

The FY 2008 JLBC Baseline Estimate

- As a starting point for discussions on the FY 2008 budget, the JLBC has developed:
 - An estimate of revenues, reflecting a consensus economic forecast.
 - An estimate of spending required by funding formulas and other obligations, less one-time FY 2007 costs.
 - An estimate of available resources after adjusting for Baseline revenues and spending.
- The Baseline is not a recommended budget, as discretionary issues are not generally addressed.

After Accounting for Consensus Revenue and Formula Spending, JLBC Baseline has a \$45 Million Cash Balance

REVENUE

<p style="text-align: center;">New Revenue - \$822 M</p> <p style="text-align: center;"><i>New Revenues of \$357 M +</i></p> <p style="text-align: center;"><i>Carry Forward of \$550 M +</i></p> <p style="text-align: center;"><i>Net One-Time Changes of \$131 M</i></p> <p style="text-align: center;"><i>Less Enacted '08 Tax Changes of \$(216) M</i></p>

SPENDING

Title 19 Health and Welfare Formula \$163 M
K-12 Formula \$293 M
SFB \$136 M
Higher Ed \$51 M
Corrections \$20 M
Employee Salary, Health, Retirement \$105 M
Capital \$41 M
Other - \$(32)M

Net New Available \$822 M
Total Available \$10.47 B

← **\$45 M** Balance →

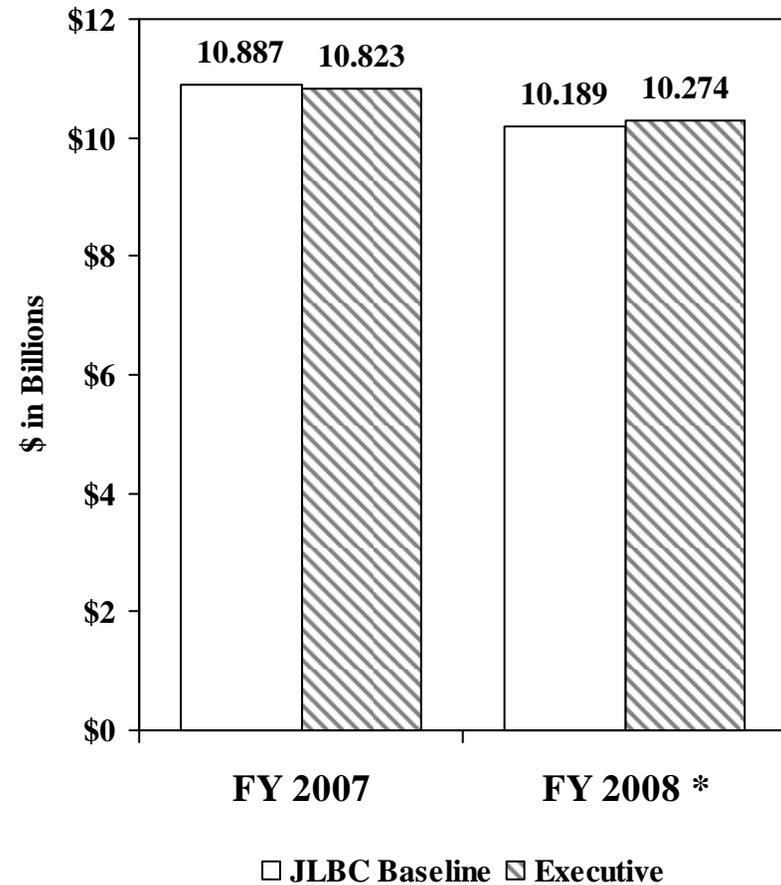
Net New Spending \$777 M
Total Spending \$10.42 B



JLBC Baseline and Executive

- Similar Revenue and Technical Estimates

- JLBC Baseline and Executive have similar view of economic growth in FY '07 and FY '08.
- Executive revenues \$20 M higher across the 2 years.
- Executive reversion savings (unspent \$) are \$45 M lower; offsets revenue gain.



* Baseline Revenues Prior to Tax Law Changes

While Revenue/Revertments Similar, Executive Generates \$478 M by Shifting SFB/DPS Spending off the General Fund

- Compared to JLBC Baseline, Executive's SFB Spending is \$389 M less.
 - Gain generated primarily through debt financing of new school construction.
- Executive also shifts \$89 M of DPS Highway Patrol spending from General Fund to Highway Funds.

