

## PROPOSED FY 2004 BUDGET

The Proposed FY 2004 Budget would fund spending of \$6.1 billion. This level of spending would represent an increase of \$53 million, or 0.9%, above the current FY 2003 budget.

Spending growth has been constrained by the downturn in the economy. Through the first months of FY 2003, the state's General Fund revenue growth has declined (3.3)%. This decline follows a (6.1)% reduction in baseline revenues during FY 2002. The proposed budget is based upon an increase of 0.2% in baseline revenues for FY 2004. After adjustments for one-time revenues in the FY 2003 budget, FY 2004 base revenues would be \$5.5 billion.

The Proposed Budget would fill the gap between \$5.5 billion of base revenues and \$6.1 billion of spending with one-time adjustments. The components would be \$350 million in the sale of state assets, \$179 million in the transfers of balances from dedicated funds, and \$46 million in other adjustments.

The Proposed Budget's spending priorities include public safety, education, and mandated health care programs. The Department of Education budget would increase by \$195 million, including \$137 million for enrollment growth. The AHCCCS budget would grow by \$73 million to fund caseload growth for populations below 100% of the poverty line. The Department of Corrections' budget includes sufficient funding keep their bed shortfall near current levels.

The JLBC Chairmen also propose greater legislative oversight of the budget. Over \$100 million of programs would be "zero-based", thereby allowing the Appropriations Subcommittees to review spending for program overlaps and cost-effectiveness. The Chairmen will also ask the Subcommittees to increase their attention to non-appropriated monies, which constitute 50% of the state's total spending.

The existing FY 2003 budget also has a \$343 million shortfall. The proposed solutions are described in the FY 2003 Revisions section.

### STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	FY 2003 Current Shortfall	FY 2003 Proposed	FY 2004 Proposed
<b>REVENUES</b>			
Balance Forward	\$1,000,000	\$1,000,000	\$60,164,100
Base Revenues	6,027,409,300	6,027,409,300	5,950,467,000
<i>Urban Revenue Sharing</i>	(430,564,900)	(430,564,900)	(365,065,100)
<i>Ladewig/Other Set-aside</i>	(75,000,000)	(30,000,000)	(75,000,000)
<i>Proposed Revenue Adjustments</i>	0	15,000,000	46,055,000
Revised Base Revenues	5,521,844,400	5,581,844,400	5,556,456,900
<b>Total Revenues</b>	<b>\$5,522,844,400</b>	<b>\$5,582,844,400</b>	<b>\$5,616,621,000</b>
<b>EXPENDITURES</b>			
Operating Budget	6,030,742,700	6,030,942,700	6,175,404,900
Proposed Additional Reductions	0	(74,297,100)	(58,757,700)
Capital Outlay	2,642,900	2,642,900	500,000
Administrative Adjustments	53,000,000	53,000,000	23,000,000
Revertments	(51,169,300)	(57,890,800)	(51,169,300)
<b>Total Spending</b>	<b>\$6,035,216,300</b>	<b>\$5,954,397,700</b>	<b>\$6,088,977,900</b>
<b>Fund Transfers In</b>	169,552,400	169,552,400	0
<b>Proposed Additional Transfers</b>	0	262,165,000	178,810,000
<b>Proposed Asset Sales</b>	0	0	350,000,000
<b>ENDING BALANCE</b>	<b>(\$342,819,500)</b>	<b>\$60,164,100</b>	<b>\$56,453,100</b>