JLBC Staff Presentation
of the
"Five Year Plan for Budget Stability, Long Term Growth and Quality of Life"

Joint House - Senate Appropriations Committee

February 18, 2010

Note: This budget plan has been produced outside the Legislature and does not reflect a legislative proposal.

The 5 Year Plan and Executive Budget Proposal

	FY 2010		FY 2011	
$ in Millions	**5 Year Plan**	**Executive**	**5 Year Plan**	**Executive**
Shortfall Estimate 1/	**(1,517)**	**(1,395)**	**(2,870)**	**(3,174)**
New Spending Reductions	0	122	0	1,279
Fund Transfers	20	20	184	204
Tax Increases	0	263	1,612	1,073
Enforcement Revenue	0	0	55	19
Debt	1,000	750 2/	1,165	320
Rollover	350 3/	450	(350) 3/	0
Higher Baseline Revenue Growth	0	0	278	0
Other	166	22	0	95
FY '10 Carry Forward	--	--	--	232
TOTAL SOLUTIONS	**1,536**	**1,627**	**2,944**	**3,222**
Revised Surplus/(Shortfall)	**19**	**232**	**74**	**48**

1/ The 5 Year Plan estimate is a modified version of the Executive shortfall projection.
2/ Enacted in the 6th Special Session
3/ The 5 Year Plan would enact a $350 M rollover in FY 2010 - $250 for K-12 and $100 M for the Universities. The Plan would pay back this FY 2010 rollover in FY 2011.

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How The 5 Year Plan Eliminates The FY 2014 Shortfall

$ in Millions	5 Year Plan
FY 2014 Shortfall Estimate - JLBC Baseline	**(2,577)**
Revenues	
Higher Baseline Revenues Than JLBC - $9.5 B vs. $8.3 B (JLBC)	1,243
Tax/Fee Increases	2,593
Spending	
Lower Baseline Spending Growth Than JLBC - $10.4 B vs. $11.0 B (JLBC)	(572)
Increased Discretionary Spending 1/	382
Budget Stabilization Fund Deposit 2/	542
Repay FY 10/11 Borrowing 3/ 4/	397
Sales Tax Securitization Debt Service 5/	400
Estimated FY 2014 Surplus/(Shortfall)	**110**

1/ Plus $722 M in FY 2015
2/ Plus $307 M in FY 2013 and $565 M in FY 2015
3/ Plus $572 M in FY 2015 and $310 M in FY 2016 - FY 2018
4/ Includes $147 M for debt service on the $735 M sale-leaseback authorized by Laws 2009, Third Special Session, Chapter 6.
5/ Plus $600 M in FY 2013

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Excerpts From The 5 Year Plan Document

Stability, Growth & Quality of Life Budget Plan Strategies

1. **Close FY10 shortfall with borrowing, rollovers, and no new reductions**

2. **Temporary measures to bridge to a sustainable solution**
   - -- Handle structural problems in FY11, FY12, and FY13 with temporary measures
   - -- Spending discipline, but support mandated programs.
   - -- Temporary sales tax increase to 6% (1% increase), broadened to include food
   - -- Expanded tax credit to protect the poor
   - -- Permanent increase in individual property tax
   - -- Hospital provider assessment. Healthcare plans assessment should also be considered.
   - -- Temporary borrowing measures for FY11 that will begin to be repaid in FY14
   - -- Fund job programs and economic development programs

3. **A long-term budget structure to nurture economic growth for the long term**
   - -- Permanent tax measures to reduce sales tax rates to 4% with broader coverage
   - -- Reduce business income tax rate by 28%
   - -- Increase to existing fees and new user fees
   - -- Budget Stabilization Fund restored and raised to 12% of expenditures
   - -- Repay borrowing used to handle FY10-FY12 shortfalls
   - -- Funds available for restoring some budget reductions

Appendix 3: The Key Tax Change Elements of the Plan

$ millions Change from FY10base collections	Temporary (FY 11)	Change in FY14	Permanent (FY14)
Maintain state services and maintain support for education and health services			
Temporarily (FY11 to FY13) raise sales tax from 5% to 6% Reform and reduce sales tax to 4% in FY14 Provide current share of new revenue to localities ($300M)	$747	($607)	$140
Extend sales tax to food in FY11 at 6% and reduce rate to 4% in FY14	$632	($147)	$485
Extend sales tax at 4% in FY14 to a broad range of services		$1,323	$1,323
Increase tax credits to offset regressivity	($250)	$41	($209)
Reduce corporate income tax rates by 28% and provide new tax credit incentives to investment in FY14		($254)	($254)
Increase personal income tax rates by an average of 10% in FY14 (2005 level)		$359	$359
Eliminate school and other tax credits		$136	$136
Impose a state-wide property tax for FY11 and beyond ($250M)	$250	$0	$250
Phase out homeowner property tax rebates over FY11 and FY12	FY11-$212 FY12-$438	$0	$438
Add motor vehicle license tax		$248	$248
Add healthcare provider assessment and new fees and revise current structure to reflect current costs	$288	$310	$598
Increase tax collections through stricter enforcement	$55		$55

Stability, Growth & Quality of Life Plan for Balancing the Budget: Revenue

In $ millions	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Baseline revenue	$6,341	$7,058	$7,940	$8,772	$9,517	$10,192
One-time funds (ARRA and funds transfers)	$1,138	$194				
Securitize FY13 and FY14 tax increases	$1,000			($600)	($400)	
New borrowing against revenue streams (VLT, Lottery, etc.)		$1,165				
Tax revenue from temporary programs or rates		$1,131	$1,218	$1,295		
Tax revenues from permanent programs		$537	$782	$822	$2,255	$2,350
Business tax reductions					($254)	($273)
Healthcare assessment (FY12) and user fees increases			$288	$300	$612	$655
Total revenue	**$8,479**	**$10,085**	**$10,228**	**$10,589**	**$11,730**	**$12,924**

Stability, Growth & Quality of Life Plan for Balancing the Budget: Expenditures

In $ millions	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Baseline expenditures	$8,273	$10,257	$9,690	$9,938	$10,224	$10,830
Continue existing reductions		($731)	($73)			
Cost of borrowing		$109	$83		($59)	($58)
Inflation on K-12 and ACHHHS			$233	$271	$283	$275
Jobs and economic development programs		$30	$5	$15		
Restoration and new discretionary uses	$120	$25			$382	$722
Baseline expenditures	**$8,393**	**$9,690**	**$9,938**	**$10,224**	**$10,830**	**$11,769**
One-time items	($63)	($14)				
FY10 rollovers/repayment	($350)	$350	$350			
BSF deposits		$0	$0	$307	$542	$565
Repay FY10/FY11 borrowing and monetarization					$397	$572
Total annual expenditures	**$7,980**	**$10,026**	**$10,288**	**$10,531**	**$11,769**	**$12,906**

Repaying the Debt Needed for Short-Term Balance

In $ millions	Sale/ Leaseback of State Buildings	Borrow Against Sales Tax Revenue	Securitize VLT/Lottery Revenue	Short-Term Borrowing	Total Outstanding Balance
Borrowing in FY2010	$735	$1,000			$1,735
Borrowing in FY2011			$815	$350	$2,900
Borrowing in FY2012					$2,900
Repayments in FY2013		($600)			$2,300
Repayments in FY2014	($147)	($400)	($163)	($88)	$1,502
Repayments in FY2015	($147)		($163)	($262)	$930
Repayments in FY2016	($147)		($163)		$620
Repayments in FY2017	($147)		($163)		$310
Repayments in FY2018	($147)		($163)		NONE