Fund Shifts Give Executive \$453 M More for Discretionary Initiatives than JLBC Baseline

	<u>\$ in M</u>
• Executive Higher Revenue	\$20
• Executive Lower Revertments	(45)
• SFB Construction Shifted to Debt Financing	389
• DPS Costs Shifted to Highway Funds	89
Total – Executive Net Available	<u>\$453</u>

Executive Has 7 Major Discretionary Initiatives Above JLBC Baseline

- Constitutes \$400 M of Increase

	<u>\$ in M</u>
• Department of Education	\$90
– Teacher pay, \$69 M; Math/Science, \$12 M; AIMS, \$8 M.	
• Universities	70
– Pay, \$30 M; Biomedicine, \$25 M; Financial Aid, \$6 M.	
• Department of Corrections	87
– 2,000 Beds, \$43 M; Contract Inflation, \$16 M.	
• 21 st Century Fund	35
– 2 nd yr of funding; provides total of \$70 M	

Executive Major Initiatives Above JLBC Baseline – Part II

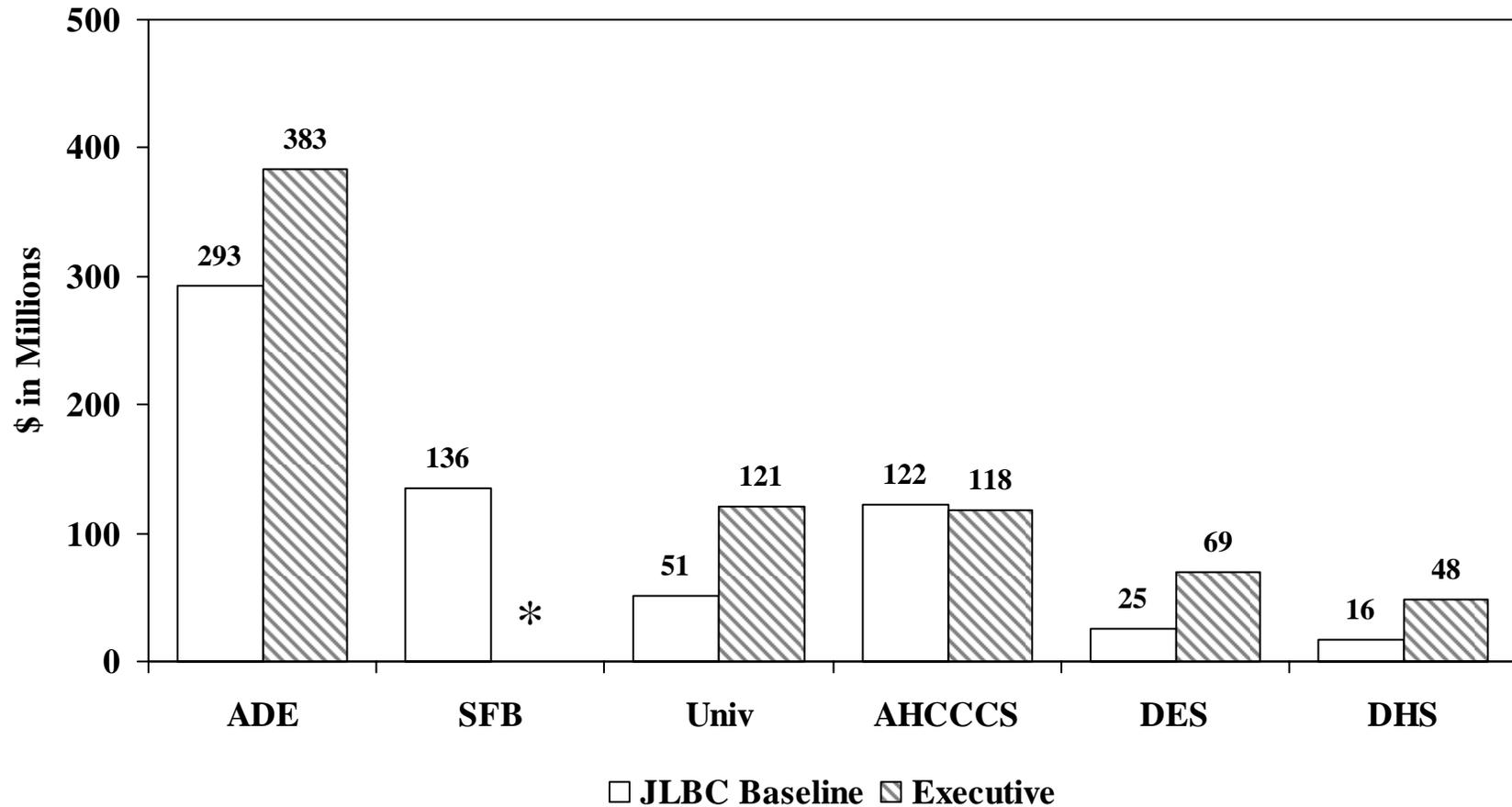
	<u>\$ in M</u>
<ul style="list-style-type: none"> • Department of Economic Security <ul style="list-style-type: none"> – Fed. Funds Backfill, \$17 M; CPS Services, \$15 M. 	\$44
<ul style="list-style-type: none"> • Department of Health Services <ul style="list-style-type: none"> – Fed. Funds Backfill, \$6 M; Other Mental/Public Health Expansions. 	31
<ul style="list-style-type: none"> • FY '07 Supplementals <ul style="list-style-type: none"> – ADE, \$10 M; Prisons, \$14 M; DES, \$20 M; ADOA, \$1.7 M. 	45
<p style="margin-left: 40px;">Total</p>	\$402

