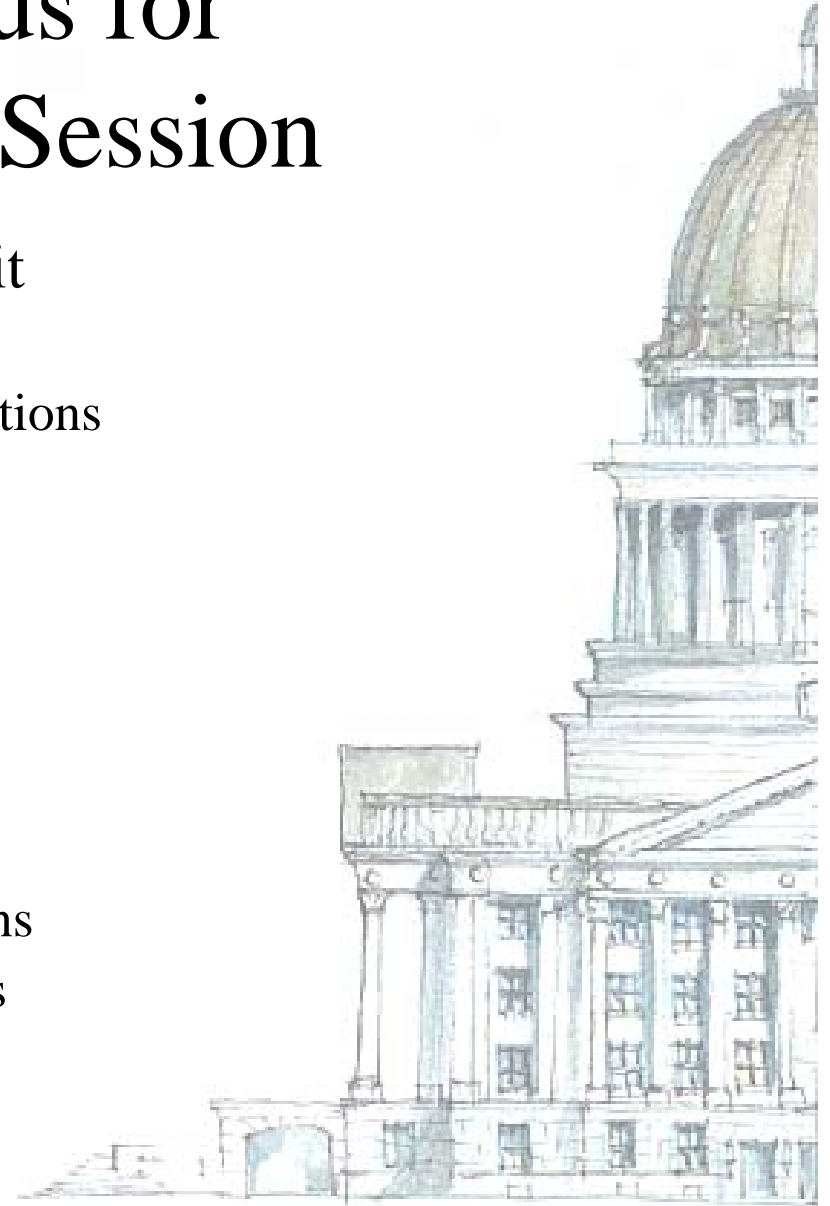
# Budget Rules Focus Attention Little Ed Sales Tax Left to be Supplanted

## Higher and Public Education State Funding Mix for FY08



# Budget Focus for 2008 General Session

- Areas that are outside spending limit
  - Tax Cuts
  - Public (NOT Higher) Education Operations
  - Buildings
  - Roads
  - Debt Service
  - Rainy Day Funds
- Areas that qualify for income tax
  - Tax Cuts
  - Public and Higher Education Operations
  - Public and Higher Education Buildings
  - Debt Service
  - Rainy Day Funds



# Summary

- Economic growth continues, but at slower pace
- Spotlight will be on accountability and reallocation
- “Catch-up” from last year will allow some new tax cuts or additional spending
- Budget rules focus attention on tax cuts, infrastructure, education and rainy day funds
- Already demonstrated commitment to infrastructure, education and rainy day funds in Base Budget bills