* AHCCCS has \$28 M initiatives but these are offset by lower caseload growth projections.



Comparing Agency General Fund Spending Growth Above FY 2007

- JLBC Baseline vs. Executive



* Executive reduces FY '07 by \$250 M through debt financing.

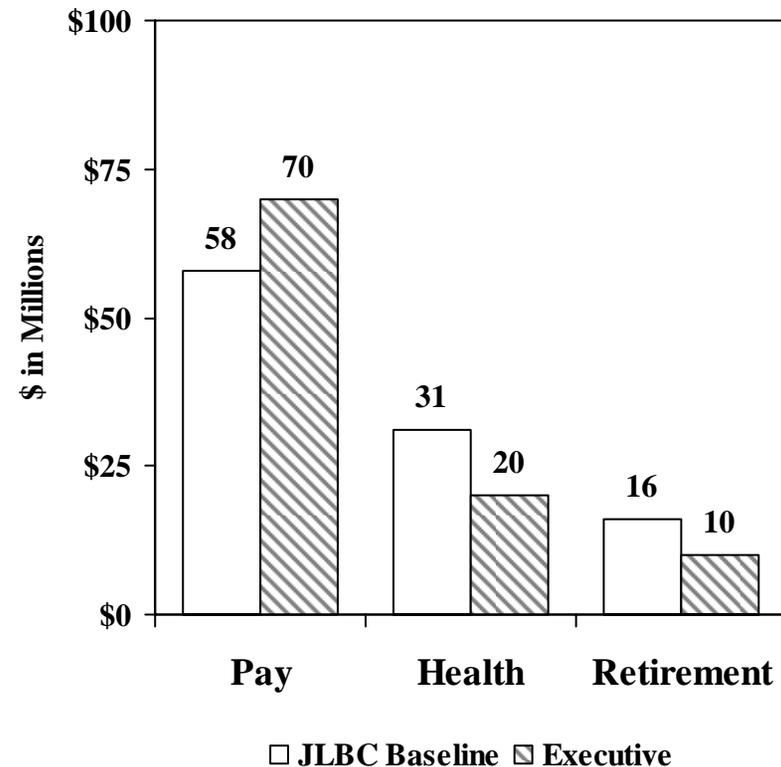


State Employee Issues

JLBC Baseline Adds \$105 M vs. Executive Funding of \$100 M

- Executive has 3.5% pay raise vs. 2.5% in Baseline.
- Executive funds 9.8% increase in employee health insurance vs. 12.8% in Baseline; both hold employee share constant.
- Both Executive and Baseline fund employer share of retirement increase.

\$ Above FY 2007



Executive Debt Finances \$1 Billion in Capital Projects

	<u>\$ in M</u>
<ul style="list-style-type: none"> • ADOT Use of 30 Yr. Rather Than 20 Yr. Financing <ul style="list-style-type: none"> – With DPS shift, net road construction gain is \$400 M. • SFB Lease Purchase Financing <ul style="list-style-type: none"> – \$399 M for new construction and \$8 M for Kindergarten space, latter grows to \$157 M over 6 years. • ADOA Building System <ul style="list-style-type: none"> – State Hospital, \$32 M; Prison Sewage Treatment, \$7 M; and Capitol Mall \$40 M. • ASU College of Construction 	<p>\$500</p> <p>408</p> <p>79</p> <p>20</p>
Total	\$1,007

* In addition, Executive deposits first \$5 M of \$30 M to Greater Arizona Development Authority – will eventually serve as guarantee for \$900 M in local bonding.



On-Going Revenue vs. On-Going Spending

- Executive Will Have \$365 M to \$773 M

Shortfall Depending on Calculation

	\$ in Millions	
	<u>JLBC Baseline</u>	<u>Executive</u>
On-Going Revenues	\$9,973	\$10,058
- Excludes '07 balance, Consolidated Credit		
On-Going Spending	10,381	10,423
- Excludes Capital Outlay, litigation		
Total	(408)	(365)
SFB Debt Financing		(408)
Total, if include SFB Debt Financing		(773)